

TOWN OF FOREST CITY, NORTH CAROLINA

Financial Statements
(With Supplementary Information)

June 30, 2015

TOWN OFFICIALS

MAYOR

Dennis L. Tarlton

COMMISSIONERS

Dee Dee Bright

David Eaker

Steve Holland

Chris Lee

Shawn Moore

OFFICERS

John Condrey, City Manager

Roxanne Stiles, Finance Director

Emily Sain, City Clerk

TOWN OF FOREST CITY, NORTH CAROLINA
Table of Contents
June 30, 2015

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditor's Report	
	Management's Discussion and Analysis	A-K
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	1-2
2	Statement of Activities	3-4
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	5
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	6
4	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	7
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	8
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Governmental Fund - General Fund	9
6	Statement of Fund Net Position - Proprietary Funds	10
7	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	11
8	Statement of Cash Flows - Proprietary Funds	12-13
	Notes to the Financial Statements	14-46

Required Supplemental Financial Data:

I	Law Enforcement Officers Special Separation Allowance - Schedule of Funding Progress and Schedule of Employer Contributions	47
II	Schedule of the Proportionate Share of the Net Pension Asset - Local Government Employees' Retirement System	48
III	Schedule of Contributions - Local Government Employees' Retirement System	49
IV	Schedule of the Proportionate Share of the Net Pension Asset - Firefighters' and Rescue Squad Workers' Pension	50

Individual Fund Statements and Schedules:

A	Statement of Revenues, Expenditures, and Changes in Fund Balance -General Fund - Budget and Actual	51-55
	Schedules of Revenues and Expenditures - Budget and Actual (Non-GAAP):	
B	Capital Projects Fund - Governmental	56
C	Electric Fund	57-58
D	Electric Rate Stabilization Fund	59
E	Water and Sewer Fund	60-62

Other Schedules:

F	Schedule of Ad Valorem Taxes Receivable	63
G	Analysis of Current Tax Levy	64

Compliance Section:

	Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	65-66
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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, 2015, 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, 2015 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 Law Enforcement Officers' Special Separation Allowance's, Schedules of Funding Progress and Schedules of Employer Contributions, on Exhibit I, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on Exhibits II and III, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability, on Exhibit IV, 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 by me. 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 6, 2015 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 cursive script, appearing to read "Ronald Beath".

November 6, 2015

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, 2015. 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.

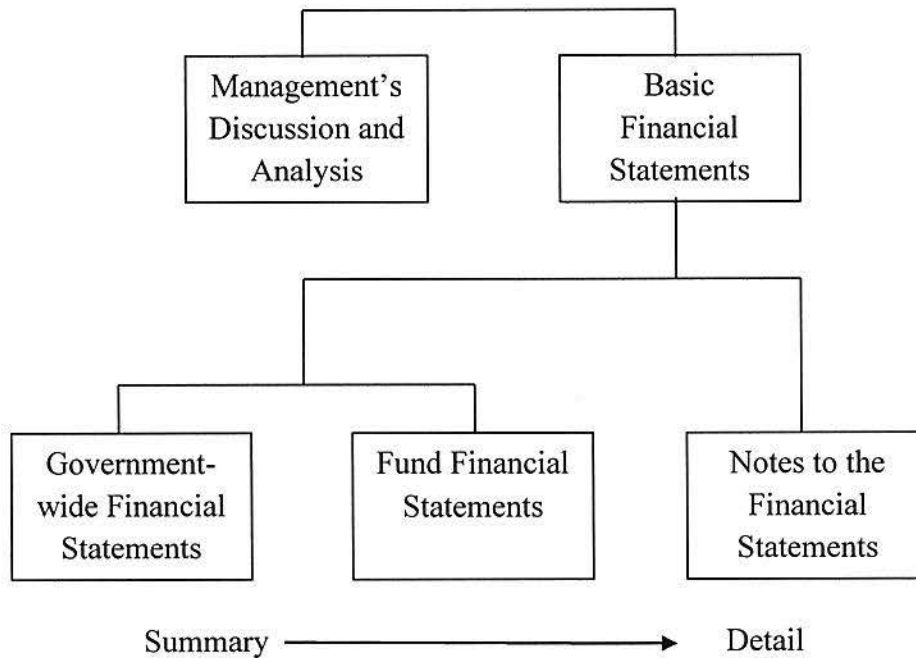
Financial Highlights

- 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 \$78,337,486 (*net position*).
- The government's total net position increased by \$1,162,863 due to positive operations in the business-type funds.
- As of the close of the current fiscal year, the Town of Forest City's governmental funds reported combined ending fund balances of \$6,506,096 with a net increase of \$475,684 in fund balance. Approximately 16.01 percent of this total amount, or \$1,041,358, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,113,522, or 37.24 percent of the total General Fund expenditures for the year.
- The Town of Forest City's total debt decreased by \$892,900 during the current fiscal year. The key factors in this decrease were (1) the beginning balance was restated by an \$892,145 increase, (2) debt was issued in the amount of \$280,000 to finance equipment purchased and (3) payments totaled approximately \$1,186,000. The payment of the \$825,145 increase in beginning debt is reported within the pension deferral amounts.

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 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental fund statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

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 two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can 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 modified 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.

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 to its police 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, 2015 and June 30, 2014 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	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 6,943,679	\$ 6,463,278	\$ 13,400,893	\$ 11,508,435	\$ 20,344,572	\$ 17,971,713
Restricted Assets						
Cash and cash equivalents	195,421	226,334	325,129	312,490	520,550	538,824
Capital assets - net	16,247,741	16,617,171	45,048,715	46,573,101	61,296,456	63,190,272
Other assets						
Net pension asset	367,326	-	232,978	-	600,304	-
Due from component unit	66,115	95,228	-	-	66,115	95,228
Industrial development loan	-	-	730,716	876,871	730,716	876,871
Deferred outflows of resources	500,149	-	198,571	-	698,720	-
Total assets and deferred outflows of resources	\$ 24,320,431	\$ 23,402,011	\$ 59,937,002	\$ 59,270,897	\$ 84,257,433	\$ 82,672,908
Long-term liabilities outstanding	\$ 1,898,103	\$ 2,084,275	\$ 611,263	\$ 492,847	\$ 2,509,366	\$ 2,577,122
Other liabilities	713,848	801,221	1,230,176	1,289,816	1,944,024	2,091,037
Deferred inflows of resources	897,391	655	569,166	-	1,466,557	655
Total liabilities and deferred inflows of resources	\$ 3,509,342	\$ 2,886,151	\$ 2,410,605	\$ 1,782,663	\$ 5,919,947	\$ 4,668,814
Net position:						
Net investment in capital assets	\$ 14,964,446	\$ 14,827,083	\$ 44,437,452	\$ 46,080,254	\$ 59,401,898	\$ 60,907,337
Restricted	1,023,802	949,108	-	-	1,023,802	949,108
Unrestricted	4,822,841	4,739,669	13,088,945	11,407,980	17,911,786	16,147,649
Total net position	\$ 20,811,089	\$ 20,515,860	\$ 57,526,397	\$ 57,488,234	\$ 78,337,486	\$ 78,004,094

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 \$78,337,486 as of June 30, 2015. The Town's net position increased by \$1,162,863 for the fiscal year ended June 30, 2015. The largest portion of Net Position (75.83%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery and equipment) which totals \$59,401,898. 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, \$1,023,802, represents resources which are subject to external restrictions as to how they may be used. The remaining balance of \$17,911,786 is unrestricted. Also, the Town of Forest City implemented GASB Statement 68 this year. With the new reporting change, the Town has allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$829,471. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town's management.

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,
- Electric utility franchise tax receipts higher than anticipated due mainly to the increase in electric usage at Facebook,
- An increase in the collection of property taxes by increasing the tax collection percentage from 97.73% in Fiscal Year 2013-2014 to 98.17% in Fiscal Year 2014-2015, and
- 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	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	\$ 1,464,762	\$ 1,412,873	\$ 17,011,477	\$ 16,889,664	\$ 18,476,239	\$ 18,302,537
Operating Grants and Contributions	296,796	277,286	-	-	296,796	277,286
Capital Grants and Contributions	108,953	-	8,783	282,896	117,736	282,896
General Revenue:						
Property Taxes	3,402,017	3,098,483	-	-	3,402,017	3,098,483
Other Taxes	877,636	587,536	-	-	877,636	587,536
Unrestricted Intergovernmental	1,310,202	1,115,311	-	-	1,310,202	1,115,311
Unrestricted Investment earnings	32,310	101,184	51,069	161,229	83,379	262,413
Gain (Loss) on Sale of Capital Assets	5,818	35,659	(7,901)	5,927	(2,083)	41,586
Contribution - Real Estate Net Proceeds	-	267,860	-	-	-	267,860
Miscellaneous	15,215	32,188	(964)	-	14,251	32,188
Total Revenues	\$ 7,513,709	\$ 6,928,380	\$ 17,062,464	\$ 17,339,716	\$ 24,576,173	\$ 24,268,096
Expenses:						
General Government	\$ 3,161,694	\$ 3,232,987	\$ -	\$ -	\$ 3,161,694	\$ 3,232,987
Public Safety	3,667,586	3,774,953	-	-	3,667,586	3,774,953
Transportation	1,287,396	1,361,704	-	-	1,287,396	1,361,704
Environmental Protection	1,042,777	1,019,076	-	-	1,042,777	1,019,076
Culture and Recreation	1,448,265	1,522,247	-	-	1,448,265	1,522,247
Cemetery	16,261	5,836	-	-	16,261	5,836
Water and Sewer	-	-	4,665,773	4,332,709	4,665,773	4,332,709
Electric	-	-	8,123,558	8,323,779	8,123,558	8,323,779
Total Expenses	\$ 10,623,979	\$ 10,916,803	\$ 12,789,331	\$ 12,656,488	\$ 23,413,310	\$ 23,573,291
Total before transfers	\$ (3,110,270)	\$ (3,988,423)	\$ 4,273,133	\$ 4,683,228	\$ 1,162,863	\$ 694,805
Transfers	3,913,052	4,686,501	(3,913,052)	(4,686,501)	-	-
Increase (Decrease) in Net Position	\$ 802,782	\$ 698,078	\$ 360,081	\$ (3,273)	\$ 1,162,863	\$ 694,805
Net Position July 1 as previously stated	\$ 20,515,860	\$ 19,817,782	\$ 57,488,234	\$ 57,491,507	\$ 78,004,094	\$ 77,309,289
As Restated	20,008,307	-	57,166,316	-	77,174,623	-
Net Position June 30	\$ 20,811,089	\$ 20,515,860	\$ 57,526,397	\$ 57,488,234	\$ 78,337,486	\$ 78,004,094

Management's Discussion and Analysis
Town of Forest City

Governmental activities: Governmental activities increased the Town's net position by \$802,782, accounting for the total growth in the net position of the Town of Forest City. The increase in net position in the governmental activities is mainly attributable to higher than anticipated revenues due to conservative revenue estimates, especially in the area of property taxes and electric franchise utility tax, and a concerted effort to control and manage expenditures resulting in expenditures being much less than budget in some areas.

Business-type activities: Business-type activities increased the Town of Forest City's net position by \$360,081 after funding transfers totaling \$3,913,052.

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 \$5,660,159, and total fund balance reached \$6,506,096. As of June 30, 2015, the Town has an available balance of 51.24% 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, 2015, revenues were \$687,177 more than the budgeted amounts. Expenditures were \$1,133,599 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 increased \$124,890 from the prior year to a total of \$6,801,256 at June 30, 2015. Overall net position of the Water and Sewer Fund decreased (\$803,457). Unrestricted net position of the Electric Fund increased \$1,556,075 from the prior year to a total of \$6,287,689 as of June 30, 2015.

Management's Discussion and Analysis
Town of Forest City

Overall net position of the Electric Fund increased \$1,163,538. 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, 2015 totals \$61,296,456 (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 purchase of two Town vehicles.
- The purchase of two bucket lift trucks and a motor grader.
- The replacement of the sewer lines on West Main and Hudlow Road.
- The completion of various building improvements at the Public Works building.
- The installation of a record system for the Police Department.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 7,042,077	\$ 7,042,077	\$ 293,597	\$ 293,597	\$ 7,335,674	\$ 7,335,674
Plant and Lines	-	-	43,179,899	44,697,114	43,179,899	44,697,114
Buildings	6,228,427	6,487,076	-	-	6,228,427	6,487,076
Equipment	1,419,771	1,248,231	1,575,219	1,582,390	2,994,990	2,830,621
Infrastructure	792,486	814,766	-	-	792,486	814,766
Vehicles	764,980	1,025,021	-	-	764,980	1,025,021
Total	\$ 16,247,741	\$ 16,617,171	\$ 45,048,715	\$ 46,573,101	\$ 61,296,456	\$ 63,190,272

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, 2015, 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 (\$1,277,778), installment loans for vehicles and equipment (\$464,324), an interest free 20 year loan from the North Carolina Department of Environmental and Natural Resources for a sewer line rehabilitation project (\$459,861), and net pension obligation (\$307,404). During the current fiscal year, long-term debt decreased by \$892,900 of which \$825,145 relates to pension deferrals of the previous fiscal year.

Town of Forest City Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Installment Notes	\$ 1,590,700	\$ 1,790,088	\$ 151,402	\$ -	\$ 1,742,102	\$ 1,790,088
NCDENR Loan	-	-	459,861	492,847	459,861	492,847
Net Pension Obligation	307,404	294,187	-	-	307,404	294,187
Total	\$ 1,898,104	\$ 2,084,275	\$ 611,263	\$ 492,847	\$ 2,509,367	\$ 2,577,122

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 \$94,000,000.

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, 2016

Governmental Activities - Property taxes remain at \$.29/\$100 for fiscal year 2015-2016. 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 increase approximately 4%, or \$475,000, as compared to fiscal year 2014-2015.

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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 5 862 403	\$10 262 898	\$16 125 301	\$400 977
Taxes receivable - net	117 701		117 701	
Accrued interest on taxes receivable	18 300		18 300	
Accounts receivable	165 453	2 450 222	2 615 675	
Due from component unit	34 034		34 034	
Other receivables	55 159	675 052	730 211	
Due from other governments	673 073	12 721	685 794	
Inventories	17 556		17 556	168 231
Prepaid items				5 824
Restricted assets:				
Cash	195 421	325 129	520 550	
	<u>7 139 100</u>	<u>13 726 022</u>	<u>20 865 122</u>	<u>575 032</u>
Noncurrent assets:				
Capital assets:				
Land and non-depreciable improvements	7 042 077	293 597	7 335 674	50 000
Other - net of depreciation	9 205 664	44 755 118	53 960 782	199 200
	16 247 741	45 048 715	61 296 456	249 200
Net pension asset	367 326	232 978	600 304	7 018
Due from component unit	66 115		66 115	
Industrial development loan		730 716	730 716	
	<u>16 681 182</u>	<u>46 012 409</u>	<u>62 693 591</u>	<u>256 218</u>
Total assets	<u>23 820 282</u>	<u>59 738 431</u>	<u>83 558 713</u>	<u>831 250</u>
Deferred Outflows of Resources				
Current year pension plan contributions	500 149	198 571	698 720	3 556
	<u>500 149</u>	<u>198 571</u>	<u>698 720</u>	<u>3 556</u>
Liabilities				
Current liabilities:				
Accounts payable	397 652	793 273	1 190 925	183 598
Due primary government				34 034
Current portion - long term debt	331 348	57 174	388 522	
Compensated absences	316 196	111 774	427 970	
Payable from restricted assets:				
Customer deposits		325 129	325 129	
	1 045 196	1 287 350	2 332 546	217 632
Long-term liabilities				
Due primary government				66 115
Other	1 566 755	554 089	2 120 844	
Total liabilities	<u>2 611 951</u>	<u>1 841 439</u>	<u>4 453 390</u>	<u>283 747</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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Deferred Inflow of Resources				
Prepaid taxes	13		13	
Pension deferrals	897 378	569 166	1 466 544	17 106
	<u>897 391</u>	<u>569 166</u>	<u>1 466 557</u>	<u>17 106</u>
Net Position				
Net invested in capital assets	14 964 446	44 437 452	59 401 898	182 674
Restricted for:				
Stabilization by State Statute	828 381		828 381	
Other	195 421		195 421	54 152
Unrestricted	<u>4 822 841</u>	<u>13 088 945</u>	<u>17 911 786</u>	<u>297 127</u>
Total net position	<u>\$20 811 089</u>	<u>\$57 526 397</u>	<u>\$78 337 486</u>	<u>\$533 953</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, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			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	\$ 3 161 694	\$ 80 495	\$ 21 759	\$	\$(3 059 440)	\$	\$(3 059 440)	
Public safety	3 667 586	47 434	23 450	108 953	(3 487 749)		(3 487 749)	
Transportation	1 287 396		246 794		(1 040 602)		(1 040 602)	
Environmental protection	1 042 777	1 028 718	4 793		(9 266)		(9 266)	
Cultural and recreation	1 448 265	290 315			(1 157 950)		(1 157 950)	
Cemetery	16 261	17 800			1 539		1 539	
Total governmental activities	<u>10 623 979</u>	<u>1 464 762</u>	<u>296 796</u>	<u>108 953</u>	<u>(8 753 468)</u>	<u>-</u>	<u>(8 753 468)</u>	
Business-type activities:								
Electric	8 123 558	12 106 515				3 982 957	3 982 957	
Water and sewer	<u>4 665 773</u>	<u>4 904 962</u>		<u>8 783</u>	<u>-</u>	<u>247 972</u>	<u>247 972</u>	
Total business-type activities	<u>12 789 331</u>	<u>17 011 477</u>	<u>-</u>	<u>8 783</u>	<u>-</u>	<u>4 230 929</u>	<u>4 230 929</u>	
Total primary government	<u>\$23 413 310</u>	<u>\$18 476 239</u>	<u>\$296 796</u>	<u>\$ 117 736</u>	<u>(8 753 468)</u>	<u>4 230 929</u>	<u>(4 522 539)</u>	
Component Unit:								
ABC Board	<u>\$ 1 718 932</u>	<u>\$ 1 832 120</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$113 188</u>
General revenues:								
Taxes:								
Property taxes					3 402 017		3 402 017	
Other taxes					877 636		877 636	
Unrestricted intergovernmental					1 310 202		1 310 202	
Unrestricted investment earnings					32 310	51 069	83 379	1 214
Gain (loss) on sale of capital assets					5 818	(7 901)	(2 083)	
Miscellaneous					<u>15 215</u>	<u>(964)</u>	<u>14 251</u>	
Total general revenues not including transfers					5 643 198	42 204	5 685 402	1 214

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, 2015

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Unit
Transfers				\$ 3 913 052	\$(3 913 052)	\$ -	\$(88 637)
Total general revenues and transfers				9 556 250	(3 870 848)	5 685 402	(87 423)
Change in net position				802 782	360 081	1 162 863	25 765
Net position - beginning:							
As previously reported				20 515 860	57 488 234	78 004 094	513 388
Restated for deferred pension costs				(507 553)	(321 918)	(829 471)	(5 200)
As restated				20 008 307	57 166 316	77 174 623	508 188
Net position - ending				\$20 811 089	\$57 526 397	\$78 337 486	\$533 953

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, 2015

	General	Capital Projects	Total
Assets			
Cash and cash equivalents	\$5 862 403	\$	\$5 862 403
Restricted cash	195 421		195 421
Receivables:			
Taxes	117 701		117 701
Accounts	165 453		165 453
Other	55 159		55 159
Due from other governments	673 073		673 073
Inventories	17 556		17 556
Component unit: Note receivable	66 115		66 115
Distributions	34 034		34 034
	7 186 915	-	7 186 915
Liabilities			
Accounts payable and accrued liabilities	\$ 397 652	\$ -	397 652
Deferred Inflows of Resources			
Property tax receivable	117 701		117 701
Accounts receivable	165 453		165 453
Prepaid taxes	13		13
	\$ 283 167	-	283 167
Fund Balances:			
Non spendable - inventories	17 556		17 556
Restricted:			
Stabilization by State Statute	828 381		828 381
Streets	145 421		145 421
Fire equipment	50 000		50 000
Committed - Downtown development	380 555		380 555
Assigned - Subsequent year expenditures	970 661		970 661
Unassigned	4 113 522		4 113 522
	\$6 506 096	\$ -	\$6 506 096

**Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position**

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		\$16 247 741
Net pension asset		367 326
Pension plan contributions in the current fiscal year are deferred outflow of resources on the Statement on Net Position		500 149
Pension related deferrals		(1 204 782)
Other long-term assets (accrued interest receivable on taxes) are not available to pay current period expenditures and therefore are deferred		18 300
Liabilities for earned revenues considered deferred inflows of resources in fund statements		283 154

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

Some liabilities are not due and payable in the current period
and are not reported in the fund statements:

Compensated absences	\$ (316 196)	
Long-term debt	<u>(1 590 699)</u>	<u>(1 906 895)</u>
Reconciling amount		14 304 993
Fund balance - June 30, 2015		<u>6 506 096</u>
Net position governmental activities - June 30, 2015		<u><u>\$20 811 089</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, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:			
Ad valorem taxes	\$ 3 399 445	\$	\$ 3 399 445
Other taxes and licenses	883 274		883 274
Unrestricted intergovernmental	1 426 717		1 426 717
Restricted intergovernmental	274 558		274 558
Permits and fees	61 318		61 318
Sales and services	1 290 774		1 290 774
Investment earnings	33 667		33 667
Miscellaneous	119 148		119 148
	<u>7 488 901</u>	<u>-</u>	<u>7 488 901</u>
Expenditures:			
Current:			
General government	3 001 755		3 001 755
Public safety	3 740 285		3 740 285
Transportation	1 206 317		1 206 317
Environmental protection	1 042 777		1 042 777
Cultural and recreation	1 344 662		1 344 662
Cemetery	14 384		14 384
Capital outlay	345 165		345 165
Debt service:			
Principal	314 389		314 389
Interest	37 353		37 353
	<u>11 047 087</u>	<u>-</u>	<u>11 047 087</u>
Revenues under expenditures	<u>(3 558 186)</u>	<u>-</u>	<u>(3 558 186)</u>
Other financing sources (uses):			
Transfers from other funds:			
Enterprise Funds	3 913 052		3 913 052
Sale of fixed assets	5 818		5 818
Installment note issued	115 000		115 000
	<u>4 033 870</u>	<u>-</u>	<u>4 033 870</u>
Net changes in fund balance	475 684	-	475 684
Fund balance:			
Beginning	<u>6 030 412</u>	<u>-</u>	<u>6 030 412</u>
Ending	<u>\$ 6 506 096</u>	<u>\$ -</u>	<u>\$ 6 506 096</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

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	\$345 165	
Depreciation for governmental assets	<u>(714 595)</u>	\$(369 430)
Pension plan contributions for the current fiscal year are not included in the Statement of Activities		500 149

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.

New long term debt issued	(115 000)	
Principal payments on long-term debt	<u>314 389</u>	199 389

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Tax revenues	2 572	
Environmental protection revenues	12 843	
Other	<u>3 575</u>	18 990

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	13 716	
Net pension obligation	(13 217)	
Pension expense	<u>(22 499)</u>	<u>(22 000)</u>

Reconciling amount 327 098

Net changes in fund balance - governmental fund 475 684

Total changes in net position of governmental activities \$ 802 782

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 Fund - General Fund
 For the Year Ended June 30, 2015

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 3 371 334	\$ 3 371 334	\$ 3 399 445	\$ 28 111
Other taxes and licenses	592 491	592 491	883 274	290 783
Unrestricted				
intergovernmental	1 066 563	1 132 752	1 426 717	293 965
Restricted intergovernmental	270 000	279 869	274 558	(5 311)
Permits and fees	22 100	29 600	61 318	31 718
Sales and services	1 269 100	1 270 278	1 290 774	20 496
Investment earnings	18 100	18 100	33 667	15 567
Miscellaneous	99 700	107 300	119 148	11 848
	<u>6 709 388</u>	<u>6 801 724</u>	<u>7 488 901</u>	<u>687 177</u>
Expenditures:				
Current:				
General government	3 094 186	3 417 436	3 001 755	415 681
Public safety	3 955 423	4 037 198	3 740 285	296 913
Transportation	1 267 581	1 469 888	1 206 317	263 571
Environmental protection	1 040 000	1 043 000	1 042 777	223
Cultural and recreation	1 473 854	1 476 082	1 344 662	131 420
Cemetery	16 850	16 850	14 384	2 466
Capital outlay	345 165	345 165	345 165	
Debt service:				
Principal	314 389	314 389	314 389	
Interest	37 353	37 353	37 353	
Contingency	24 375	23 325	-	23 325
	<u>11 569 176</u>	<u>12 180 686</u>	<u>11 047 087</u>	<u>1 133 599</u>
Deficiency of revenues over expenditures	(4 859 788)	(5 378 962)	(3 558 186)	1 820 776
Other financing sources:				
Transfers from other funds	3 913 052	3 913 052	3 913 052	
Installment notes issued	115 000	115 000	115 000	
Sale of fixed assets	5 000	5 000	5 818	818
Fund balance appropriated	826 736	1 345 910		(1 345 910)
	<u>4 859 788</u>	<u>5 378 962</u>	<u>4 033 870</u>	<u>(1 345 092)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>475 684</u>	<u>\$ 475 684</u>
Fund balance:				
Beginning of year			<u>6 030 412</u>	
End of year			<u>\$ 6 506 096</u>	

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, 2015

	<u>Enterprise Funds</u>		
	<u>Electric Total</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 4 177 454	\$ 6 085 444	\$10 262 898
accounts receivable:			
Billed - net	1 389 586	27 136	1 416 722
Unbilled	793 000	240 500	1 033 500
Other receivables	676 191	11 582	687 773
Restricted cash/cash equivalents	<u>230 824</u>	<u>94 305</u>	<u>325 129</u>
	<u>7 267 055</u>	<u>6 458 967</u>	<u>13 726 022</u>
Noncurrent assets:			
Capital assets:			
Land and other			
non-depreciable assets	115 715	177 882	293 597
Other capital assets,			
net of depreciation	<u>3 769 012</u>	<u>40 986 106</u>	<u>44 755 118</u>
	3 884 727	41 163 988	45 048 715
Net pension asset	60 571	172 407	232 978
Industrial development loan		<u>730 716</u>	<u>730 716</u>
	<u>3 945 298</u>	<u>42 067 111</u>	<u>46 012 409</u>
Total assets	<u>11 212 353</u>	<u>48 526 078</u>	<u>59 738 431</u>
Deferred Outflows of Resources:			
Current year pension plan contribution	<u>51 625</u>	<u>146 946</u>	<u>198 571</u>
Liabilities:			
Current liabilities:			
Accounts payable and			
accrued liabilities	695 023	98 250	793 273
Current maturities - long-term debt	32 971	24 203	57 174
Compensated absences	17 740	94 034	111 774
Payable from restricted assets:			
Customer deposits	<u>230 824</u>	<u>94 305</u>	<u>325 129</u>
	976 558	310 792	1 287 350
Long-term debt	<u>118 431</u>	<u>435 658</u>	<u>554 089</u>
Total liabilities	<u>1 094 989</u>	<u>746 450</u>	<u>1 841 439</u>
Deferred Inflows of Resources:			
Pension deferrals	<u>147 975</u>	<u>421 191</u>	<u>569 166</u>
Net position:			
Invested in capital assets	3 733 325	40 704 127	44 437 452
Unrestricted	<u>6 287 689</u>	<u>6 801 256</u>	<u>13 088 945</u>
Total net position	<u>\$10 021 014</u>	<u>\$47 505 383</u>	<u>\$57 526 397</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, 2015

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating revenues:			
Charge for services	\$11 818 418	\$ 4 801 051	\$16 619 469
Late payment penalties	244 076		244 076
Other operating revenue	44 021	103 911	147 932
	<u>12 106 515</u>	<u>4 904 962</u>	<u>17 011 477</u>
Operating expenses:			
Administration	343 061	525 804	868 865
Operations	1 084 146	968 734	2 052 880
Electric power purchased	6 193 107		6 193 107
Water plant		662 776	662 776
Waste treatment plants		747 153	747 153
Pump station and storage		439 733	439 733
Depreciation	503 244	1 321 573	1 824 817
	<u>8 123 558</u>	<u>4 665 773</u>	<u>12 789 331</u>
Operating income	<u>3 982 957</u>	<u>239 189</u>	<u>4 222 146</u>
Nonoperating revenues:			
Investment earnings	16 319	34 750	51 069
Sale of fixed assets	(7 901)		(7 901)
Interest paid	(964)		(964)
	<u>7 454</u>	<u>34 750</u>	<u>42 204</u>
Income before transfers and contributions	3 990 411	273 939	4 264 350
Capital contributions - net		8 783	8 783
Transfers to other funds	<u>(2 826 873)</u>	<u>(1 086 179)</u>	<u>(3 913 052)</u>
Change in net position	<u>1 163 538</u>	<u>(803 457)</u>	<u>360 081</u>
Net position:			
Beginning as previously reported	8 941 170	48 547 064	57 488 234
Restated for deferred pension costs	<u>(83 694)</u>	<u>(238 224)</u>	<u>(321 918)</u>
Beginning as restated	<u>8 857 476</u>	<u>48 308 840</u>	<u>57 166 316</u>
Ending	<u>\$10 021 014</u>	<u>\$47 505 383</u>	<u>\$57 526 397</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, 2015

	Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$11 902 603	\$4 872 913	\$16 775 516
Cash paid for goods and services	(7 058 615)	(1 835 639)	(8 894 254)
Cash paid to or on behalf of employees for services	(602 331)	(1 759 802)	(2 362 133)
Other operating revenues	72 325	73 618	145 943
	<u>4 313 982</u>	<u>1 351 090</u>	<u>5 665 072</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(2 826 873)	(1 086 179)	(3 913 052)
Note principal collected		146 155	146 155
	<u>(2 826 873)</u>	<u>(940 024)</u>	<u>(3 766 897)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(203 058)	(127 057)	(330 115)
Contributed capital		127 565	127 565
Fixed assets sold	16 742		16 742
Installment note proceeds	165 000		165 000
Principal paid on installment contracts	(13 598)	(32 986)	(46 584)
Interest paid on installment contracts	(964)		(964)
	<u>(35 878)</u>	<u>(32 478)</u>	<u>(68 356)</u>
Cash flows from investing activities:			
Interest on investments	16 319	34 750	51 069
	<u>16 319</u>	<u>34 750</u>	<u>51 069</u>
Net increase in cash and cash equivalents	1 467 550	413 338	1 880 888
Cash and cash equivalents:			
Beginning of year - July 1	<u>2 940 728</u>	<u>5 766 411</u>	<u>8 707 139</u>
End of year - June 30	<u>\$ 4 408 278</u>	<u>\$6 179 749</u>	<u>\$10 588 027</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, 2015

	<u>Enterprise Funds</u>		
	<u>Electric Sewer Fund</u>	<u>Water and Total</u>	<u>Fund</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 3 982 957	\$ 239 189	\$ 4 222 146
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	503 244	1 321 573	1 824 817
Pension expense	3 710	10 560	14 270
Decrease (increase) in assets:			
Accounts receivable	(140 328)	34 894	(105 434)
Other receivables	(33 562)	1 046	(32 516)
Increase (decrease) in liabilities:			
Accounts payable	41 318	(111 281)	(69 963)
Customer deposits	8 510	4 129	12 639
Compensated absences	(242)	(2 074)	(2 316)
Increase in deferred outflows of resources	<u>(51 625)</u>	<u>(146 946)</u>	<u>(198 571)</u>
Total adjustments	<u>331 025</u>	<u>1 111 901</u>	<u>1 442 926</u>
Net cash provided by operating activities	<u>\$ 4 313 982</u>	<u>\$1 351 090</u>	<u>\$ 5 665 072</u>

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, 2015

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

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

Capital Projects Fund - The fund, when appropriate, is used to account for enterprise capital projects which extend beyond a single fiscal year.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

(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 and Proprietary Fund Financial Statements

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows 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.

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

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the 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.

(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

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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 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 securities of the NCCMT-Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, 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 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.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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	\$145 421	
Fire equipment	<u>50 000</u>	\$195 421

Business-type Activities:

Electric Fund:

Customer deposits	\$230 824	
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Water Sewer Fund:

Customer deposits	<u>94 305</u>	<u>325 129</u>
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Total restricted cash		<u>\$520 550</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.

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.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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

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.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

ABC Board employees may accumulate earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2015 amounted to \$9,885. 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 an item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

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.

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net invested 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.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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.

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

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

fund balance. The Director of Finance has the authority to deviate from this policy if it is in the best interest of the Town.

Pensions

For purposes of measuring the net pension asset, 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. 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 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

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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, 2015, the Town's deposits had a carrying amount of \$10,510,325 and a bank balance of \$10,671,739. Of the bank balance \$750,000 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 \$397,422 and the bank balance was \$405,704; all of the ABC Board's bank balance was covered by federal depository insurance. At June 30, 2015, the Town's drawer funds totaled \$3,500 and the ABC Board's totaled \$3,555.

Investments

At June 30, 2015, the Town of Forest City had \$6,132,026 invested with the North Carolina Capital Management Trust's Cash 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, 2015 were as follows:

	Taxes & Accrued <u>Interest</u>	<u>Accounts</u>	Due From Other Governments	<u>Other</u>
Governmental Activities:				
General	\$194 701	\$ 180 653	\$673 073	\$ 89 193
Allowance for doubtful accounts	<u>58 700</u>	<u>15 200</u>	<u>673 073</u>	<u>89 193</u>
	<u>\$136 001</u>	<u>\$ 165 453</u>	<u>\$673 073</u>	<u>\$ 89 193</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	\$	\$2 248 086	\$ 1 393	\$674 798
Water and sewer	<u> </u>	<u>268 036</u>	<u>11 328</u>	<u>254</u>
	-	2 516 122	12 721	675 052
Allowance for doubtful accounts		<u>65 900</u>		
	<u>\$ -</u>	<u>\$2 450 222</u>	<u>\$ 12 721</u>	<u>\$675 052</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	\$101 637	\$
Property taxes unremitted	49 730	
State taxes collected	499 320	
Cost reimbursements	6 099	
Services rendered	3 211	12 721
Payments in lieu	<u>13 076</u>	
	<u>\$673 073</u>	<u>\$ 12 721</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.

Thirteen payments were received during the year ended June 30, 2015. The \$50,000 premium generated by the payments is being recognized as imputed interest at the annual rate of .981%. Interest for the current year was \$8,607.

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, 2015 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	\$ 7 042 077	\$ -	\$ -	\$ 7 042 077
		<u> </u>	<u> </u>	
Capital assets being depreciated:				
Equipment	\$ 3 657 136	\$ 363 850	\$ 20 310	\$ 4 000 676
Vehicles	3 598 940	26 390	87 019	3 538 311
Buildings	10 552 234	41 944		10 594 178
Infrastructure	1 114 000			1 114 000
	<u>18 922 310</u>	<u>\$ 432 184</u>	<u>\$ 107 329</u>	<u>19 247 165</u>
		<u> </u>	<u> </u>	
Less accumulated depreciation:				
Equipment	\$ 2 408 905	\$ 192 310	\$ 20 310	\$ 2 580 905
Vehicles	2 573 919	199 412		2 773 331
Buildings	4 065 158	300 593		4 365 751
Infrastructure	299 234	22 280		321 514
	<u>9 347 216</u>	<u>\$ 714 595</u>	<u>\$ 20 310</u>	<u>10 041 501</u>
		<u> </u>	<u> </u>	
Governmental activities capital assets - net	<u>\$16 617 171</u>			<u>\$16 247 741</u>

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

General government	\$ 216 488
Public safety	235 608
Transportation	135 225
Cultural and recreation	125 397
Cemetery	1 877
	<u>\$ 714 595</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending</u> <u>Balances</u>
Business-Type				
Activities:				
Electric Fund:				
Capital assets				
not being				
depreciated:				
Land	\$ 115 715	\$ -	\$ -	\$ 115 715
Capital assets				
being				
depreciated:				
Equipment	\$ 1 108 261	\$ 203 058	\$ 82 369	\$ 1 228 950
Plant and				
lines	<u>11 021 512</u>	<u> </u>	<u> </u>	<u>11 021 512</u>
	<u>12 129 773</u>	<u>\$ 203 058</u>	<u>\$ 82 369</u>	<u>12 250 462</u>
Less				
accumulated				
depreciation:				
Equipment	915 281	\$ 63 339	\$ 57 726	920 894
Plant and				
lines	<u>7 120 651</u>	<u>439 905</u>	<u> </u>	<u>7 560 556</u>
	<u>8 035 932</u>	<u>\$ 503 244</u>	<u>\$ 57 726</u>	<u>8 481 450</u>
Electric Fund				
capital assets-				
net	<u>4 209 556</u>			<u>3 884 727</u>
 Water and Sewer				
Fund:				
Capital assets				
not being				
depreciated:				
Land	\$ 177 882	\$ -	\$ -	\$ 177 882
Capital assets				
being				
depreciated:				
Equipment	\$ 4 319 328	\$ 30 032	\$ -	\$ 4 349 360
Plant and				
lines	<u>60 511 534</u>	<u>91 984</u>	<u> </u>	<u>60 603 518</u>
	<u>64 830 862</u>	<u>\$ 122 016</u>	<u>\$ -</u>	<u>64 952 878</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	\$ 2 929 918	\$ 152 279	\$ -	\$ 3 082 197
Plant and				
lines	<u>19 715 281</u>	<u>1 169 294</u>	<u> </u>	<u>20 884 575</u>
	<u>22 645 199</u>	<u>\$1 321 573</u>	<u>\$ -</u>	<u>23 966 772</u>
Water and Sewer				
Fund capital				
assets - net	<u>42 363 545</u>			<u>41 163 988</u>
Business-type				
activities				
capital assets				
net	<u>\$46 573 101</u>			<u>\$45 048 715</u>

Commitments

The Primary Government has one active construction project as of June 30, 2015. At year end, the Town had no known outstanding commitments for this project.

Discretely Presented Component Unit

Capital asset activity for the Forest City ABC Board for the period ended June 30, 2015 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	\$109 605	\$ 2 384	\$ -	111 989
Building and				
improvements	<u>300 000</u>	<u> </u>	<u> </u>	<u>300 000</u>
	<u>409 605</u>	<u>\$ 2 384</u>	<u>\$ -</u>	<u>411 989</u>
Less accumulated				
depreciation:				
Equipment	\$ 84 421	\$ 6 701	\$ -	91 122
Building and				
improvements	<u>111 667</u>	<u>10 000</u>	<u> </u>	<u>121 667</u>
	<u>196 088</u>	<u>\$16 701</u>	<u>\$ -</u>	<u>212 789</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending</u> <u>Balances</u>
Forest City ABC capital assets - net	\$263 517			\$249 200

(B) **Liabilities**

Payables

Payables at the government-wide level at June 30, 2015 were as follows:

	<u>Vendors</u>	<u>Salaries and</u> <u>Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$286 601	\$111 051	\$397 652
Business-Type Activities:			
Enterprise	\$748 798	\$ 44 475	\$793 273

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 (LTERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LTERS 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 LTERS 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 LTERS. That report may be obtained by writing the Office of State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided: LTERS 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

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statement

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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Forest City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Forest City's contractually required contribution rate for the year ended June 30, 2015, was 12.90% of compensation for law enforcement officers and 12.56% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Forest City were \$698,760 for the year ended June 30, 2015.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statement

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, 2015, the Town reported an asset of \$600,304 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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, 2014, the Town's proportion was .10% which was an increase of .220% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$36,769. At June 30, 2015, 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	\$ -	\$ 65 593
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1 397 491
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	3 460
Town contributions subsequent to the measurement date	<u>698 720</u>	<u>-</u>
Total	<u>\$698 720</u>	<u>\$1 466 544</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statement

The \$698,720 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 366 679
2017	366 679
2018	366 679
2019	366 507
2020	
Thereafter	
	<u>\$1 466 544</u>

Actuarial Assumptions: The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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 Statement

year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate: The discount rate used to measure the total liability was 7.25%. 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.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statement

Sensitivity of the Town's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>8.25%</u>
Town's proportionate share of the net pension liability (asset)	\$2 037 687	\$(600 302)	\$(2 821 405)

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**

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. 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, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	
Active plan members	<u>29</u>
Total	<u>32</u>

A separate report was not issued for the plan.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statement

Summary of Significant Accounting Policies:

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- . contributions to the pension plan and earnings on those contributions are irrevocable
- . pension plan assets are dedicated to providing benefits to plan members
- . pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments: No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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 annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include postretirement benefit increases.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

Annual Pension Cost and Net Pension Obligation: The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 70 213
Interest on net pension obligation	14 709
Adjustment to annual required contribution	(24 852)
Annual pension cost	60 070
Contributions made	46 853
Increase in net pension obligation	13 217
Net pension obligation beginning of year	294 187
Net pension obligation end of year	\$307 404

3 Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/13	53 078	64.44%	292 311
6/30/14	48 729	96.15%	294 187
6/30/15	60 070	78.00%	307 404

Funded Status and Funding Progress: As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$463,327. The covered payroll (annual payroll of active employees covered by the plan) was \$1,353,521, and the ratio of the UAAL to the covered payroll was 34.23%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c) Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$82,338 which consisted of \$72,770 from the Town and \$9,568 from the law enforcement officers. Effective January 20, 2015, the Town elected to match up to \$10.00 per pay period the contributions of all non-law officer employees. Contributions for the current fiscal year were \$45,125 which consisted of \$9,470 from the Town and \$35,655 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, or by calling (919) 981-5454.

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

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

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 plans 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.

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, 2015, 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 \$10,384. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the Town recognized pension expense of \$3,904 and revenue of \$3,904 for support provided by the State. At June 30, 2015, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

Actuarial Assumptions: The total pension liability in the December 31, 2013 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	7.25 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 7.25%. 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**

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.

Health Care Benefits

Plan Description: The postemployment health care benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (Medical Plan). The Executive Administrator and the Board of Trustees of the Medical Plan establishes premium rates except as may be

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

established by the General Assembly in an appropriation act. The Medical Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Medical Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Medical Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy: The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Medical Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The health care benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare.

For employees first hired on and after October 1, 2006, future coverage as retired employees 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 and after October 1, 2006 with 10 but less than 20 years of retirement service are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Medical Plan, 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 fiscal years ended June 30, 2015, 2014, and 2013, the Town paid all annual required contributions to the Plan for postemployment health care benefits of \$303,257, \$281,000, and \$269,000 respectively. These

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

contributions represented 5.5%, 5.4%, and 5.3% of covered payroll, respectively.

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. The Town considers post-employment contributions to be immaterial.

As a result of a surplus in the LGRS Death Benefit Plan, the State suspended through June 30, 2015 the Town's death benefit contribution. Contributions are scheduled to resume for the fiscal year beginning July 1, 2015.

Deferred Outflows/Inflows of Resources

The Town's outflows of resources is entirely composed of the current year contributions to the pension plan in the amount of \$698,720.

The Town's outflows of resources is primarily composed of pension deferrals in the amount of \$1,466,544.

The balance in deferred inflows of resources on the General Fund balance sheet at June 30, 2015 is composed of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Property taxes:		
Prepaid taxes	\$	\$ 13
Taxes receivable-net	117 701	
Solid waste fee receivable-net	153 563	
Cemetery lots receivable	<u>11 890</u>	
	<u>\$283 154</u>	<u>\$ 13</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, \$11 million; (2) fire coverage on buildings at estimated replacement costs and up to \$5 million for flood and earthquake; (3) errors and omissions liability, \$11 million; (4) auto liability, \$11 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>1 111 112</u>	\$1 277 778
Installment purchase obligation issued December 17, 2013 in accordance with G.S. 160A-20 to finance purchase of identified personal property; Original amount \$413,517 at 1.22% annual rate; collateral is equipment purchased; due \$11 704 monthly including interest.	
Due within 12 months \$ 138 675	
Due after 12 months <u>69 975</u>	208 650

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

Long-Term Obligations

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

		<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 of a specific motor vehicle; original amount of \$25,000 at 1.32% annual rate for a term of 3 years; collateral is vehicle acquired with proceeds; due \$709 monthly including interest		
Due within 12 months	\$ 8 269	
Due after 12 months	<u>13 318</u>	21 587
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 Water Sewer 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	\$ 50 708	
Due after 12 months	<u>183 379</u>	234 087
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 for 20 years and interest free.		
Due within 12 months	\$ 24 203	
Due after 12 months	<u>435 658</u>	<u>\$ 459 861</u>
Total due June 30, 2015		2 201 963
Due within 12 months		<u>388 521</u>
Due after 12 months		<u>\$1 813 442</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>
2016	\$ 388 521	\$ 34 258	422 779
2017	320 673	27 837	348 510
2018	248 008	22 683	270 691
2019	243 832	17 849	261 681
2020	217 639	13 107	230 746
Next 5 years	565 461	14 849	580 310
Next 5 years	121 016		121 016
Next 4 years	96 813		96 813
	<u>\$2 201 963</u>	<u>\$130 583</u>	<u>\$2 332 546</u>

During the year ended June 30, 2015, the following changes occurred in long-term debt obligations:

	<u>Balance</u> <u>06/30/14</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/15</u>	<u>Current</u> <u>Portion</u>
Governmental:					
Commercial note - '08	\$1 444 444	\$	\$166 666	\$1 277 778	\$166 666
Installment notes	345 644	115 000	147 722	312 922	164 682
Net pension obligation (LEO)	294 187	13 217		307 404	
Net pension obligation (LGRS)	<u>504 906</u>		<u>504 906</u>		
	<u>\$2 589 181</u>	<u>\$128 217</u>	<u>\$819 294</u>	<u>\$1 898 104</u>	<u>\$331 348</u>
Business-type:					
State loan	\$ 492 847	\$ -	\$ 32 986	\$ 459 861	\$24 203
Installment note		165 000	13 598	151 402	32 971
Net pension obligation (LGRS)	<u>320 239</u>		<u>320 239</u>		
	<u>\$ 813 086</u>	<u>\$165 000</u>	<u>\$366 823</u>	<u>\$ 611 263</u>	<u>\$57 174</u>
Component unit:					
Due Town	\$ 95 228	\$ -	\$ 29 113	\$ 66 115	\$ 30 603

TOWN OF FOREST CITY, NORTH CAROLINA

Notes to the Financial Statements

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

The ABC Board's long-term debt as above consisted at June 30, 2015 of the following:

..Promissory note to the Town of Forest City for the purchase and construction of the ABC facility and secured by a deed of trust on that real estate, due \$2,768 monthly including interest at 5%. Amount due within 12 months is \$30,603.

At June 30, 2015, the Town of Forest City had no bonds which were authorized as outstanding; the Town's legal debt margin was approximately \$94,000,000.

(C) Interfund Activity

Transfers to/from other funds for the year ended June 30, 2015 consist of the following:

Electric Fund to Florence Mill Fund	\$ 163 536
Electric Fund to Parks and Recreation Fund	\$ 439 906
Electric Fund to General Fund	\$2 223 431
Water Sewer Fund to Parks and Recreation	<u>\$1 086 179</u>
	<u>\$3 913 052</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.

(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		\$6 506 096
Less: Inventories	\$ 17 556	
Stabilization by State Statute	828 381	
Streets - Powell Bill	145 421	
Equipment - Fire	50 000	
Appropriated fund balance		
in 2015 budget	970 661	
Downtown Development	<u>380 555</u>	<u>2 392 574</u>
Unassigned - available for appropriation		<u>\$4 113 522</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, 2015. 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 Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$507,553 and \$321,918, respectively.

TOWN OF FOREST CITY, NORTH CAROLINA

REQUIRED SUPPLEMENTAL FINANCIAL DATA

TOWN OF FOREST CITY, NORTH CAROLINA

Law Enforcement Officers Special Separation Allowance

Required Supplemental Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Proj Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Val Date (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/09	0	509 701	509 701	0.00	1 363 482	37.38
12/31/10	0	475 950	475 950	0.00	1 343 309	35.43
12/31/11	0	485 656	485 656	0.00	1 388 529	34.98
12/31/12	0	479 886	479 886	0.00	1 365 308	35.15
12/31/13	0	497 857	497 857	0.00	1 445 351	34.45
12/31/14	0	463 327	463 327	0.00	1 353 521	34.23

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2009	37 708	54.26
2010	37 748	79.43
2011	57 366	52.27
2012	53 292	56.27
2013	56 422	60.62
2014	57 928	80.88
2015	70 213	66.73

TOWN OF FOREST CITY, NORTH CAROLINA
 Town of Forest City's Proportionate Share
 of Net Pension Liability (Asset) -
 Local Government Employees' Retirement System
 Last Two Fiscal Years

	<u>2015</u> *	<u>2014</u> *
Forest City's proportion of the net pension liability (asset)	.1018%	.0996%
Forest City's proportion of the net pension liability (asset)	\$(600 302)	\$1 200 562
Forest City's covered-employee payroll	\$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	(11.53%)	23.57%
Plan fiduciary net position as a percentage of the total pension liability**	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 Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 698 720	\$ 651 941
Contributions in relation to the contractually required contribution	<u>698 720</u>	<u>651 941</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Forest City's covered-employee payroll	\$5 523 798	\$5 205 002
Contributions as a percentage of covered-employee payroll	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 Fiscal Year

	<u>2015*</u>
Forest City's proportionate share of the net pension liability	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>3 904</u>
Total	<u>\$ 3 904</u>
Forest City's covered-employee payroll	\$720 000
Forest City's proportionate share of pension liability as a percentage of its covered-employee payroll	.54%
Plan fiduciary net position as a percentage of the total pension liability	93.42%

*The amounts presented for the fiscal year ending June 30, 2015 were determined as of June 30, 2014.

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, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Current year	\$ 3 304 334	\$ 3 331 378	\$
Prior years	52 000	52 576	
Interest and late charges	15 000	15 491	
	<u>3 371 334</u>	<u>3 399 445</u>	28 111
Other taxes and licenses:			
Local option sales taxes	584 113	877 136	
Privilege licenses	500	500	
Fire district tax	7 878	5 638	
	<u>592 491</u>	<u>883 274</u>	290 783
Unrestricted intergovernmental:			
Utility franchise tax	500 000	684 390	
Telecommunications sales tax	145 000	134 822	
Piped natural gas tax	38 000	25 610	
Video programming sales tax	40 000	40 984	
Court costs and fees	3 000	4 434	
Beer and wine tax	30 000	35 422	
Hold harmless revenue	181 563	289 707	
Policing subsidies and fees	32 502	29 430	
ABC profit distributions	75 000	86 191	
Payments-in-lieu	6 000	13 076	
Pedestrian planning grant	22 000	21 759	
Governor's Crime Commission grant	59 687	58 953	
Other grants		1 939	
	<u>1 132 752</u>	<u>1 426 717</u>	293 965
Restricted intergovernmental:			
Powell Bill allocation	245 000	245 437	
Controlled substance tax	3 430	8 455	
Police grant - vests		3 375	
On-behalf of payments-fire retirement	14 000	3 904	
ABC allocations	6 439	2 445	
State Fire Fund	6 000	6 149	
Solid waste disposal	5 000	4 793	
	<u>279 869</u>	<u>274 558</u>	(5 311)
Permits and fees:			
Building permits	27 500	58 897	
Code enforcement fees	2 100	2 421	
	<u>29 600</u>	<u>61 318</u>	31 718
Sales and services:			
Recreation department	246 278	236 382	
Waste collection fees	1 000 000	1 015 875	
Cemetery lots	2 000	14 225	

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, 2015

	2015		
	Budget	Actual	Variance Positive (Negative)
Fire protection fees	\$ 4 000	\$ 5 115	\$
Other sales and services	18 000	19 177	
	1 270 278	1 290 774	20 496
Investment earnings	\$ 18 100	33 667	15 567
Miscellaneous:			
Rents	47 700	53 933	
Contributions - local	57 500	61 825	
Other	2 100	3 390	
	107 300	119 148	11 848
Total revenues	6 801 724	7 488 901	687 177
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		54 065	
Materials and supplies		2 161	
Repairs and maintenance		1 097	
Insurance		7 948	
Economic Development incentive		1 626 636	
Other		9 042	
	1 700 950	1 700 949	1
Administration:			
Salaries and benefits		357 893	
Materials and supplies		70 682	
Repairs and maintenance		86 458	
Other		75 521	
Capital outlay		56 346	
	646 900	646 900	
Finance and legal:			
Salaries and benefits		209 321	
Professional fees		50 965	
Materials and supplies		9 247	
Repairs and maintenance		34 407	
Other		15 569	
	319 510	319 509	1
Planning and code enforcement:			
Salaries and benefits		322 509	
Materials and supplies		9 726	
Repairs and maintenance		18 727	
Other		124 314	
	547 346	475 276	72 070

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, 2015

	2015		
	Budget	Actual	Variance Positive (Negative)
Public buildings:			
Repairs and maintenance	\$	\$ 55 432	\$
Utilities		3 058	
Insurance		1 275	
Other		6 103	
	408 496	65 868	342 628
Debt service:			
Principal		80 458	
Interest		2 414	
	83 853	82 872	981
Administrative expense reimbursement	(150 401)	(150 401)	
Total general government	3 556 654	3 140 973	415 681
Public safety:			
Police:			
Salaries and benefits		2 223 394	
Automotive supplies and repair		91 133	
Insurance		40 967	
Uniforms		27 473	
Repairs and maintenance		52 303	
Other		148 007	
Capital outlay		88 089	
	2 726 311	2 671 366	54 945
Fire:			
Salaries and benefits		990 831	
Insurance		38 272	
Materials and supplies		32 820	
On-behalf payments		3 904	
Repairs and maintenance		27 715	
Other		63 466	
	1 398 976	1 157 008	241 968
Total public safety	4 125 287	3 828 374	296 913
Transportation:			
Streets and highways:			
Salaries and benefits		597 476	
Utilities		89 649	
Materials and supplies		71 302	
Repairs and maintenance		351 677	
Other		25 427	
Capital outlay		89 900	
	1 406 226	1 225 431	180 795

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, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Warehouse and garage:			
Salaries and benefits	\$	\$ 163 730	\$
Repairs and maintenance		13 979	
Supplies		23 359	
Other		31 852	
Capital outlay		23 044	
Administrative expense reimbursement		(162 134)	
	<u>176 606</u>	<u>93 830</u>	<u>82 776</u>
Total transportation	<u>1 582 832</u>	<u>1 319 261</u>	<u>263 571</u>
Environmental protection:			
Supplies		7 769	
Contract services		1 027 175	
Landfill fee		7 833	
Total environmental protection	<u>1 043 000</u>	<u>1 042 777</u>	<u>223</u>
Cultural and recreational:			
Parks and recreation:			
Salaries and benefits		788 033	
Supplies		142 079	
Repairs and maintenance		100 299	
Other		175 263	
Debt service:			
Principal		233 931	
Interest		34 939	
Capital outlay		87 786	
	<u>1 689 778</u>	<u>1 562 330</u>	<u>127 448</u>
Library:			
Salaries and benefits		100 635	
Supplies		18 392	
Repairs and maintenance		9 691	
Other		10 270	
	<u>142 960</u>	<u>138 988</u>	<u>3 972</u>
Total cultural and recreational	<u>1 832 738</u>	<u>1 701 318</u>	<u>131 420</u>
Cemetery:			
Supplies		4 162	
Repairs and maintenance		9 767	
Other		455	
Total cemetery	<u>16 850</u>	<u>14 384</u>	<u>2 466</u>
Contingency	<u>23 325</u>	<u>-</u>	<u>23 325</u>

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, 2015

	2015		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Total expenditures	<u>\$12 180 686</u>	<u>\$11 047 087</u>	<u>\$ 1 133 599</u>
Revenues under expenditures	<u>(5 378 962)</u>	<u>(3 558 186)</u>	<u>1 820 776</u>
Other financing sources:			
Transfers from other funds:			
Enterprise Funds	3 913 052	3 913 052	-
Sale of fixed assets	5 000	5 818	818
Installment notes issued	115 000	115 000	
Fund balance appropriated	<u>1 345 910</u>	<u> </u>	<u>(1 345 910)</u>
	<u>5 378 962</u>	<u>4 033 870</u>	<u>(1 345 092)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	475 684	<u>\$ 475 684</u>
Fund balance:			
Beginning of year		<u>6 030 412</u>	
End of year		<u>\$ 6 506 096</u>	

TOWN OF FOREST CITY, NORTH CAROLINA
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 Capital Projects Fund
 From Inception and for the Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
Oak Street Sidewalk Project:					
Revenue:					
Restricted intergovernmental:					
State grant:					
North Carolina Department of Transportation	\$100 000	\$ -	\$ -	\$ -	\$(100 000)
Expenditures:					
Construction	<u>133 000</u>	<u>33 000</u>	<u>-</u>	<u>33 000</u>	<u>100 000</u>
Expenditures over revenue	(33 000)	(33 000)	-	(33 000)	-
Other financing sources:					
Town contribution	<u>33 000</u>	<u>33 000</u>	<u>-</u>	<u>33 000</u>	<u>-</u>
Revenue and other financing sources over expenditures - Project	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources over expenditures - Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2015

	2015		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Operating revenues:			
Electricity sales	\$11 896 000	\$11 818 418	\$
Late payment penalties	250 000	244 076	
Tap and connection fees	1 000	646	
Reconnection and transfer fees	5 000	5 154	
Cable pole fees	13 280	13 280	
Other operating revenue	20 000	24 941	
	<u>12 185 280</u>	<u>12 106 515</u>	<u>(78 765)</u>
Nonoperating revenue:			
Interest earnings	10 000	16 319	6 319
	<u>12 195 280</u>	<u>12 122 834</u>	<u>(72 446)</u>
Expenditures:			
Administration:			
Salaries and benefits		161 188	
Credit card fees		57 827	
General administration allocation		104 003	
Other		<u>33 601</u>	
	903 307	<u>356 619</u>	546 688
Operations:			
Salaries and benefits		446 956	
Supplies		137 556	
Generator fuel		159 364	
Repairs and maintenance		281 333	
Other		<u>97 004</u>	
	2 557 911	<u>1 122 213</u>	1 435 698
Electric power purchased	6 200 000	<u>6 193 107</u>	6 893
Debt service:			
Principal retirement		13 598	
Interest		<u>964</u>	
	15 276	<u>14 562</u>	714
Capital outlay:			
Equipment	204 000	<u>203 058</u>	942

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, 2015

	2015		Variance
	Budget	Actual	Positive (Negative)
Contingency	2 712		2 712
Total expenditures	9 883 206	7 889 559	1 993 647
Revenues over expenditures	2 312 074	4 233 275	1 921 201
Other financing sources (uses):			
Transfers to other funds:			
General Fund	\$(2 826 873)	(2 826 873)	\$
Sale of fixed assets	40 000	16 742	(23 258)
Installment note issued	159 523	165 000	5 477
Fund balance appropriated	315 276		(315 276)
	<u>(2 312 074)</u>	<u>(2 645 131)</u>	<u>(333 057)</u>
Revenue under expenditures and other financing uses	\$ -	1 588 144	\$1 588 144
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		203 058	
Depreciation		(503 244)	
Installment note proceeds		(165 000)	
Principal retirement		13 598	
Pension expense		51 625	
Book value of asset sold		<u>(24 643)</u>	
		<u>(424 606)</u>	
Change in net position		\$ 1 163 538	

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, 2015

	<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> </u>	<u>(252 218)</u>	<u>1 142 275</u>
Other financing sources (uses)	<u>\$ -</u>	<u>\$1 142 275</u>	<u>-</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, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Water sales	\$ 3 260 000	\$ 3 321 904	\$ 61 904
Sewer charges	1 356 000	1 444 897	88 897
Tap and connection fees	35 000	34 250	(750)
Other	42 240	103 911	61 671
	<u>4 693 240</u>	<u>4 904 962</u>	<u>211 722</u>
Nonoperating revenues:			
Interest	28 610	34 750	6 140
	<u>28 610</u>	<u>34 750</u>	<u>6 140</u>
Total revenues	<u>4 721 850</u>	<u>4 939 712</u>	<u>217 862</u>
Expenditures:			
Administration:			
Salaries and benefits		260 732	
Supplies		47 485	
Repairs and maintenance		17 185	
General administration allocation		208 532	
Other		13 409	
	<u>575 298</u>	<u>547 343</u>	<u>27 955</u>
Water operations:			
Salaries and benefits		357 480	
Supplies		160 590	
Repairs and maintenance		31 198	
Other		142 660	
	<u>1 001 750</u>	<u>691 928</u>	<u>309 822</u>
Water plant:			
Salaries and benefits		376 700	
Supplies		118 666	
Repairs and maintenance		56 185	
Utilities		98 399	
Other		43 678	
	<u>723 571</u>	<u>693 628</u>	<u>29 943</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, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Sewer Operations:			
Salaries and benefits	\$	\$ 175 904	\$
Supplies		20 485	
Repairs and maintenance		72 906	
Other		51 513	
	<u>430 195</u>	<u>320 808</u>	<u>109 387</u>
Waste treatment plants:			
Salaries and benefits		384 408	
Supplies		94 669	
Utilities		157 305	
Repairs and maintenance		83 473	
Other		59 328	
	<u>906 821</u>	<u>779 183</u>	<u>127 638</u>
Pump station and storage:			
Salaries and benefits		217 395	
Supplies		14 003	
Utilities		97 988	
Repairs and maintenance		114 502	
Other		14 368	
	<u>537 051</u>	<u>458 256</u>	<u>78 795</u>
Debt service:			
Principal retirement	<u>33 142</u>	<u>32 986</u>	<u>156</u>
Capital outlay:			
Sewer operations	92 000	91 884	16
Waste treatment plants	<u>31 000</u>	<u>30 032</u>	<u>968</u>
	<u>123 000</u>	<u>122 016</u>	<u>984</u>
Contingency	<u>8 225</u>		<u>8 225</u>
Total expenditures	<u>4 339 053</u>	<u>3 646 148</u>	<u>692 905</u>
Revenues over expenditures	<u>382 797</u>	<u>1 293 564</u>	<u>910 767</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, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Transfers to other funds:			
To General Fund	\$ (1 086 179)	\$ (1 086 179)	\$
State loan principal forgiveness		8 783	8 783
Economic development loan principal payments	146 155	146 155	
Fund balance appropriated	557 227		(557 227)
	<u>(382 797)</u>	<u>(931 241)</u>	<u>(548 444)</u>
 Revenue and other sources over expenditures	 \$ -	 <u>362 323</u>	 \$ 362 323
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		122 016	
Loan principal received		(146 155)	
Depreciation		(1 321 573)	
Pension expense		146 946	
Principal retirement		<u>32 986</u>	
		<u>(1 165 780)</u>	
Change in net position		\$ (803 457)	

TOWN OF FOREST CITY, NORTH CAROLINA

OTHER SCHEDULES

TOWN OF FOREST CITY, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2015

Year of Levy	Uncollected Balance <u>June 30, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	Uncollected Balance <u>June 30, 2015</u>
2014	\$	\$3 419 921	\$3 357 415	\$ 62 506
2013	70 495		30 855	39 640
2012	32 756		13 061	19 695
2011	21 631		6 057	15 574
2010	13 335		2 120	11 215
2009	6 709		311	6 398
2008	7 103		76	7 027
2007	5 716		89	5 627
2006	4 991		110	4 881
2005	3 851		13	3 838
2004	<u>2 842</u>	<u> </u>	<u>2 842</u>	<u> </u>
	 <u>\$169 429</u>	 <u>\$3 419 921</u>	 <u>\$3 412 949</u>	 176 401
Less allowance for doubtful accounts				<u>58 700</u>
				 <u>\$117 701</u>

Reconciliation with revenue:

Ad valorem taxes - General Fund		\$3 399 445
Discounts allowed	\$15 789	
Releases	10 371	
Penalties and interest collected	(15 491)	
Taxes written off	<u>2 835</u>	<u>13 504</u>
		 <u>\$3 412 949</u>

TOWN OF FOREST CITY, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

For the Fiscal Year Ended June 30, 2015

	<u>Property</u> <u>Valuation</u>	<u>Rate</u>	<u>Total</u> <u>Levy</u>	<u>Levy</u> <u>Other</u> <u>Property</u>	<u>Motor</u> <u>Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$1 179 283 103	.29	\$3 419 921	\$3 299 216	\$120 705
Uncollected taxes at June 30, 2015			62 506	62 506	
Current year's taxes collected and credited			\$3 357 415	\$3 236 710	\$120 705
Current levy collection percentage			98.17%	98.11%	100%

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, 2015, 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 6, 2015. 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 6, 2015