

Town of Forest City, North Carolina

Financial Statements

June 30, 2022



**Forest City Town Council
(As of June 30, 2022)**

Steve Holland, Mayor

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

Town Manager:
Janet Mason

**TOWN OF FOREST CITY, NORTH CAROLINA
YEAR ENDED JUNE 30, 2022**

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Independent Auditors' Report

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the Town of Forest City as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the Town of Forest City as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Forest City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-11, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 59, the Local Governmental Employees' Retirement System's schedules of the Town's Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 57 and 58, respectively, and the Other Postemployment Benefits Schedules of the Town's Proportionate Share of the Net OPEB Liability and Contributions on pages 55 and 56, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any

assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022 on our consideration of the Town of Forest City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Forest City's internal control over financial reporting and compliance.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 14, 2022

TOWN OF FOREST CITY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2022

As management of the Town of Forest City, we offer readers of the Town of Forest City's financial statements this narrative overview and analysis of the financial activities of the Town of Forest City for the fiscal year ended June 30, 2022. 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.

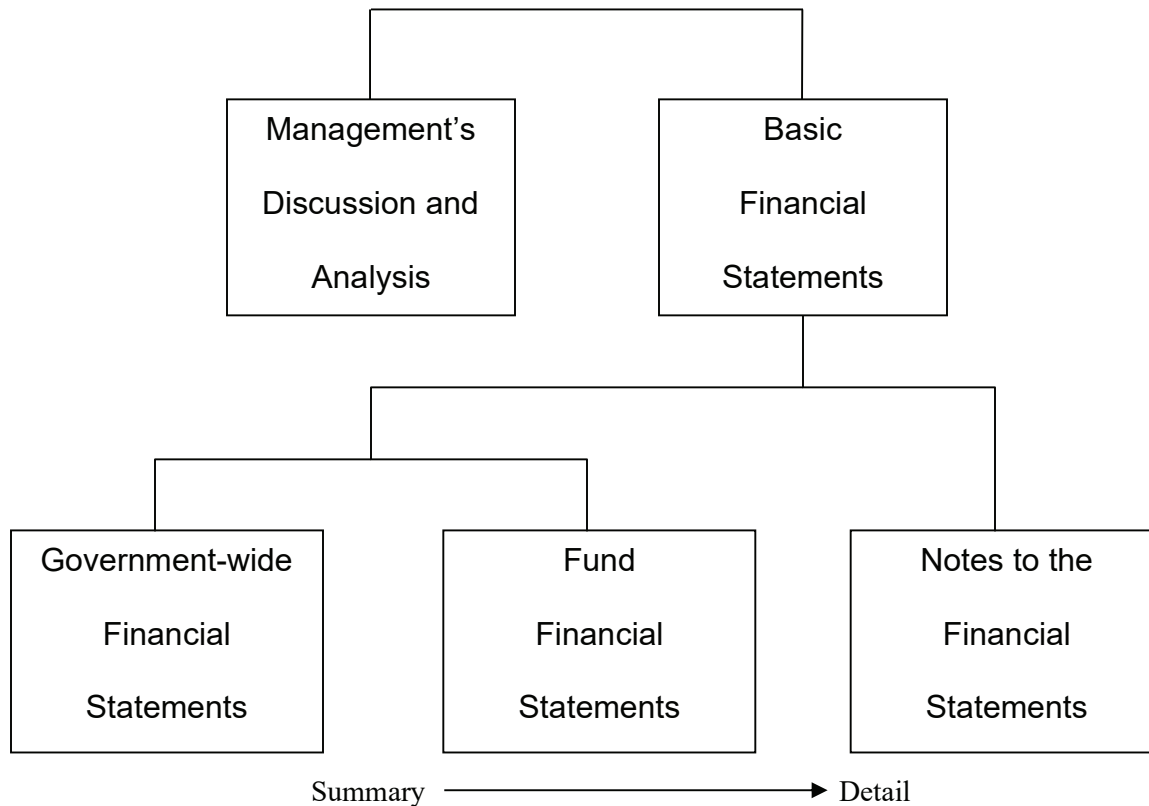
Financial Highlights

- 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 \$65,753,679 (*net position*).
- The government's total net position increased by \$1,022,100, consisting of a decrease in the governmental activities net position of \$1,480,172 and an increase in the business-type activities net position of \$2,502,272.
- As of the close of the current fiscal year, the Town of Forest City's governmental fund reported ending fund balance of \$3,316,958 with a net decrease of \$1,661,606 in fund balance. Approximately 56% of this total amount, or \$1,841,813, is restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$1,822,833, or 8.7% of net General Fund expenditures for the fiscal year, and total fund balance for the General Fund was \$3,316,958 or 16% of net General Fund expenditures.
- The Town of Forest City's long-term installment and revolving loan obligations decreased by \$282,638 or 19% during the current fiscal year due to scheduled principal payments made on existing debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Forest City's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Forest City.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town’s government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statement; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and electric services offered by the Town of Forest City. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Forest City, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Forest City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Forest City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of Forest City has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Forest City uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as the functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Forest City's progress in funding its obligation to provide pension and OPEB benefits to its employees.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 5,321,211	\$ 5,692,856	\$ 17,244,654	\$ 14,573,861	\$ 22,565,865	\$ 20,266,717
Capital assets	22,118,430	22,627,115	41,802,581	41,856,675	63,921,011	64,483,790
Deferred outflows of resources	3,562,379	2,989,385	1,368,036	1,087,404	4,930,415	4,076,789
Total assets and deferred outflows of resources	31,002,020	31,309,356	60,415,271	57,517,940	91,417,291	88,827,296
Current liabilities	2,261,062	1,096,260	618,672	739,364	2,879,734	1,835,624
Long-term liabilities	12,142,539	12,576,943	4,529,949	4,656,775	16,672,488	17,233,718
Deferred inflows of resources	3,976,324	3,533,886	2,135,066	1,492,489	6,111,390	5,026,375
Total liabilities and deferred inflows of resources	18,379,925	17,207,089	7,283,687	6,888,628	25,663,612	24,095,717
Net position:						
Net investment in capital assets	21,188,688	21,438,939	41,512,143	41,542,033	62,700,831	62,980,972
Restricted	1,841,813	1,787,049	-	-	1,841,813	1,787,049
Unrestricted (deficit)	(10,408,406)	(9,123,721)	11,619,441	9,087,279	1,211,035	(36,442)
Total net position	\$ 12,622,095	\$ 14,102,267	\$ 53,131,584	\$ 50,629,312	\$ 65,753,679	\$ 64,731,579

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 \$65,753,679 as of June 30, 2022. The Town's net position increased by \$1,022,100 for the fiscal year ended June 30, 2022. However, the largest portion of net position (95%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Forest City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Forest City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Forest City's net position, \$1,841,813 represents resources that are subject to external restrictions on how they may be used. This leaves unrestricted net position of 1,211,035.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.47%. The statewide average in fiscal year 2022 was 98.78%.
- Continued efforts of all departments to minimize costs and efficiently serve citizens.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,877,096	\$ 1,758,682	\$ 16,951,444	\$ 16,838,547	\$ 18,828,540	\$ 18,597,229
Operating grants and contributions	92,834	367,959	-	-	92,834	367,959
Capital grants and contributions	267,930	572,827	11,686	319,521	279,616	892,348
General revenues:						
Property taxes	4,796,298	5,085,436	-	-	4,796,298	5,085,436
Other taxes	1,958,525	1,999,559	-	-	1,958,525	1,999,559
Grants and other contributions, not restricted to specific programs	1,798,047	1,816,659	-	-	1,798,047	1,816,659
Other	191,041	282,232	56,472	18,629	247,513	300,861
Total revenues	10,981,771	11,883,354	17,019,602	17,176,697	28,001,373	29,060,051
Expenses:						
General government	4,434,351	4,566,129	-	-	4,434,351	4,566,129
Public safety	4,943,610	4,762,880	-	-	4,943,610	4,762,880
Transportation	2,016,527	1,738,255	-	-	2,016,527	1,738,255
Environmental protection	1,295,639	1,339,215	-	-	1,295,639	1,339,215
Cultural and recreation	2,171,804	2,057,650	-	-	2,171,804	2,057,650
Economic development	-	-	-	-	-	-
Interest on long-term debt	25,651	31,824	-	-	25,651	31,824
Water and sewer	-	-	5,807,098	5,573,230	5,807,098	5,573,230
Electric	-	-	6,284,593	7,336,277	6,284,593	7,336,277
Total expenses	14,887,582	14,495,953	12,091,691	12,909,507	26,979,273	27,405,460
Increase in net position before transfers	(3,905,811)	(2,612,599)	4,927,911	4,267,190	1,022,100	1,654,591
Transfers	2,425,639	3,216,490	(2,425,639)	(3,216,490)	-	-
Increase in net position	(1,480,172)	603,891	2,502,272	1,050,700	1,022,100	1,654,591
Net position, beginning of year, as restated	14,102,267	13,498,376	50,629,312	49,578,612	64,731,579	63,076,988
Net position, end of year	\$ 12,622,095	\$ 14,102,267	\$ 53,131,584	\$ 50,629,312	\$ 65,753,679	\$ 64,731,579

Governmental activities. Governmental activities decreased the Town's net position by \$3,905,811 before transfers to and from the enterprise funds. This decrease is largely due to pay back of transfers from the Water and Sewer Fund over the past several years as well as budgeted reliance on enterprise fund transfers.

Business-type activities. Business-type activities increased the Town of Forest City's net position by \$4,927,911, before net transfers of \$2,425,639 to the general fund. This increase is due to cost saving efforts which resulted in actual expenditures being less than budgeted.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Forest City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Forest City's financing requirements.

The General Fund is the chief operating fund of the Town of Forest City. At the end of the current fiscal year, the Town of Forest City's fund balance available in the General Fund was \$1,822,833, while total fund balance was \$3,316,958. The Town currently has an available fund balance of 8.7% of net General Fund expenditures, and total fund balance represents 16% of the same amount.

General Fund Budgetary Highlights. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Budgetary amendments during the year were to recognize the receipt of grants and for the unexpected repair or replacement of infrastructure and equipment necessary to provide essential services.

Actual revenues are generally higher than the budget due to the use of conservative revenue estimation. Expenditures tend to be lower than the budget. For the fiscal year ended June 30, 2022, revenues were \$1,620 less than the budgeted amounts, due largely to lower than anticipated building permit receipts. Expenditures were \$1,538,029 less than the budgeted amounts, due to cost saving efforts by all departments.

Proprietary Funds. The Town of Forest City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$10,159,542 and the total change in net position for the Water and Sewer Fund was \$5,976,362. This increase was due primarily to \$5,851,715 in transfer from the General Fund to pay back transfers out of the Water and Sewer Fund over the past several years. Unrestricted net position of the Electric Fund was \$1,459,899 and the total change in net position for the Electric Fund was a decrease \$3,474,090. This decrease is primarily due to the Electric Fund funding deficit spending in the General Fund.

Capital Asset and Debt Administration

Capital assets. The Town of Forest City's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$62,700,831 (net of accumulated depreciation). These assets include land, buildings, water and sewer lines, electric lines machinery and equipment, park facilities, and vehicles.

The major capital asset transactions during the year included heavy equipment for the Street and Wastewater Treatment Departments, cemetery improvements, water line and manhole replacements, and the continuation of replacing aging utility poles.

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 7,656,757	\$ 7,656,757	\$ 293,597	\$ 293,597	\$ 7,950,354	\$ 7,950,354
Construction in progress	-	1,010,300	-	1,316,213	-	2,326,513
Buildings	16,081,260	15,876,171	-	-	16,081,260	15,876,171
Infrastructure	2,433,994	1,322,887	73,766,755	73,305,889	76,200,749	74,628,776
Equipment	5,557,306	5,256,865	12,048,376	9,474,511	17,605,682	14,731,376
Vehicles	5,258,121	5,418,929	-	-	5,258,121	5,418,929
	36,987,438	36,541,909	86,108,728	84,390,210	123,096,166	120,932,119
Accumulated depreciation	(14,869,008)	(13,914,794)	(44,306,147)	(42,533,535)	(59,175,155)	(56,448,329)
Capital assets, net	<u>\$ 22,118,430</u>	<u>\$ 22,627,115</u>	<u>\$ 41,802,581</u>	<u>\$ 41,856,675</u>	<u>\$ 63,921,011</u>	<u>\$ 64,483,790</u>

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

Long-term Debt. As of June 30, 2022, the Town of Forest City had total installment debt outstanding of \$929,742 which is secured with the assets purchased with these funds, and a state revolving loan of \$290,438.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Direct placement installment loans	\$ 929,742	\$ 1,188,176	\$ -	\$ -	\$ 929,742	\$ 1,188,176
Direct placement revolving loan	-	-	290,438	314,642	290,438	314,642
	<u>\$ 929,742</u>	<u>\$ 1,188,176</u>	<u>\$ 290,438</u>	<u>\$ 314,642</u>	<u>\$ 1,220,180</u>	<u>\$ 1,502,818</u>

The Town of Forest City's total long-term debt decreased by \$282,638, or 19%, during the past fiscal year due scheduled principal payments made against existing debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Forest City is approximately \$135,000,000.

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

Economic Factors and Next Year’s Budgets and Rates

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

Property tax revenue is expected to increase after the rate was moved to \$.59/\$100 in fiscal year 2022-2023. An increase in property tax valuation is also expected due to new housing construction projects.

The Enterprise Fund is stable, which helps the Town to provide sustainable rates to our citizens and businesses. This also allows the Town to plan for necessary future capital needs to maintain our existing utility infrastructure. A rate study for the water and sewer system will be conducted during FY23 to ensure that revenues will continue cover the increasing costs of production and distribution. This year's budget saw water, sewer, and electric rates remain the same as the previous five years. Rates for electricity may be adjusted during the year to pass on rate changes charged to the Town by our wholesale energy provider, Duke Energy.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF FOREST CITY, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2022

	Primary Government			Forest City ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,853,718	\$ 8,000,377	\$ 14,854,095	\$ 231,682
Taxes receivable, net	49,388	-	49,388	-
Lease receivable	-	497,096	497,096	-
Accrued interest receivable	8,400	1,975	10,375	-
Accounts receivable, net	111,080	2,459,069	2,570,149	-
Due from other governments	1,275,707	-	1,275,707	-
Prepaid expenses	80,409	34,392	114,801	14,506
Inventories	26,929	-	26,929	356,247
Restricted cash and cash equivalents	2,737,538	400,030	3,137,568	-
Total current assets	<u>11,143,169</u>	<u>11,392,939</u>	<u>22,536,108</u>	<u>602,435</u>
Noncurrent assets:				
Internal balances	(5,851,715)	5,851,715	-	-
Right to use leased asset, net	29,757	-	29,757	-
Capital assets:				
Land and construction in progress	7,656,758	293,597	7,950,355	50,000
Other capital assets, net	14,461,672	41,508,984	55,970,656	169,267
Total capital assets	<u>22,118,430</u>	<u>41,802,581</u>	<u>63,921,011</u>	<u>219,267</u>
Total assets	<u>27,439,641</u>	<u>59,047,235</u>	<u>86,486,876</u>	<u>821,702</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	1,935,346	664,746	2,600,092	96,428
OPEB deferrals	1,627,033	703,290	2,330,323	-
Total deferred outflows of resources	<u>3,562,379</u>	<u>1,368,036</u>	<u>4,930,415</u>	<u>96,428</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	769,305	149,439	918,744	173,382
Current portion of long-term liabilities	350,501	69,203	419,704	-
Payable from restricted assets:				
Unearned revenues	1,141,256	-	1,141,256	-
Customer deposits	-	400,030	400,030	-
Total current liabilities	<u>2,261,062</u>	<u>618,672</u>	<u>2,879,734</u>	<u>173,382</u>
Long-term liabilities:				
Net pension liability - LGERS	1,071,155	453,239	1,524,394	37,880
Total pension liability - LEOWSA	1,416,089	-	1,416,089	-
Net OPEB liability	8,537,885	3,690,537	12,228,422	-
Due in more than one year	1,117,410	386,173	1,503,583	-
Total long-term liabilities	<u>12,142,539</u>	<u>4,529,949</u>	<u>16,672,488</u>	<u>37,880</u>
Total liabilities	<u>14,403,601</u>	<u>5,148,621</u>	<u>19,552,222</u>	<u>211,262</u>

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

Statement of Net Position
June 30, 2022

	Primary Government			Forest City ABC Board
	Governmental Activities	Business-type Activities	Total	
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	6,147	-	6,147	-
Leases	-	480,835	480,835	-
Pension deferrals	1,709,257	676,938	2,386,195	54,119
OPEB deferrals	2,260,920	977,293	3,238,213	-
Total deferred inflows of resources	3,976,324	2,135,066	6,111,390	54,119
NET POSITION				
Net investment in capital assets	21,188,688	41,512,143	62,700,831	219,267
Restricted for:				
Stabilization by State statute	1,386,787	-	1,386,787	-
Streets	455,026	-	455,026	-
Working capital	-	-	-	110,048
Unrestricted (deficit)	(10,408,406)	11,619,441	1,211,035	323,434
Total net position	\$ 12,622,095	\$ 53,131,584	\$ 65,753,679	\$ 652,749

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

TOWN OF FOREST CITY, NORTH CAROLINA

Exhibit 2

Statement of Activities
For the year ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Forest City ABC Board
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General government	\$ 4,434,351	\$ 123,845	\$ -	\$ -	\$ (4,310,506)	\$ -	\$ (4,310,506)	\$ -
Public safety	4,943,610	-	87,286	-	(4,856,324)	-	(4,856,324)	-
Transportation	2,016,527	5,115	-	256,930	(1,754,482)	-	(1,754,482)	-
Environmental protection	1,295,639	1,391,686	5,548	-	101,595	-	101,595	-
Cultural and recreation	2,171,804	356,450	-	11,000	(1,804,354)	-	(1,804,354)	-
Interest on long-term debt	25,651	-	-	-	(25,651)	-	(25,651)	-
Total governmental activities	<u>14,887,582</u>	<u>1,877,096</u>	<u>92,834</u>	<u>267,930</u>	<u>(12,649,722)</u>	<u>-</u>	<u>(12,649,722)</u>	<u>-</u>
Business-type activities:								
Water and sewer fund	5,807,098	5,870,345	-	11,686	-	74,933	74,933	-
Electric fund	<u>6,284,593</u>	<u>11,081,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,796,506</u>	<u>4,796,506</u>	<u>-</u>
Total business-type activities	<u>12,091,691</u>	<u>16,951,444</u>	<u>-</u>	<u>11,686</u>	<u>-</u>	<u>4,871,439</u>	<u>4,871,439</u>	<u>-</u>
Total primary government	<u>\$ 26,979,273</u>	<u>\$ 18,828,540</u>	<u>\$ 92,834</u>	<u>\$ 279,616</u>	<u>(12,649,722)</u>	<u>4,871,439</u>	<u>(7,778,283)</u>	<u>-</u>
Component unit								
ABC Board	<u>\$ 2,790,128</u>	<u>\$ 2,877,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,849</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					4,796,298	-	4,796,298	-
Other taxes					1,958,525	-	1,958,525	-
Grants and contributions not restricted to specific programs					1,798,047	-	1,798,047	-
Unrestricted investment earnings					5,852	13,770	19,622	225
Gain on sale of fixed assets					21,475	-	21,475	-
Miscellaneous					163,714	42,702	206,416	282
Total general revenues before transfers					8,743,911	56,472	8,800,383	507
Transfers, net					2,425,639	(2,425,639)	-	-
Total general revenues					11,169,550	(2,369,167)	8,800,383	507
Changes in net position					(1,480,172)	2,502,272	1,022,100	88,356
Net position, beginning of year					14,102,267	50,629,312	64,731,579	564,393
Net position, end of year					<u>\$ 12,622,095</u>	<u>\$ 53,131,584</u>	<u>\$ 65,753,679</u>	<u>\$ 652,749</u>

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2022

	Major Fund	Major Fund	
	General Fund	American Rescue Plan Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,853,718	\$ -	\$ 6,853,718
Restricted cash and cash equivalents	1,596,282	1,141,256	2,737,538
Taxes receivable, net	49,388	-	49,388
Accounts receivable, net	111,080	-	111,080
Due from other governments	1,275,707	-	1,275,707
Prepaid expenses	80,409	-	80,409
Inventories	26,929	-	26,929
Total assets	<u>\$ 9,993,513</u>	<u>\$ 1,141,256</u>	<u>\$ 11,134,769</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 769,305	\$ -	\$ 769,305
Unearned revenue	-	1,141,256	1,141,256
Advance from the water and sewer fund	5,851,715	-	5,851,715
Total liabilities	<u>\$ 6,621,020</u>	<u>\$ 1,141,256</u>	<u>\$ 7,762,276</u>
DEFERRED INFLOWS OF RESOURCES	<u>55,535</u>	<u>-</u>	<u>55,535</u>
FUND BALANCES			
Non-spendable			
Prepaid expenses	80,409	-	80,409
Inventory	26,929	-	26,929
Restricted for:			
Stabilization by State statute	1,386,787	-	1,386,787
Streets	455,026	-	455,026
Assigned - subsequent year expenditures	1,000,000	-	1,000,000
Unassigned	367,807	-	367,807
Total fund balances	<u>3,316,958</u>	<u>-</u>	<u>3,316,958</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 9,993,513</u>	<u>\$ 1,141,256</u>	<u>\$ 11,134,769</u>

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2022

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

Fund balances of governmental funds	\$ 3,316,958
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	22,118,430
Right to use assets used in governmental activities are not financial resources and therefore are not reported in the funds.	29,757
Deferred outflows of resources related to pensions are not reported in the funds.	1,935,346
Deferred outflows of resources related to OPEB are not reported in the funds.	1,627,033
Other long-term assets are not available to pay for current-period expenditures and, therefore, are inflows of resources in the funds.	8,400
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	49,388
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Notes payable	(929,742)
Lease liability	(29,689)
Net OPEB liability	(8,537,885)
Total pension liability - LEOSA	(1,416,089)
Net pension liability - LGERS	(1,071,155)
Compensated absences	(508,480)
Deferred inflows of resources related to pensions are not reported in the funds.	(1,709,257)
Deferred inflows of resources related to OPEB are not reported in the funds.	<u>(2,260,920)</u>
Net position of governmental activities	<u>\$ 12,622,095</u>

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

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2022

	<u>Major Fund</u>	<u>Major Fund</u>	Total Governmental Funds
	General Fund	American Rescue Plan Fund	
REVENUES			
Ad valorem taxes	\$ 4,799,786	\$ -	\$ 4,799,786
Other taxes and licenses	1,958,525	-	1,958,525
Unrestricted intergovernmental	1,798,047	-	1,798,047
Restricted intergovernmental	360,764	-	360,764
Permits and fees	98,318	-	98,318
Sales and services	1,787,968	-	1,787,968
Investment earnings	5,852	-	5,852
Miscellaneous	163,714	-	163,714
Total revenues	<u>10,972,974</u>	<u>-</u>	<u>10,972,974</u>
EXPENDITURES			
Current:			
General government	4,446,491	-	4,446,491
Public safety	4,699,005	-	4,699,005
Transportation	2,188,210	-	2,188,210
Environmental protection	1,475,537	-	1,475,537
Cultural and recreation	2,018,055	-	2,018,055
Debt service:			
Principal	258,998	-	258,998
Interest	25,651	-	25,651
Total expenditures	<u>15,111,947</u>	<u>-</u>	<u>15,111,947</u>
Revenues under expenditures	<u>(4,138,973)</u>	<u>-</u>	<u>(4,138,973)</u>
OTHER FINANCING SOURCES			
Sale of capital assets	21,475	-	21,475
Transfer from electric fund	8,277,354	-	8,277,354
Transfer to water and sewer fund	(5,851,715)	-	(5,851,715)
Lease liabilities issued	30,253	-	30,253
Total other financing sources	<u>2,477,367</u>	<u>-</u>	<u>2,477,367</u>
Net change in fund balances	<u>(1,661,606)</u>	<u>-</u>	<u>(1,661,606)</u>
Fund balance, beginning of year	<u>4,978,564</u>	<u>-</u>	<u>4,978,564</u>
Fund balances, end of year	<u>\$ 3,316,958</u>	<u>\$ -</u>	<u>\$ 3,316,958</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Exhibit 4

Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds To The Statement of Activities
For the year ended June 30, 2022

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

Net changes in fund balances - total governmental funds		\$ (1,661,606)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was more than depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 606,337	
Depreciation expense for governmental assets	<u>(1,115,022)</u>	(508,685)
Right to use leased asset capital outlay expenditures which were capitalized	30,253	
Amortization expense for intangible assets	<u>(496)</u>	29,757
Contributions to the LGERS pension plan in the current fiscal year are not included in the statement of activities.		557,540
Benefit payments paid and administrative expenses for the LEOSSA are not included on the statement of activities.		27,616
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the statement of activities.		325,805
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In addition, some revenues reported in the fund statements are not reported as revenues in the statement of activities.		
Donated assets		
Change in accrued interest receivable on taxes	(1,245)	
Change in unavailable tax and sanitation revenues	<u>(11,433)</u>	(12,678)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued		(30,253)
Principal payments on long-term debt		258,998
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These include amounts consolidated from the internal service fund.		
Compensated absences	(65,320)	
Pension expense - LGERS	(421,220)	
Pension expense - LEO	(128,742)	
OPEB benefit	<u>148,616</u>	<u>(466,666)</u>
Total changes in net position of governmental activities		<u>\$ (1,480,172)</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual - General Fund
 For the year ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 4,738,972	\$ 4,738,972	\$ 4,799,786	\$ 60,814
Other taxes	1,957,595	1,957,595	1,958,525	930
Unrestricted intergovernmental	1,798,775	1,822,653	1,798,047	(24,606)
Restricted intergovernmental	544,500	563,474	360,764	(202,710)
Permits and fees	155,000	155,000	98,318	(56,682)
Sales and services	1,637,600	1,641,700	1,787,968	146,268
Investment earnings	1,700	1,700	5,852	4,152
Miscellaneous	93,000	93,500	163,714	70,214
Total revenues	<u>10,927,142</u>	<u>10,974,594</u>	<u>10,972,974</u>	<u>(1,620)</u>
Expenditures:				
Current:				
General government	4,974,473	4,974,473	4,446,491	527,982
Public safety	4,868,663	4,912,015	4,699,005	213,010
Transportation	2,357,459	2,489,318	2,188,210	301,108
Environmental protection	1,512,950	1,512,950	1,475,537	37,413
Cultural and recreation	2,412,154	2,416,254	2,018,055	398,199
Debt service:				
Principal retirement	341,692	318,812	258,998	59,814
Interest and other charges	4,894	27,774	25,651	2,123
Total expenditures	<u>16,472,285</u>	<u>16,651,596</u>	<u>15,111,947</u>	<u>1,539,649</u>
Revenues under expenditures	<u>(5,545,143)</u>	<u>(5,677,002)</u>	<u>(4,138,973)</u>	<u>1,538,029</u>
Other financing sources:				
Appropriated fund balance	2,656,827	2,788,686	-	(2,788,686)
Lease liabilities issued	-	-	30,253	30,253
Sale of capital assets	-	-	21,475	21,475
Transfer to water and sewer fund	-	(5,851,715)	(5,851,715)	-
Transfer from electric fund	2,888,316	8,740,031	8,277,354	(462,677)
Total other financing sources	<u>5,545,143</u>	<u>5,677,002</u>	<u>2,477,367</u>	<u>(3,199,635)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,661,606)</u>	<u>\$ (1,661,606)</u>
Fund balance, beginning of year			<u>4,978,564</u>	
Fund balance, end of year			<u>\$ 3,316,958</u>	

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

PROPRIETARY FUNDS
Statements of Fund Net Position
June 30, 2021

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,886,597	\$ 1,113,780	\$ 8,000,377
Accounts receivable			
Billed - net	464,328	939,511	1,403,839
Unbilled	282,370	772,860	1,055,230
Lease receivable	497,096	-	497,096
Accrued interest receivable	1,975	-	1,975
Prepaid expenses	24,791	9,601	34,392
Due from General Fund	292,586	-	292,586
Restricted cash and cash equivalents	120,280	279,750	400,030
Total current assets	<u>8,570,023</u>	<u>3,115,502</u>	<u>11,685,525</u>
Noncurrent assets:			
Capital assets:			
Land	177,882	115,715	293,597
Depreciable capital assets, net	<u>37,401,425</u>	<u>4,107,559</u>	<u>41,508,984</u>
Total capital assets	<u>37,579,307</u>	<u>4,223,274</u>	<u>41,802,581</u>
Advance to the general fund	<u>5,559,129</u>	<u>-</u>	<u>5,559,129</u>
Total noncurrent assets	<u>43,138,436</u>	<u>4,223,274</u>	<u>47,361,710</u>
Total assets	<u>51,708,459</u>	<u>7,338,776</u>	<u>59,047,235</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	485,071	179,675	664,746
OPEB deferrals	<u>508,010</u>	<u>195,280</u>	<u>703,290</u>
Total deferred outflows of resources	<u>993,081</u>	<u>374,955</u>	<u>1,368,036</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	51,276	98,163	149,439
Compensated absences, current	25,000	20,000	45,000
Current portion of long-term debt	24,203	-	24,203
Payable from restricted assets:			
Customer deposits	<u>120,280</u>	<u>279,750</u>	<u>400,030</u>
Total current liabilities	<u>220,759</u>	<u>397,913</u>	<u>618,672</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	88,875	31,063	119,938
Net OPEB liability	2,665,795	1,024,742	3,690,537
Net pension liability - LGERS	330,732	122,507	453,239
Long-term debt, net of current portion	<u>266,235</u>	<u>-</u>	<u>266,235</u>
Total noncurrent liabilities	<u>3,351,637</u>	<u>1,178,312</u>	<u>4,529,949</u>
Total liabilities	<u>3,572,396</u>	<u>1,576,225</u>	<u>5,148,621</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	493,967	182,971	676,938
OPEB deferrals	705,931	271,362	977,293
Lease	<u>480,835</u>	<u>-</u>	<u>480,835</u>
Total deferred inflows of resources	<u>1,680,733</u>	<u>454,333</u>	<u>2,135,066</u>
NET POSITION			
Net investment in capital assets	37,288,869	4,223,274	41,512,143
Unrestricted	<u>10,159,542</u>	<u>1,459,899</u>	<u>11,619,441</u>
Total net position	<u>\$ 47,448,411</u>	<u>\$ 5,683,173</u>	<u>\$ 53,131,584</u>

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

PROPRIETARY FUNDS
Statements of Revenues, Expenses, and Changes in Fund Net Position
For the year ended June 30, 2022

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
OPERATING REVENUES			
Charges for services	\$ 5,664,328	\$ 10,720,106	\$ 16,384,434
Late payment fees	-	248,257	248,257
Connection fees	97,300	49,119	146,419
Other operating revenue	108,717	63,617	172,334
Total operating revenues	<u>5,870,345</u>	<u>11,081,099</u>	<u>16,951,444</u>
OPERATING EXPENSES			
Administration	916,166	902,563	1,818,729
Operations	653,811	1,798,803	2,452,614
Water plant	870,668	-	870,668
Waste treatment	1,254,719	-	1,254,719
Pump station and storage	660,449	-	660,449
Electric power	-	3,261,900	3,261,900
Depreciation	1,451,285	321,327	1,772,612
Total operating expenses	<u>5,807,098</u>	<u>6,284,593</u>	<u>12,091,691</u>
Operating income	<u>63,247</u>	<u>4,796,506</u>	<u>4,859,753</u>
NONOPERATING REVENUE			
Interest income	7,012	6,758	13,770
Lease revenue	42,702	-	42,702
Capital contributions	11,686	-	11,686
Total nonoperating revenue	<u>61,400</u>	<u>6,758</u>	<u>68,158</u>
Income before transfers	<u>124,647</u>	<u>4,803,264</u>	<u>4,927,911</u>
TRANSFERS			
Transfer from the general fund	5,851,715	-	5,851,715
Transfer to the general fund	-	(8,277,354)	(8,277,354)
Total transfers, net	<u>5,851,715</u>	<u>(8,277,354)</u>	<u>(2,425,639)</u>
Change in net position	5,976,362	(3,474,090)	2,502,272
Net position, beginning of year	<u>41,472,049</u>	<u>9,157,263</u>	<u>50,629,312</u>
Net position, end of year	<u>\$ 47,448,411</u>	<u>\$ 5,683,173</u>	<u>\$ 53,131,584</u>

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

PROPRIETARY FUNDS
Statements of Cash Flows
For the year ended June 30, 2022

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 5,878,750	\$ 10,981,485	\$ 16,860,235
Cash paid for goods and services	(2,438,489)	(957,865)	(3,396,354)
Cash paid to employees	(2,190,892)	(5,090,744)	(7,281,636)
Net cash provided by operating activities	<u>1,249,369</u>	<u>4,932,876</u>	<u>6,182,245</u>
Cash flows from noncapital financing activities:			
Advance to the general fund	(5,851,715)	-	(5,851,715)
Transfers (to)/from other funds	5,851,715	(8,277,354)	(2,425,639)
Net cash used by noncapital financing activities	<u>-</u>	<u>(8,277,354)</u>	<u>(8,277,354)</u>
Cash flows from capital and related financing activities:			
Cash received from grants	11,686	-	11,686
Cash received from lease receivable	24,466	-	24,466
Cash advance from the general fund	(6,686)	-	(6,686)
Acquisition and construction of capital assets	(856,411)	(862,107)	(1,718,518)
Principal retirement	(24,204)	-	(24,204)
Net cash used by capital and related financing activities	<u>(851,149)</u>	<u>(862,107)</u>	<u>(1,713,256)</u>
Cash flows from investing activities:			
Interest on investments	7,012	6,757	13,769
Net increase (decrease) in cash and cash equivalents	405,232	(4,199,828)	(3,794,596)
Cash and cash equivalents, beginning of year	6,601,645	5,593,358	12,195,003
Cash and cash equivalents, end of year	<u>\$ 7,006,877</u>	<u>\$ 1,393,530</u>	<u>\$ 8,400,407</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 63,247	\$ 4,796,506	\$ 4,859,753
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,451,285	321,327	1,772,612
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	4,472	(106,036)	(101,564)
(Increase) decrease in other prepaid items	(4,493)	(1,859)	(6,352)
(Increase) decrease in deferred outflows of resources for pensions	(76,659)	(28,395)	(105,054)
(Increase) decrease in deferred outflows of resources for OPEB	(126,826)	(48,752)	(175,578)
Increase (decrease) in accounts payable and accrued liabilities	(79,985)	(16,063)	(96,048)
Increase (decrease) in customer deposits	3,933	6,423	10,356
Increase (decrease) in compensated absences	1,129	5,109	6,238
Increase (decrease) in total OPEB liability	324,944	124,910	449,854
Increase (decrease) in net pension liability - LGERS	(433,238)	(160,476)	(593,714)
Increase (decrease) in deferred inflows of resources - pensions	467,807	173,281	641,088
Increase (decrease) in deferred inflows of resources - OPEB	(346,247)	(133,099)	(479,346)
Total adjustment	<u>1,186,122</u>	<u>136,370</u>	<u>1,322,492</u>
Net cash provided by operating activities	<u>\$ 1,249,369</u>	<u>\$ 4,932,876</u>	<u>\$ 6,182,245</u>

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

TOWN OF FOREST CITY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2022

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

The accounting policies of the Town of Forest City (the “Town”) and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

Town of Forest City ABC Board

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

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

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

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

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

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, recreation, and general governmental activities.

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

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The non-GAAP budgetary comparison for this fund is included in the supplemental information. This fund also covers acquisition and construction of major water and sewer capital facilities and infrastructure, which are accounted for in the Water and Sewer Capital Project Fund, which is combined with the Water and Sewer Fund (operating fund) for financial statement purposes. The non-GAAP budgetary comparison for the capital project fund has been included in the supplementary information.

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

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

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

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

Sales taxes and certain intergovernmental revenues, such as beer and wine tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Sales taxes are considered shared revenue for the Town because the tax is levied by Rutherford County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

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

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

1. Deposits and Investments

All deposits of the Town and ABC Board are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers’ acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town’s and the ABC Board’s investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

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

Governmental Activities	
General Fund:	
Streets	\$ 455,026
American Rescue Plan Fund	
Unspent grant funds	<u>1,141,256</u>
Total Governmental Activities	<u>\$ 1,596,282</u>
Business-type Activities	
Water and Sewer Fund:	
Customer deposits	\$ 120,280
Electric Fund:	
Customer deposits	<u>279,750</u>
Total Business-type Activities	<u>\$ 400,030</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021. As allowed by state law, the Town periodically establishes a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Account

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables written off in prior years.

6. Lease Receivable

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

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

7. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

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

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

8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for all assets. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of streets and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated on a straight-line basis over the following useful lives to the cost of the assets:

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

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

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

9. Right to Use Assets

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

10. Deferred Outflows/Inflows of Resources

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

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

11. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. In the fund financial statements for governmental fund types, the face amount of debt issued is reported in other financing sources.

12. Compensated Absences

The Town's vacation policy provides that an employee can carry-over one-half of the vacation hours earned in any calendar year; vacation hours can be accumulated up to 240 hours per employee; vacation hours in excess of 240 at December 31, are converted to sick-leave hours for consideration at retirement. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in and first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

ABC Board employees may accumulate earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2022 is not considered to be material.

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

13. Reimbursements for Pandemic-related Expenditures

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

14. Net Position

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

15. Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State Statute – Carolina G.S. 159-8 prohibits units of

government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority of vote by quorum of the Town of Forest City's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Any changes or removal of specific purpose requires a majority action by the Town Council.

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

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

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

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

16. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the Statement of Net Position date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense and allowance for doubtful accounts. Actual results may differ from those estimates.

17. Defined Benefit Pension and OPEB Plans

The Town participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS), the Law Enforcement Officers' Special Separation Allowance (LEOSSA), and the Retiree Health Benefits Fund (OPEB). For purposes of measuring the net pension or OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to defined benefit plans, and pension or OPEB expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans.

Note 2 – Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2022, the Town's deposits had a carrying amount of \$7,137,003 and a bank balance of \$7,947,265. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2022, the Town's petty cash fund totaled \$3,600.

The carrying amount of the deposits of the ABC Board was \$228,127 and the bank balance was \$304,343. Of the ABC Board's bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2022, the ABC Board's petty cash fund totaled \$3,555.

Reconciliation of cash and cash equivalents:

The components of cash and cash equivalents:		Reported in the financial statements as:	
Deposits in banks	\$ 7,137,003	Cash and cash equivalents	\$ 14,854,095
Petty cash on hand	3,600	Restricted cash	<u>3,137,568</u>
Investments	<u>10,851,060</u>		<u>\$ 17,991,663</u>
	<u>\$ 17,991,663</u>		

2. Investments

At June 30, 2022, the Town's investments were as follows:

Investment Type	Valuation Measurement Method	Book Value	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 10,851,060	N/A	AAAm

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

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

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

Credit Risk. The Town has no formal policy regarding credit risk. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2022.

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

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2022 are net of the following allowances for doubtful accounts:

Government Activities	
Taxes receivable	<u>\$ 40,000</u>
Business-type Activities	
Electric accounts receivable	\$ 3,200
Water and sewer accounts receivable	<u>1,200</u>
Total	<u>\$ 4,400</u>

4. Due From Other Governments

Due from other governments consisted of the following at June 30, 2022:

Due from Other Governments	
Local option sales tax	\$ 650,551
Utility franchise tax	279,079
ABC Distribution	101,618
Solid waste tax	1,284
Property taxes unremitted	26,211
Sales tax refund	216,964
Total	<u>\$ 1,275,707</u>

5. Lease Receivable

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

In fiscal year 2022, the City recognized \$17,790 of lease revenue and \$24,912 of interest revenue under the lease.

6. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2022 was as follows:

Governmental Activities	Beginning Balances	Increases	Decreases	Ending Balances
Non-Depreciable Capital Assets:				
Land	\$ 7,656,757	\$ -	\$ -	\$ 7,656,757
Construction in progress	1,010,300	-	1,010,300	-
Total non-depreciable capital assets	8,667,057	-	1,010,300	7,656,757
Depreciable Capital Assets:				
Buildings	15,876,171	205,089	-	16,081,260
Equipment	5,256,865	300,441	-	5,557,306
Infrastructure	1,322,887	1,111,107	-	2,433,994
Vehicles	5,418,929	-	160,808	5,258,121
Total depreciable capital assets	27,874,852	1,616,637	160,808	29,330,681
Less Accumulated Depreciation:				
Buildings	6,439,203	477,452	-	6,916,655
Equipment	3,590,944	254,850	-	3,845,794
Infrastructure	462,171	27,940	-	490,111
Vehicles	3,422,476	354,780	160,808	3,616,448
Total accumulated depreciation	13,914,794	1,115,022	160,808	14,869,008
Depreciable capital assets, net	13,960,058			14,461,673
 Governmental capital assets, net	 \$22,627,115			 \$22,118,430

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

Governmental Activities:	
General government	\$ 69,046
Public safety	404,401
Transportation	194,668
Environmental protection	2,312
Culture and recreation	444,595
Total depreciation expense	\$ 1,115,022

Capital asset activity for business-type activities for the year ended June 30, 2022 was as follows:

<u>Business-type activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Water and Sewer:				
Non-Depreciable Capital Assets:				
Land	\$ 177,882	\$ -	\$ -	\$ 177,882
Construction in progress	<u>1,316,213</u>	<u>-</u>	<u>1,316,213</u>	<u>-</u>
Total non-depreciable capital assets	<u>1,494,095</u>	<u>-</u>	<u>1,316,213</u>	<u>177,882</u>
Depreciable Capital Assets:				
Equipment	6,965,491	1,842,451	-	8,807,942
Plant & water lines	<u>61,515,022</u>	<u>330,173</u>	<u>-</u>	<u>61,845,195</u>
Total depreciable capital assets	<u>68,480,513</u>	<u>2,172,624</u>	<u>-</u>	<u>70,653,137</u>
Less Accumulated Depreciation:				
Equipment	6,011,566	1,229,430	-	7,240,996
Plant & water lines	<u>25,788,861</u>	<u>221,855</u>	<u>-</u>	<u>26,010,716</u>
Total accumulated depreciation	<u>31,800,427</u>	<u>1,451,285</u>	<u>-</u>	<u>33,251,712</u>
Depreciable capital assets, net	<u>36,680,086</u>			<u>37,401,425</u>
Water and Sewer capital assets, net	<u>\$38,174,181</u>			<u>\$37,579,307</u>
Electric Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 115,715	\$ -	\$ -	\$ 115,715
Depreciable Capital Assets:				
Equipment	2,509,020	731,414	-	3,240,434
Plant & lines	<u>11,790,867</u>	<u>130,693</u>	<u>-</u>	<u>11,921,560</u>
Total depreciable capital assets	<u>14,299,887</u>	<u>862,107</u>	<u>-</u>	<u>15,161,994</u>
Less Accumulated Depreciation:				
Equipment	1,686,011	234,467	-	1,920,478
Plant & lines	<u>9,047,097</u>	<u>86,860</u>	<u>-</u>	<u>9,133,957</u>
Total accumulated depreciation	<u>10,733,108</u>	<u>321,327</u>	<u>-</u>	<u>11,054,435</u>
Depreciable capital assets, net	<u>3,566,779</u>			<u>4,107,559</u>
Electric Fund capital assets, net	<u>\$ 3,682,494</u>			<u>\$ 4,223,274</u>

Construction Commitments

The Town had no construction commitments at June 30, 2022.

Discretely Presented Component Unit

Capital asset activity for the Forest City ABC Board for the period ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Non-Depreciable Capital Assets:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Depreciable Capital Assets:				
Buildings	314,605	-	-	314,605
Furniture and equipment	164,342	-	-	164,342
Total depreciable capital assets	478,947	-	-	478,947
Less Accumulated Depreciation:				
Buildings	184,526	10,731	-	195,257
Furniture and equipment	107,828	6,595	-	114,423
Total accumulated depreciation	292,354	17,326	-	309,680
Depreciable capital assets, net	186,593			169,267
ABC capital assets, net	\$ 236,593			\$ 219,267

7. Right to Use Leased Asset

The Town has recorded one right to use leased asset for a leased vehicle. The related lease is discussed in the leases subsection of the long term obligations section of this note. The right to use lease asset is amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets				
Leased vehicles	\$ -	\$ 30,253	\$ -	\$ 30,253
Less accumulated amortiation for:				
Leased vehicles	-	496	-	496
Right to use assets, net	\$ -	\$ 29,757	\$ -	\$ 29,757

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2022 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General Fund	\$ 662,283	\$ 107,022	\$ 769,305
Business-type Activities:			
Water and Sewer Fund	\$ 23,833	\$ 27,443	\$ 51,276
Electric Fund	85,315	12,848	98,163
Total business-type activities	\$ 109,148	\$ 40,291	\$ 149,439

2. Pension Plan Obligations

a. Local Governmental Employees’ Retirement System

Plan Description. The Town is a participating employer in the State-wide Local Governmental Employees’ Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees’ Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State’s Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Forest City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Forest City's contractually required contribution rate for the year ended June 30, 2022, was 12.1% of compensation for law enforcement officers and 11.35% 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 \$793,087 for the year ended June 30, 2022.

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, 2022, the Town reported a liability of \$1,524,394 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Town's proportion was 0.09940% (measured as of June 30, 2021), which was an increase of 0.00086% from its proportion as of June 30, 2021 (measured as of June 30, 2020). For the year ended June 30, 2022, the Town recognized pension expense of \$599,087.

At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 484,965	\$ -
Changes of assumptions	957,709	-
Net difference between projected and actual earnings on pension plan investments	-	2,177,902
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	98,865
Town contributions subsequent to the measurement date	<u>793,087</u>	<u>-</u>
Total	<u>\$ 2,235,761</u>	<u>\$ 2,276,767</u>

\$793,087 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 93,202
2024	(86,970)
2025	(173,875)
2026	(666,450)
Thereafter	<u>-</u>
	<u>\$ (834,093)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant

whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 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 3.25%. All rates of return and inflation are annualized.

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 5,917,572	\$ 1,524,394	\$ (2,090,936)

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

b. Law Enforcement Officers’ Special Separation Allowance

1. Plan Description.

The Town administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2020 (valuation date), the Separation Allowance’s membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>28</u>
Total	<u><u>31</u></u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 percent

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20 Year High Grade Rate Index at December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The Town paid \$54,376 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$1,416,089. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$128,742.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,756	\$ 54,398
Changes of assumptions and other inputs	311,959	55,030
Town benefit payments and plan administrative expense made subsequent to the measurement date	27,616	-
Total	<u>\$ 364,331</u>	<u>\$ 109,428</u>

\$27,616 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 54,520
2024	52,341
2025	44,307
2026	49,582
2027	34,605
Thereafter	<u>(8,068)</u>
	<u>\$ 227,287</u>

Sensitivity of the Town’s total pension liability to changes in the discount rate. The following presents the Town’s total pension liability calculated using the discount rate of 2.25 percent, as well as what the Town’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 1,549,971	\$ 1,416,089	\$ 1,294,014

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2020	\$ 1,432,572
Changes for the year:	
Service cost at end of year	75,142
Interest	27,124
Change in benefit terms	-
Difference between expected and actual experience	(22,844)
Changes of assumptions and other inputs	(41,529)
Benefit payments	(54,376)
Other	-
Net changes	(16,483)
Total pension liability as of December 31, 2021	\$ 1,416,089

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The Town made contributions of \$83,574 for the reporting year. No amounts were forfeited.

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

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

Funding Policy. Effective July 1, 2016, the Town elected to match up to \$40.00 per pay period the contributions of all non-law officer employees. The Town’s contributions for the current fiscal year were \$104,180. No amounts were forfeited.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Proportionate share of net pension liability	\$ 1,524,394	N/A	\$ 1,524,394
Proportion of the net pension liability	0.09940%	N/A	N/A
Total pension liability	N/A	\$ 1,416,089	1,416,089
Pension expense	599,087	128,742	727,829

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 484,965	\$ 24,756	\$ 509,721
Changes of assumptions	957,709	311,959	1,269,668
Net difference between projected and actual earnings on pension plan investments	-	-	-
Town contributions (LGERS) and benefit payments (LEOSSA) made subsequent to the measurement date	<u>793,087</u>	<u>27,616</u>	<u>820,703</u>
Total	<u>\$ 2,235,761</u>	<u>\$ 364,331</u>	<u>\$ 2,600,092</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 54,398	\$ 54,398
Changes of assumptions	-	55,030	55,030
Net difference between projected and actual earnings on pension plan investments	2,177,902	-	2,177,902
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>98,865</u>	<u>-</u>	<u>98,865</u>
Total	<u>\$ 2,276,767</u>	<u>\$ 109,428</u>	<u>\$ 2,386,195</u>

3. Post-Employment Healthcare Benefits

Plan Description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Town of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree

contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Town of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

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

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Town contributed 6.68% of covered payroll which amounted to \$466,769.

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

At June 30, 2022, Town reported a liability of \$12,228,442 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s present value of future salary, actuarially determined. At June 30, 2022, the Town’s proportion was 0.03955% (as measured at June 30, 2021), an increase of .00084% from the prior year (as measured at June 30, 2020).

For the year ended June 30, 2022, the Town recognized OPEB benefit of \$142,673. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 72,195	\$ 227,628
Changes of assumptions and other inputs	1,000,178	2,971,772
Net difference between projected and actual earnings on OPEB plan investments	-	6,255
Changes in proportion and differences between Town contributions and proportionate share of contributions	791,181	32,558
Town benefit payments and plan administrative expense made subsequent to the measurement date	466,769	-
Total	<u>\$ 2,330,323</u>	<u>\$ 3,238,213</u>

\$466,769 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2023	\$ (1,136,798)
2024	(362,092)
2025	62,644
2026	(127,698)
2027	189,285
Thereafter	-
	<u>\$ (1,374,659)</u>

Actuarial Assumptions. Actuarial assumptions for the June, 30, 2021 measurement were as follows

Inflation	2.50%
Salary increases	3.25% to 8.05%
Investment rate of return	6.5%, net of OPEB plan investment expense, including inflation
Health care cost trends:	medical 6.0% decreasing to 5.0% by 2026 prescription drug 9.50% decreasing to 5.0% by 2030 administrative 3.00%

The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 2.16%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage point higher (3.16 percent) than the current discount rate:

	1% Decrease	Current	1% Increase
	<u>(1.16%)</u>	<u>(2.16%)</u>	<u>(3.16%)</u>
Net OPEB Liability	\$ 14,545,530	\$ 12,228,442	\$ 10,351,825

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

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

	Current Trend Rates (6.0% Medical, 9.5% Prescription, 3.0% Administration)		
	<u>1% Decrease</u>	<u>3.0% Administration</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 9,902,959	\$ 12,228,422	\$ 15,313,362

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

4. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employee’s Retirement System (Death Benefit Plan), a multi-employer, state administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the system, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump sum death benefits payments to beneficiaries are equal to the employees 12 highest months’ salary in a row during the 24 months prior to the employee’s death, but the benefit may not exceed \$50,000 or be less than \$25,000. Since all death benefit payments are made from Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annual by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers post-employment contributions to be immaterial.

5. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Governmental Deferred Inflows of Resources	Net Position Deferred Inflows of Resources
Contributions to pension plan in the current fiscal year	\$ 793,087	\$ -	\$ -
Benefit payments made and admin expenses for LEOSA	27,616	-	-
Benefit payments made and admin expenses for OPEB	466,769	-	-
Pension and OPEB deferrals	3,642,943	-	5,624,408
Prepaid taxes	-	6,147	6,147
Taxes receivable, net (General Fund)	-	49,388	-
Leases	-	-	480,835
Total	<u>\$ 4,930,415</u>	<u>\$ 55,535</u>	<u>\$ 6,111,390</u>

6. Risk Management

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

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

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

7. Long-Term Obligations

Leases

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

The lease agreement was executed in June 2022 to lease a public safety vehicle and requires 60 monthly payments of \$564. There are no variable components of the lease. The lease liability is measured at a discount rate of 5%, which is management’s estimate of the incremental borrowing rate of the Town. As a result of the least, the Town has recorded a right to use asset with a net book value of \$29,757 as discussed in more detail in the right to use asset section of this note.

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

Year Ending June 30	Principal	Interest
2023	\$ 5,405	\$ 1,362
2024	5,682	1,085
2025	5,973	794
2026	6,278	489
2027	6,351	168
Total	<u>\$ 29,689</u>	<u>\$ 3,898</u>

Installment Purchases

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

Direct Placement Installment Notes Payable

\$2,500,000; direct placement installment note issued February 15, 2008; collateral is the Municipal Baseball Facility as partially funded by proceeds; 3.66% annual rate, reduced to 2.43% effective February 21, 2013; \$13,899 due monthly plus interest through February 2023.	\$ 111,111
\$1,000,000; direct placement installment note issued June 3, 2020 to finance the purchase of a Ladder Truck; 2.39% annual rate for a term of 120 months; collateral is property purchased; \$9,377 due monthly including interest through June 2030.	<u>818,631</u>
Total installment notes payable - governmental activities	<u>\$ 929,742</u>

Annual debt service for governmental activities are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2023	\$ 205,096	\$ 19,636
2024	96,256	16,269
2025	98,581	13,943
2026	100,963	11,561
2027	103,406	9,122
2028-2032	325,440	12,130
Total	<u>\$ 929,742</u>	<u>\$ 82,661</u>

Direct Placement Revolving Loan:

\$994,197; direct placement revolving loan from the NC Department of Environmental and Natural Resources, issued May 3, 2013, to fund sewer rehabilitation; loan forgiveness of \$451,350 through the NC Clean Water State Revolving Fund at the conclusion of the project (June 30, 2014); collateral is property purchased or improved; 0.0% annual interest for a term of 20 years with annual payments of \$24,203 through May 2034

\$ 290,438

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

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2023	\$ 24,203	\$ -	\$ 24,203
2024	24,203	-	24,203
2025	24,203	-	24,203
2026	24,203	-	24,203
2027	24,203	-	24,203
2028-2032	121,015	-	121,015
2033-2034	48,408	-	48,408
Total	<u>\$ 290,438</u>	<u>\$ -</u>	<u>\$ 290,438</u>

At June 30, 2022, the Town had a legal debt margin of approximately \$135,000,000.

Changes in Long-Term Liabilities

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

	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022	Current Portion of Balance
<u>Governmental Activities:</u>					
Direct placement					
installment notes	\$ 1,188,176	-	258,434	929,742	205,096
Lease liabilities	-	30,253	564	29,689	5,405
Net OPEB liability	7,497,168	1,040,717	-	8,537,885	-
Total pension liability - LEOSSA	1,432,572	-	16,483	1,416,089	-
Net pension liability - LGERS	2,474,301	-	1,403,146	1,071,155	-
Compensated absences	443,160	198,721	133,401	508,480	140,000
Total	<u>\$ 13,035,377</u>	<u>\$ 1,269,691</u>	<u>\$ 1,812,028</u>	<u>\$ 12,493,040</u>	<u>\$ 350,501</u>
<u>Business-type Activities:</u>					
Direct placement revolving loan	\$ 314,642	\$ -	\$ 24,204	\$ 290,438	\$ 24,203
Net pension liability - LGERS	1,046,953	-	593,714	453,239	-
Net OPEB liability	3,240,683	449,854	-	3,690,537	-
Compensated absences	158,700	49,510	43,272	164,938	45,000
Total	<u>\$ 4,760,978</u>	<u>\$ 499,364</u>	<u>\$ 661,190</u>	<u>\$ 4,599,152</u>	<u>\$ 69,203</u>

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

8. Interfund Balances and Activity:

Transfer between funds at June 30, 2022 consisted of:

	Purpose	Amount
To the General Fund		
from the Electric Fund	to support operations	\$ 6,095,169
To the Water and Sewer Fund		
from the General Fund	to record liability for previous transfers	(5,851,715)
To the General Fund		
from the Electric Fund	to fund parks and recreation operations	2,182,185
		<u>\$ 2,425,639</u>

The transfer to the water and sewer fund is for the purposes of recording a liability for previous transfers as described in the interfund loan below.

Interfund loan – On April 25, 2022, the general fund borrowed \$5,851,715 from the water and sewer fund for the purpose of repaying past transfers made from the water and sewer fund to the general fund. The terms of the arrangement require that the general fund repay the water fund by making twenty annual payments in the amount of \$292,586. In the water and sewer fund, \$292,586 that will be due within the next year is presented as due to the general fund. The remainder of \$5,559,129 is presented as an advance to general fund.

9. Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2022 is calculated as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$ 22,118,430	\$ 41,802,581
Less: Long-term debt	<u>(929,742)</u>	<u>(290,438)</u>
Net investment in capital assets	<u>\$ 21,188,688</u>	<u>\$ 41,512,143</u>

Note 3 – Summary Disclosure of Significant Contingencies

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

Note 4 – Fund Balance

The Town does not have a minimum fund balance policy. The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total Fund Balance - General Fund	\$ 3,316,958
<u>Less:</u>	
Non-spendable - prepaid	(80,409)
Non-spendable - inventory	(26,929)
Stabilization by State statute	<u>(1,386,787)</u>
Available Fund Balance	<u>\$ 1,822,833</u>

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. There were no encumbrances in the General Fund at June 30, 2022.

Note 5 – Related Organization

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

Note 6 – Joint Venture

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town of Forest city receives no financial benefit and has no equity interest in the joint venture, so no equity has been reflected in these financial statements at June 30, 2022. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Note 7 – Concentration of Tax Base

One taxpayer represented approximately 60% of the Town's tax base for the 2021 tax year. Taxes collected from this taxpayer amounted to \$2,843,661 for the fiscal year ended June 30, 2022. Also, economic development incentive payments were made to this taxpayer in the amount of \$2,843,661 during the fiscal year ended June 30, 2022. Economic development incentive payments equal to 100% of the property taxes paid will continue to be made to this taxpayer until the year 2033.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

TOWN OF FOREST CITY, NORTH CAROLINA

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

Retiree Health Benefit Fund

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

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

TOWN OF FOREST CITY, NORTH CAROLINA

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

Retiree Health Benefit Fund

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

TOWN OF FOREST CITY, NORTH CAROLINA

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

Local Governmental Employees' Retirement System

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

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

TOWN OF FOREST CITY, NORTH CAROLINA

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

Local Governmental Employees' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 793,087	\$ 680,184	\$ 580,158	\$ 502,657	\$ 457,501	\$ 435,264	\$ 382,838	\$ 698,720	\$ 651,941
Contribution in relation to the contractually required contribution	<u>793,087</u>	<u>680,184</u>	<u>580,158</u>	<u>502,657</u>	<u>457,501</u>	<u>435,264</u>	<u>382,838</u>	<u>698,720</u>	<u>651,941</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 7,140,159	\$ 6,663,745	\$ 6,439,430	\$ 6,311,245	\$ 5,945,988	\$ 5,844,823	\$ 5,634,708	\$ 5,523,798	\$ 5,205,002
Contributions as a percentage of covered payroll	11.11%	10.21%	9.01%	7.96%	7.69%	7.45%	6.79%	12.65%	12.53%

TOWN OF FOREST CITY, NORTH CAROLINA

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

Schedule of Changes in Total Pension Liability

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

Notes to the schedule:

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

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 4,784,891	
Penalties and interest		14,895	
Total	\$ 4,738,972	4,799,786	\$ 60,814
Other Taxes and Licenses:			
Local option sales tax		1,916,942	
ABC privilege licenses		1,030	
Fire district tax		9,960	
Vehicle rental tax		30,593	
Total	1,957,595	1,958,525	930
Unrestricted Intergovernmental Revenues:			
Utility sales tax		754,728	
Telecommunications sales tax		55,467	
Piped natural gas tax		34,124	
Video programming tax		31,945	
Court costs and fees		1,777	
Beer and wine tax		29,206	
Hold harmless revenue		550,159	
Policing subsidies and fees		55,758	
ABC profit distributions		267,643	
Payments-in-lieu		17,240	
Total	1,822,653	1,798,047	(24,606)
Restricted Intergovernmental Revenues:			
Powell Bill allocation		256,930	
Unauthorized substance tax		24,731	
Police federally forfeited funds		21,955	
ABC allocations		34,967	
State Fire Fund		5,633	
Solid waste disposal		5,548	
Culture and recreation grants		11,000	
Total	563,474	360,764	(202,710)
Permits and fees:			
Building permits		73,930	
Code enforcement fees		24,388	
Total	155,000	98,318	(56,682)

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Sales and Services:			
Recreation department		356,450	
Waste collection fees		1,369,876	
Cemetery lots		31,000	
Fire protection fees		5,115	
Other sales and services		25,527	
Total	1,641,700	1,787,968	146,268
Investment Earnings	1,700	5,852	4,152
Miscellaneous:			
Rents		124,004	
Other		39,710	
Total	93,500	163,714	70,214
Total revenues	10,974,594	10,972,974	(1,620)
Expenditures:			
General Government:			
Governing board:			
Salaries and employee benefits		55,045	
Operating expenditures		44,104	
Total	127,160	99,149	28,011
Administration:			
Salaries and employee benefits		534,204	
Operating expenses		320,429	
Capital outlay		18,085	
Economic development incentive		2,843,661	
Total	3,911,524	3,716,379	195,145
Finance and Legal:			
Salaries and employee benefits		422,995	
Operating expenditures		70,679	
Total	552,787	493,674	59,113
Planning and Zoning:			
Salaries and employee benefits		410,759	
Operating expenditures		63,937	
Total	578,047	474,696	103,351
Downtown Activities:			
Salaries and employee benefits		160,674	
Operating expenditures		295,670	
Total	598,706	456,344	142,362
Administrative expense reimbursement	(793,751)	(793,751)	-
Total general government	4,974,473	4,446,491	527,982

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Public Safety:			
Police department:			
Salaries and employee benefits		2,636,344	
Operating expenditures		514,968	
Capital outlay		44,985	
Total	3,326,821	3,196,297	130,524
Fire department:			
Salaries and employee benefits		1,251,608	
Operating expenditures		251,100	
Total	1,585,194	1,502,708	82,486
Total public safety	4,912,015	4,699,005	213,010
Transportation:			
Streets and highways:			
Salaries and employee benefits		922,841	
Operating expenditures		841,507	
Capital outlay		254,515	
Total	2,254,733	2,018,863	235,870
Warehouse and garage			
Salaries and employee benefits		314,296	
Operating expenditures		198,995	
Total	578,529	513,291	65,238
Administrative expense reimbursement	(343,944)	(343,944)	-
Total transportation	2,489,318	2,188,210	301,108
Environmental Protection:			
Sanitation:			
Operating expenditures		1,422,118	
Total	1,451,900	1,422,118	29,782
Cemetery:			
Operating expenditures		7,627	
Capital outlay		45,792	
Total	61,050	53,419	7,631
Total environmental protection	1,512,950	1,475,537	37,413
Cultural and Recreation:			
Parks and recreation:			
Salaries and employee benefits		1,028,976	
Other operating expenditures		666,136	
Capital outlay		159,951	
Total	2,228,353	1,855,063	373,290

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Library:			
Salaries and employee benefits		114,467	
Other operating expenditures		48,525	
Total	187,901	162,992	24,909
Total cultural and recreation	2,416,254	2,018,055	398,199
Debt Service:			
Principal retirement		258,998	
Interest and fees		25,651	
Total	346,586	284,649	61,937
Total expenditures	16,651,596	15,111,947	1,539,649
Revenues under expenditures	(5,677,002)	(4,138,973)	1,538,029
Other Financing Sources:			
Appropriated fund balance	2,788,686	-	(2,788,686)
Lease liabilities issued	-	30,253	30,253
Sale of capital assets	-	21,475	21,475
Transfer to Water and Sewer Fund	(5,851,715)	(5,851,715)	-
Transfer from Electric Fund	8,740,031	8,277,354	(462,677)
Total other financing sources	5,677,002	2,477,367	(3,199,635)
Net change in fund balance	\$ -	(1,661,606)	\$ (1,661,606)
Fund balance, beginning of year		4,978,564	
Fund balance, end of year		\$ 3,316,958	

TOWN OF FOREST CITY, NORTH CAROLINA

AMERICAN RESCUE PLAN FUND

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From inception and for the year ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
ARP Funds	\$ 2,282,511	\$ -	\$ -	\$ -
Expenditures:				
General Government	-	-	-	-
Unassigned ARP expenditures	<u>2,282,511</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,282,511</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

TOWN OF FOREST CITY, NORTH CAROLINA

WATER AND SEWER FUND
 Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
 For the year ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 3,370,000	\$ 3,691,498	\$ 321,498
Sewer charges	1,778,000	1,972,830	194,830
Tap and connection fees	40,000	97,300	57,300
Other	107,000	108,717	1,717
Total operating revenues	5,295,000	5,870,345	575,345
Non-operating revenues:			
Water tank lease revenue	23,000	17,790	(5,210)
Interest on lease receivable	-	24,912	24,912
Interest earnings	2,000	7,012	5,012
Total non-operating income	25,000	49,714	24,714
Total revenues	5,320,000	5,920,059	600,059
Expenditures:			
Administration:			
Salaries and employee benefits		360,320	
Operating expenditures		607,763	
Total administration	997,545	968,083	29,462
Water Operations:			
Salaries and employee benefits		437,845	
Operating expenditures		253,331	
Capital outlay		405,117	
Total water operations	1,264,512	1,096,293	168,219
Water Plant:			
Salaries and employee benefits		451,061	
Operating expenditures		438,307	
Capital outlay		36,794	
Total water plant	1,007,957	926,162	81,795
Sewer Operations:			
Salaries and employee benefits		236,038	
Operating expenditures		136,403	
Capital outlay		234,580	
Total sewer operations	701,657	607,021	94,636
Waste Treatment Plants:			
Salaries and employee benefits		444,113	
Operating expenditures		491,159	
Capital outlay		194,831	
Total water treatment plants	1,629,923	1,130,103	499,820

TOWN OF FOREST CITY, NORTH CAROLINA

WATER AND SEWER FUND

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

For the year ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Pump Station and Storage:			
Salaries and employee benefits		218,684	
Operating expenditures		448,398	
Capital outlay		1,570	
Total pump station and storage	2,164,363	668,652	1,495,711
Debt service:			
Principal		24,204	
Interest		-	
	313,153	24,204	288,949
Total expenditures	8,079,110	5,420,518	2,658,592
Revenues over (under) expenditures	(2,759,110)	499,541	3,258,651
Other Financing Sources:			
Installment obligations issued	1,139,275	-	(1,139,275)
Transfer from general fund	-	5,851,715	5,851,715
Appropriated fund balance	1,619,835	-	(1,619,835)
Total other financing sources	2,759,110	5,851,715	3,092,605
Revenues and other sources over expenditures	\$ -	6,351,256	\$ 6,351,256
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement of debt		24,204	
Capital outlay		856,411	
Capital contributions of the capital project fund		11,686	
Capital outlay of the capital project fund		(5,000)	
Increase in deferred outflows of resources - LGERS		76,659	
Decrease in net pension liability - LGERS		433,238	
Increase in deferred inflows of resources - LGERS		(467,807)	
Increase in deferred outflows of resources - OPEB		126,826	
Increase in net OPEB liability		(324,944)	
Decrease in deferred inflows of resources - OPEB		346,247	
Increase in compensated absences		(1,129)	
Depreciation		(1,451,285)	
Total reconciling items		(374,894)	
Change in net position		\$ 5,976,362	

TOWN OF FOREST CITY, NORTH CAROLINA

WATER & SEWER CAPITAL PROJECT FUND
EVEREST TEXTILE PROJECT

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From inception and for the year ended June 30, 2022

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
Community Development Block Grant	\$ 1,500,000	\$ 1,309,526	\$ 11,686	\$ 1,321,212
Expenditures:				
Water Improvements	122,400	-	-	-
Sewer Improvements	1,319,600	1,291,460	5,000	1,296,460
Planning	5,000	-	-	-
Administration	30,000	24,752	-	24,752
Contingency	23,000	-	-	-
Total expenditures	<u>1,500,000</u>	<u>1,316,212</u>	<u>5,000</u>	<u>1,321,212</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (6,686)</u>	<u>\$ 6,686</u>	<u>\$ -</u>

TOWN OF FOREST CITY, NORTH CAROLINA

ELECTRIC FUND

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Electricity Sales	\$ 11,460,000	\$ 10,720,106	\$ (739,894)
Late payment penalties	240,000	248,257	8,257
Connection fees	17,000	49,119	32,119
Other operating revenue	20,000	63,617	43,617
Total operating revenues	11,737,000	11,081,099	(655,901)
Non-operating revenues:			
Interest earnings	3,000	6,757	3,757
Total revenues	11,740,000	11,087,856	(652,144)
Expenditures:			
Administration:			
Salaries and employee benefits		208,889	
Operating expenditures		713,439	
Total administration	1,022,418	922,328	100,090
Operations:			
Salaries and employee benefits		732,912	
Operating expenditures		729,798	
Repairs and maintenance		383,749	
Capital outlay		862,107	
Total operations	3,614,650	2,708,566	906,084
Electric power purchased:	6,800,000	3,261,900	3,538,100
Total expenditures	11,437,068	6,892,794	4,544,274
Revenues over expenditures	302,932	4,195,062	3,892,130

TOWN OF FOREST CITY, NORTH CAROLINA

ELECTRIC FUND

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses):			
Transfer to General Fund	(8,740,031)	(8,277,354)	462,677
Appropriated fund balance	8,437,099	-	(8,437,099)
Total other financing sources (uses)	(302,932)	(8,277,354)	(7,974,422)
 Revenues and other sources under expenditures and other uses	 \$ -	 (4,082,292)	 \$ (4,082,292)
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		862,107	
Increase in deferred outflows of resources - LGERS		28,395	
Decrease in net pension liability - LGERS		160,476	
Increase in deferred inflows of resources - LGERS		(173,281)	
Increase in deferred outflows of resources - OPEB		48,752	
Increase in net OPEB liability		(124,910)	
Decrease in deferred inflows of resources - OPEB		133,099	
Increase in compensated absences		(5,109)	
Depreciation		(321,327)	
Total reconciling items		608,202	
Change in net position		\$ (3,474,090)	

TOWN OF FOREST CITY, NORTH CAROLINA

ELECTRIC RATE STABILIZATION FUND

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

From inception and for the year ended June 30, 2022

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

OTHER SCHEDULES

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND

Schedule of Ad Valorem Taxes Receivable

For the year ended June 30, 2022

Fiscal Year	Uncollected Balance 6/30/2021	Additions	Collections And Credits	Uncollected Balance 6/30/2022
2021-2022	\$ -	\$ 4,777,627	\$ 4,752,248	\$ 25,379
2020-2021	28,995	-	15,192	13,803
2019-2020	17,813	-	5,563	12,250
2018-2019	8,264	-	2,715	5,549
2017-2018	8,979	-	2,313	6,666
2016-2017	8,113	-	2,973	5,140
2015-2016	13,494	-	1,791	11,703
2014-2015	2,972	-	1,106	1,866
2013-2014	4,230	-	633	3,597
2012-2013	4,074	-	639	3,435
2011-2012	4,697	-	4,697	-
	\$ 101,631	\$ 4,777,627	\$ 4,789,870	89,388
Less: allowance for uncollectible accounts:				
	General Fund			(40,000)
Ad valorem taxes receivable, net				\$ 49,388
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 4,799,786
Reconciling items:				
	Interest and penalties collected			(14,895)
	Taxes written off			4,697
	Adjustments and releases, net			282
	Total collections and credits			\$ 4,789,870

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND
 Analysis of Current Tax Levy
 For the year ended June 30, 2022

			Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,679,833,214	0.280	\$4,703,533	\$4,549,027	\$ 154,506
Discoveries	34,366,429	0.280	96,226	96,226	-
Abatements	(7,904,286)	0.280	(22,132)	(22,132)	-
Total property valuation	<u>\$ 1,706,295,357</u>				
Net levy			4,777,627	4,623,121	154,506
Uncollected taxes at June 30, 2022			(25,379)	(25,379)	-
Current year's taxes collected			<u>\$4,752,248</u>	<u>\$4,597,742</u>	<u>\$ 154,506</u>
Current levy collection percentage			99.47%	99.45%	100.00%

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Forest City, North Carolina, as of and for the year ended June 30, 2022, which collectively comprise the Town of Forest City's basic financial statements, and have issued our report thereon dated November 14, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Forest City, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 14, 2022

TOWN OF FOREST CITY, NORTH CAROLINA

Schedule of Findings
For the Year Ended June 30, 2022

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no

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

- Noncompliance material to financial
statements noted yes no

TOWN OF FOREST CITY, NORTH CAROLINA

Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022

No findings reported for the fiscal year ending June 30, 2021.