

**Town of Forest City, North Carolina**

**Financial Statements**

**June 30, 2025**

*Forest  
City* **N.C.**

**Forest City Town Council**  
**(As of June 30, 2025)**

Steve Holland, Mayor

Commissioners:  
John Mark Bennett  
Dee Dee Bright  
Joey Branle  
Chris Lee  
Shawn Moore

Town Manager:  
Janet Mason

**TOWN OF FOREST CITY, NORTH CAROLINA**  
**YEAR ENDED JUNE 30, 2024**

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## Independent Auditors' Report

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

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the remaining fund information of the Town of Forest City as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the remaining fund information of the Town of Forest City as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

### *Basis for Opinions*

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

### *Responsibilities of Management for the Financial Statements*

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

***Required Supplementary Information***

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

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act 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, other schedules, and the schedule of expenditures of federal and state awards 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 30, 2025 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 30, 2025

**TOWN OF FOREST CITY, NORTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the year ended June 30, 2025

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, 2025. 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**

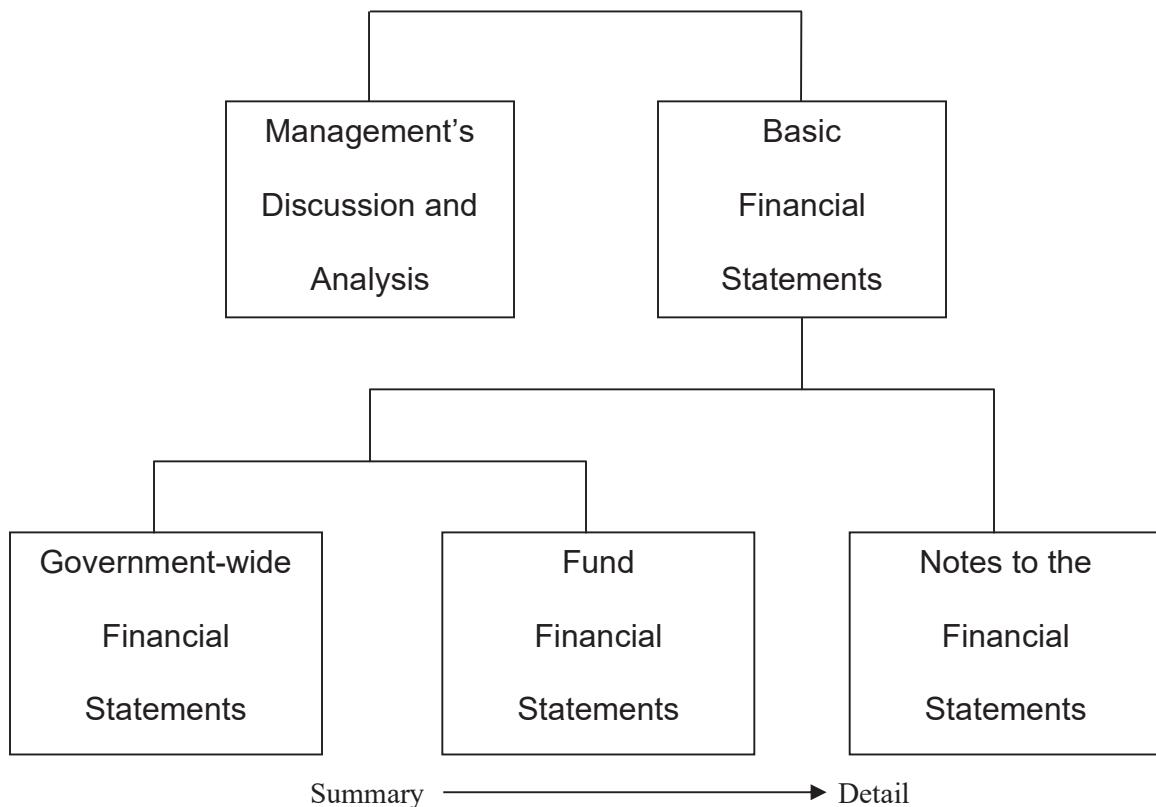
- The assets and deferred outflows of resources of the Town of Forest City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$77,003,326 (*net position*).
- The government's total net position increased by \$2,560,673, consisting of an increase in the governmental activities net position of \$1,340,006 and an increase in the business-type activities net position of \$1,220,667.
- As of the close of the current fiscal year, the Town of Forest City's general fund reported ending fund balance of \$13,184,557 with a net increase of \$2,336,365 in fund balance. Approximately 23% of this total amount, or \$3,017,902, is restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$10,793,011, or 57% of net General Fund expenditures for the fiscal year, and total fund balance for the General Fund was \$13,184,557 or 69% of net General Fund expenditures.
- The Town of Forest City's long-term installment and revolving loan obligations increased by \$1,010,766 or 71% during the current fiscal year due to new debt of \$1,425,908 and scheduled principal payments made on new and existing debt.

### **Overview of the Financial Statements**

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

## Required Components of Annual Financial Report

### Figure 1



## Basic Financial Statements

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

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

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

## Government-Wide Financial Statements

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

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

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

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

## Fund Financial Statements

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

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

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

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

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

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

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

## Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		2025	2024
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 14,874,028	\$ 12,562,858	\$ 19,685,542	\$ 18,350,945	\$ 34,559,570	\$ 30,913,803
Capital assets	21,027,077	21,525,052	42,888,206	41,654,296	63,915,283	63,179,348
Deferred outflows of resources	6,282,680	4,744,480	2,563,938	1,894,633	8,846,618	6,639,113
<b>Total assets and deferred outflows of resources</b>	<b>42,183,785</b>	<b>38,832,390</b>	<b>65,137,686</b>	<b>61,899,874</b>	<b>107,321,471</b>	<b>100,732,264</b>
Current liabilities	1,047,466	1,026,630	1,243,752	940,401	2,291,218	1,967,031
Long-term liabilities	17,301,844	14,579,261	7,983,312	5,956,027	25,285,156	20,535,288
Deferred inflows of resources	1,759,999	2,492,029	981,772	1,295,263	2,741,771	3,787,292
<b>Total liabilities and deferred inflows of resources</b>	<b>20,109,309</b>	<b>18,097,920</b>	<b>10,208,836</b>	<b>8,191,691</b>	<b>30,318,145</b>	<b>26,289,611</b>
<b>Net position:</b>						
Net investment in capital assets	20,186,075	20,896,662	40,943,825	40,856,514	61,129,900	61,753,176
Restricted	3,017,902	2,769,489	-	-	3,017,902	2,769,489
Unrestricted (deficit)	(1,129,501)	(2,931,681)	13,985,025	12,851,669	12,855,524	9,919,988
<b>Total net position</b>	<b>\$ 22,074,476</b>	<b>\$ 20,734,470</b>	<b>\$ 54,928,850</b>	<b>\$ 53,708,183</b>	<b>\$ 77,003,326</b>	<b>\$ 74,442,653</b>

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 \$77,003,326 as of June 30, 2025. The Town's net position increased by \$2,560,673 for the fiscal year ended June 30, 2025. However, the largest portion of net position (79%) 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, \$3,017,902 represents resources that are subject to external restrictions on how they may be used. This leaves unrestricted net position of 12,855,524.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.88%.
- Continued efforts of all departments to minimize costs and efficiently serve citizens.

Sales taxes continued to exceed projections

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

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		2025	2024
	2025	2024	2025	2024	2025	2024
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,272,260	\$ 2,219,213	\$ 16,814,691	\$ 16,684,788	\$ 19,086,951	\$ 18,904,001
Operating grants and contributions	858,846	89,516	-	-	858,846	89,516
Capital grants and contributions	311,822	576,516	1,116,985	-	1,428,807	576,516
General revenues:						
Property taxes	10,479,328	10,310,638	-	-	10,479,328	10,310,638
Other taxes	3,815,455	3,629,558	-	-	3,815,455	3,629,558
Grants and other contributions, not restricted to specific programs	2,776,513	2,537,703	-	-	2,776,513	2,537,703
Other	844,071	874,896	482,855	390,579	1,326,926	1,265,475
<b>Total revenues</b>	<b>21,358,295</b>	<b>20,238,040</b>	<b>18,414,531</b>	<b>17,075,367</b>	<b>39,772,826</b>	<b>37,313,407</b>
<b>Expenses:</b>						
General government	6,797,824	6,522,874	-	-	6,797,824	6,522,874
Public safety	6,555,036	6,078,595	-	-	6,555,036	6,078,595
Transportation	2,388,587	1,826,450	-	-	2,388,587	1,826,450
Environmental protection	1,776,376	1,619,663	-	-	1,776,376	1,619,663
Cultural and recreation	2,475,941	2,395,838	-	-	2,475,941	2,395,838
Interest on long-term debt	24,525	19,421	-	-	24,525	19,421
Water and sewer	-	-	7,965,837	7,355,663	7,965,837	7,355,663
Electric	-	-	9,228,027	10,023,890	9,228,027	10,023,890
<b>Total expenses</b>	<b>20,018,289</b>	<b>18,462,841</b>	<b>17,193,864</b>	<b>17,379,553</b>	<b>37,212,153</b>	<b>35,842,394</b>
<b>Increase (decrease) in net position</b>	<b>1,340,006</b>	<b>1,775,199</b>	<b>1,220,667</b>	<b>(304,186)</b>	<b>2,560,673</b>	<b>1,471,013</b>
Net position, beginning of year	20,734,470	19,085,357	53,708,183	54,055,448	74,442,653	73,140,805
Restatement (Note 8)	-	(126,086)	-	(43,079)	-	(169,165)
Net position, beginning of year, as restated	20,734,470	18,959,271	53,708,183	54,012,369	74,442,653	72,971,640
<b>Net position, end of year</b>	<b>\$ 22,074,476</b>	<b>\$ 20,734,470</b>	<b>\$ 54,928,850</b>	<b>\$ 53,708,183</b>	<b>\$ 77,003,326</b>	<b>\$ 74,442,653</b>

**Governmental activities.** Governmental activities increased the Town's net position by \$2,560,673. This increase is largely due to property tax and sales tax revenues.

**Business-type activities.** Business-type activities increased the Town of Forest City's net position by \$1,220,667. 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 \$10,793,011, while total fund balance was \$13,184,557. The Town currently has an available fund balance of 57% of net General Fund expenditures, and total fund balance represents 69% of the same amount.

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

**Proprietary Funds.** The Town of Forest City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$7,658,557 and the total change in net position for the Water and Sewer Fund was a decrease of \$1,670,061. Unrestricted net position of the Electric Fund was \$6,326,468 and the total change in net position for the Electric Fund was an increase \$2,890,728.

### 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, 2025, totals \$63,915,283 (net of accumulated depreciation/amortization). These assets include land, buildings, water and sewer lines, electric lines machinery and equipment, park facilities, and vehicles.

The major capital asset transactions during the year included heavy equipment for the Water & Sewer Departments.

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

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 7,711,764	\$ 7,711,764	\$ 561,813	\$ 299,705	\$ 8,273,577	\$ 8,011,469
Construction in progress	161,292	107,283	307,626	-	468,918	107,283
Buildings	16,520,676	16,421,181	-	-	16,520,676	16,421,181
Infrastructure	5,966,189	5,733,932	76,738,322	75,190,344	82,704,511	80,924,276
Equipment	2,469,821	2,433,994	15,032,403	14,081,189	17,502,224	16,515,183
Vehicles	5,649,384	5,646,999	-	-	5,649,384	5,646,999
Right to use assets	<u>590,999</u>	<u>590,999</u>	<u>64,009</u>	<u>64,009</u>	<u>655,008</u>	<u>655,008</u>
	39,070,125	38,646,152	92,704,173	89,635,247	131,774,298	128,281,399
Accumulated depreciation/amortization	<u>(18,043,048)</u>	<u>(17,121,100)</u>	<u>(49,815,967)</u>	<u>(47,980,951)</u>	<u>(67,859,015)</u>	<u>(65,102,051)</u>
Capital assets, net	<u><u>\$ 21,027,077</u></u>	<u><u>\$ 21,525,052</u></u>	<u><u>\$ 42,888,206</u></u>	<u><u>\$ 41,654,296</u></u>	<u><u>\$ 63,915,283</u></u>	<u><u>\$ 63,179,348</u></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, 2025, the Town of Forest City had total installment debt outstanding of \$2,219,109 which is secured with the assets purchased with these funds, and a state revolving loan of \$217,829.

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Direct placement installment loans	\$ 529,809	\$ 628,390	\$ 1,689,300	\$ 555,750	\$ 2,219,109	\$ 1,184,140
Direct placement revolving loan	<u>-</u>	<u>-</u>	<u>217,829</u>	<u>242,032</u>	<u>217,829</u>	<u>242,032</u>
	<u><u>\$ 529,809</u></u>	<u><u>\$ 628,390</u></u>	<u><u>\$ 1,907,129</u></u>	<u><u>\$ 797,782</u></u>	<u><u>\$ 2,436,938</u></u>	<u><u>\$ 1,426,172</u></u>

The Town of Forest City's total long-term debt increased by \$1,010,766, or 71%, during the past fiscal year due to new installment obligations of \$1,425,908 net of 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 \$139,000,000.

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

### **Economic Factors and Next Year's Budgets and Rates**

The Town continues to see interest in the development of residential homes within the town limits, as well as growth in property rehabilitation projects. Retail spaces along Main Street continue to bring visitors downtown and events at the amphitheater have increased those numbers. The Thermal Belt Rail Trail and Pavilion on Park Square continue to be a major asset to the Town as people seek outdoor activities. The proximity of the future Park Square Depot along the trail and adjacent to Oak Street should enhance that experience.

The recent increase in property values yielded an increase in General Fund revenue from property tax and state collected sales taxes. As growth in the General Fund revenues continues, transfers from the Enterprise Funds to cover operational costs have been eliminated. Reliance on appropriations from fund balance remains for now.

The Enterprise Funds need to provide sustainable rates to our citizens and businesses while also supporting infrastructure improvements for the Town's aging water, sewer, and electrical systems. An increase in water and sewer rates was included in the approved budget for FY26 to better align revenue with the full cost of service. Additional rate increases of at least 5% annually are projected for FY27 through FY29 to gradually close the gap between revenues and expenditures. 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, 2025

	<b>Primary Government</b>			<b>Forest City</b>
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>	
	<b>Activities</b>	<b>Activities</b>	<b>ABC Board</b>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 15,645,660	\$ 11,238,678	\$ 26,884,338	\$ 314,515
Taxes receivable, net	145,823	-	145,823	-
Lease receivable	27,943	314,946	342,889	-
Accrued interest receivable	13,700	1,975	15,675	-
Accounts receivable, net	179,294	2,389,953	2,569,247	-
Due from other governments	2,097,043	305,363	2,402,406	-
Prepaid expenses	81,172	34,832	116,004	23,862
Inventories	27,078	-	27,078	456,812
Restricted cash and cash equivalents	1,630,273	425,837	2,056,110	-
Total current assets	<u>19,847,986</u>	<u>14,711,584</u>	<u>34,559,570</u>	<u>795,189</u>
Noncurrent assets:				
Internal balances	(4,973,958)	4,973,958	-	-
Capital assets:				
Right to use leased asset, net	301,857	36,098	337,955	-
Land and construction in progress	7,873,056	869,439	8,742,495	50,000
Other capital assets, net	<u>12,852,164</u>	<u>41,982,669</u>	<u>54,834,833</u>	<u>128,158</u>
Total capital assets	<u>21,027,077</u>	<u>42,888,206</u>	<u>63,915,283</u>	<u>178,158</u>
Total assets	<u>35,901,105</u>	<u>62,573,748</u>	<u>98,474,853</u>	<u>973,347</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	2,548,354	949,759	3,498,113	101,263
OPEB deferrals	<u>3,734,326</u>	<u>1,614,179</u>	<u>5,348,505</u>	<u>-</u>
Total deferred outflows of resources	<u>6,282,680</u>	<u>2,563,938</u>	<u>8,846,618</u>	<u>101,263</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	617,465	262,431	879,896	332,087
Current portion of long-term liabilities	430,001	555,484	985,485	-
Payable from restricted assets:				
Customer deposits	-	425,837	425,837	-
Total current liabilities	<u>1,047,466</u>	<u>1,243,752</u>	<u>2,291,218</u>	<u>332,087</u>
Long-term liabilities:				
Net pension liability - LGERS	4,534,655	1,918,753	6,453,408	157,953
Total pension liability - LEOSSA	1,491,546	-	1,491,546	-
Net OPEB liability	10,244,718	4,428,323	14,673,041	-
Due in more than one year	<u>1,030,925</u>	<u>1,636,236</u>	<u>2,667,161</u>	<u>-</u>
Total long-term liabilities	<u>17,301,844</u>	<u>7,983,312</u>	<u>25,285,156</u>	<u>157,953</u>
Total liabilities	<u>18,349,310</u>	<u>9,227,064</u>	<u>27,576,374</u>	<u>490,040</u>

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

**TOWN OF FOREST CITY, NORTH CAROLINA**

**Exhibit 1**

Statement of Net Position  
June 30, 2025

	<b>Primary Government</b>			<b>Forest City ABC Board</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	2,791	-	2,791	-
Leases	20,984	323,844	344,828	-
Pension deferrals	347,861	57,800	405,661	3,084
OPEB deferrals	1,388,363	600,128	1,988,491	-
Total deferred inflows of resources	1,759,999	981,772	2,741,771	3,084
<b>NET POSITION</b>				
Net investment in capital assets	20,186,075	40,943,825	61,129,900	178,158
Restricted for:				
Stabilization by State statute	2,276,337	-	2,276,337	-
Streets	741,565	-	741,565	-
Working capital	-	-	-	129,691
Unrestricted (deficit)	(1,129,501)	13,985,025	12,855,524	273,637
Total net position	<u>\$ 22,074,476</u>	<u>\$ 54,928,850</u>	<u>\$ 77,003,326</u>	<u>\$ 581,486</u>

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

**TOWN OF FOREST CITY, NORTH CAROLINA**

**Exhibit 2**

Statement of Activities  
For the year ended June 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Forest City ABC Board
<b>Governmental Activities:</b>								
General government	\$ 6,797,824	\$ 147,458	\$ -	\$ -	\$ (6,650,366)	\$ -	\$ (6,650,366)	\$ -
Public safety	6,555,036	-	80,606	-	(6,474,430)	-	(6,474,430)	-
Transportation	2,388,587	6,264	772,548	305,822	(1,303,953)	-	(1,303,953)	-
Environmental protection	1,776,376	1,629,166	5,692	-	(141,518)	-	(141,518)	-
Cultural and recreation	2,475,941	489,372	-	6,000	(1,980,569)	-	(1,980,569)	-
Interest on long-term debt	24,525	-	-	-	(24,525)	-	(24,525)	-
Total governmental activities	<u>20,018,289</u>	<u>2,272,260</u>	<u>858,846</u>	<u>311,822</u>	<u>(16,575,361)</u>	<u>-</u>	<u>(16,575,361)</u>	<u>-</u>
<b>Business-type activities:</b>								
Water and sewer fund	7,965,837	5,574,498	-	436,175	-	(1,955,164)	(1,955,164)	-
Electric fund	9,228,027	11,240,193	-	680,810	-	2,692,976	2,692,976	-
Total business-type activities	<u>17,193,864</u>	<u>16,814,691</u>	<u>-</u>	<u>1,116,985</u>	<u>-</u>	<u>737,812</u>	<u>737,812</u>	<u>-</u>
Total primary government	<u>\$ 37,212,153</u>	<u>\$ 19,086,951</u>	<u>\$ 858,846</u>	<u>\$ 1,428,807</u>	<u>(16,575,361)</u>	<u>737,812</u>	<u>(15,837,549)</u>	<u>-</u>
<b>Component unit</b>								
ABC Board	<u>\$ 3,460,987</u>	<u>\$ 3,381,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,315)</u>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purpose				10,479,328	-	10,479,328	-	
Other taxes				3,815,455	-	3,815,455	-	
Grants and contributions not restricted to specific programs				2,776,513	-	2,776,513	-	
Unrestricted investment earnings				522,656	389,483	912,139	1,322	
Gain on sale of fixed assets				34,605	56,774	91,379	-	
Miscellaneous				286,810	36,598	323,408	5,076	
Total general revenues				<u>17,915,367</u>	<u>482,855</u>	<u>18,398,222</u>	<u>6,398</u>	
Changes in net position				<u>1,340,006</u>	<u>1,220,667</u>	<u>2,560,673</u>	<u>(72,917)</u>	
Net position, beginning of year, as originally reported				<u>20,860,556</u>	<u>53,751,262</u>	<u>74,611,818</u>	<u>654,403</u>	
Restatement (Note 8)				<u>(126,086)</u>	<u>(43,079)</u>	<u>(169,165)</u>	<u>-</u>	
Net position, beginning of year				<u>20,734,470</u>	<u>53,708,183</u>	<u>74,442,653</u>	<u>654,403</u>	
Net position, end of year				<u>\$ 22,074,476</u>	<u>\$ 54,928,850</u>	<u>\$ 77,003,326</u>	<u>\$ 581,486</u>	

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

**TOWN OF FOREST CITY, NORTH CAROLINA**

**Exhibit 3**

**GOVERNMENTAL FUNDS**

Balance Sheet

June 30, 2025

	<u>Major Fund</u>	<u>Non-Major Fund</u>	Total Governmental Funds
	General Fund	General Capital Project Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,645,660	\$ -	\$ 15,645,660
Restricted cash and cash equivalents	741,565	888,708	1,630,273
Taxes receivable, net	145,823	-	145,823
Accounts receivable, net	179,294	-	179,294
Due from other governments	2,097,043	-	2,097,043
Lease receivable	27,943	-	27,943
Prepaid expenses	81,172	-	81,172
Inventories	27,078	-	27,078
Total assets	<u>\$ 18,945,578</u>	<u>\$ 888,708</u>	<u>\$ 19,834,286</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 617,465	\$ -	\$ 617,465
Advance from the water and sewer fund	4,973,958	-	4,973,958
Total liabilities	<u>5,591,423</u>	<u>-</u>	<u>5,591,423</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes receivable, net	145,823	-	145,823
Prepaid taxes	2,791	-	2,791
Leases	20,984	-	20,984
Total deferred inflows of resources	<u>169,598</u>	<u>-</u>	<u>169,598</u>
<b>FUND BALANCES</b>			
Non-spendable			
Prepaid expenses	81,172	-	81,172
Leases	6,959	-	6,959
Inventory	27,078	-	27,078
Restricted for:			
Stabilization by State statute	2,276,337	-	2,276,337
Streets	741,565	-	741,565
Capital projects	-	888,708	888,708
Assigned - subsequent year expenditures	2,289,694	-	2,289,694
Unassigned	7,761,752	-	7,761,752
Total fund balances	<u>13,184,557</u>	<u>888,708</u>	<u>14,073,265</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 18,945,578</u>	<u>\$ 888,708</u>	<u>\$ 19,834,286</u>

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

GOVERNMENTAL FUNDS  
 Balance Sheet  
 June 30, 2025

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

Fund balances of governmental funds	\$ 14,073,265
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	20,725,220
Right of use assets used in governmental activities are not financial resources and therefore are not reported in the funds.	301,857
Deferred outflows of resources related to pensions are not reported in the funds.	2,548,354
Deferred outflows of resources related to OPEB are not reported in the funds.	3,734,326
Other long-term assets are not available to pay for current-period expenditures and, therefore, are inflows of resources in the funds.	13,700
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	145,823
Long-term liabilities used in govermental activities are not financial uses and therefore are not reported in the funds:	
Notes payable	(529,809)
Lease liabilities	(311,193)
Net OPEB liability	(10,244,718)
Total pension liability - LEOSSA	(1,491,546)
Net pension liability - LGERS	(4,534,655)
Compensated absences	(619,924)
Deferred inflows of resources related to pensions are not reported in the funds.	(347,861)
Deferred inflows of resources related to OPEB are not reported in the funds.	<u>(1,388,363)</u>
Net position of governmental activities	<u>\$ 22,074,476</u>

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

**TOWN OF FOREST CITY, NORTH CAROLINA**

**Exhibit 4**

**GOVERNMENTAL FUNDS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2025**

	<u>Major Fund</u>		<u>Non-Major Fund</u>	Total Governmental Funds
			General Capital Project Fund	
	General Fund			
<b>REVENUES</b>				
Ad valorem taxes	\$ 10,443,611	\$ -	\$ 10,443,611	
Other taxes and licenses	3,815,455	-	3,815,455	
Unrestricted intergovernmental	2,776,513	-	2,776,513	
Restricted intergovernmental	1,170,668	-	1,170,668	
Permits and fees	136,351	-	136,351	
Sales and services	2,117,709	-	2,117,709	
Investment earnings	522,656	-	522,656	
Miscellaneous	305,010	-	305,010	
Total revenues	<u>21,287,973</u>	<u>-</u>	<u>21,287,973</u>	
<b>EXPENDITURES</b>				
Current:				
General government	6,649,978	-	6,649,978	
Public safety	6,107,587	-	6,107,587	
Transportation	2,130,015	-	2,130,015	
Environmental protection	1,714,517	53,626	1,768,143	
Cultural and recreation	2,145,302	383	2,145,685	
Debt service:				
Principal	214,289	-	214,289	
Interest	24,525	-	24,525	
Total expenditures	<u>18,986,213</u>	<u>54,009</u>	<u>19,040,222</u>	
Revenues over (under) expenditures	<u>2,301,760</u>	<u>(54,009)</u>	<u>2,247,751</u>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	<u>34,605</u>	<u>-</u>	<u>34,605</u>	
Net change in fund balances	<u>2,336,365</u>	<u>(54,009)</u>	<u>2,282,356</u>	
Fund balance, beginning of year	<u>10,848,192</u>	<u>942,717</u>	<u>11,790,909</u>	
Fund balances, end of year	<u>\$ 13,184,557</u>	<u>\$ 888,708</u>	<u>\$ 14,073,265</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, 2025

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

Net changes in fund balances - total governmental funds	\$ 2,282,356
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays was more than depreciation/amortization in the current period.	
Capital outlay	\$ 714,492
Depreciation and amortization expense	<u>(1,212,467)</u> (497,975)
Contributions to the LGERS pension plan in the current fiscal year are not included in the statement of activities.	
	829,480
Benefit payments paid and administrative expenses for the LEOSSA are not included on the statement of activities.	37,594
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the statement of activities.	423,613
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.	
Change in accrued interest receivable on taxes	4,600
Change in unavailable tax and sanitation revenues	<u>31,117</u> 35,717
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.	
Principal payments on long-term debt	214,289
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	(46,983)
Pension expense - LGERS	(1,282,073)
Pension expense - LEO	(112,699)
OPEB expense	<u>(543,313)</u> (1,985,068)
Total changes in net position of governmental activities	<u>\$ 1,340,006</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, 205

	Original Budget	Final Budget	Actual	Variance With Final Budget
	Original Budget	Final Budget	Actual	Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 10,234,951	\$ 10,234,951	\$ 10,443,611	\$ 208,660
Other taxes	3,509,338	3,509,338	3,815,455	306,117
Unrestricted intergovernmental	2,362,543	2,362,543	2,776,513	413,970
Restricted intergovernmental	356,000	361,000	1,170,668	809,668
Permits and fees	175,000	175,000	136,351	(38,649)
Sales and services	2,112,750	2,133,056	2,117,709	(15,347)
Investment earnings	220,000	220,000	522,656	302,656
Miscellaneous	149,960	393,077	305,010	(88,067)
<b>Total revenues</b>	<b>19,120,542</b>	<b>19,388,965</b>	<b>21,287,973</b>	<b>1,899,008</b>
<b>Expenditures:</b>				
Current:				
General government	7,444,810	7,462,864	6,649,978	812,886
Public safety	6,405,398	7,508,362	6,107,587	1,400,775
Transportation	2,591,301	3,098,111	2,130,015	968,096
Environmental protection	1,723,180	1,723,980	1,714,517	9,463
Cultural and recreation	2,381,625	2,592,043	2,145,302	446,741
Debt service:				
Principal retirement	219,385	214,290	214,289	1
Interest and other charges	19,430	24,525	24,525	-
<b>Total expenditures</b>	<b>20,785,129</b>	<b>22,624,175</b>	<b>18,986,213</b>	<b>3,637,962</b>
<b>Revenues over (under) expenditures</b>	<b>(1,664,587)</b>	<b>(3,235,210)</b>	<b>2,301,760</b>	<b>5,536,970</b>
<b>Other financing sources:</b>				
Appropriated fund balance	1,664,587	2,236,310	-	(2,236,310)
Installment obligations issued	-	998,900	-	(998,900)
Sale of capital assets	-	-	34,605	34,605
<b>Total other financing sources</b>	<b>1,664,587</b>	<b>3,235,210</b>	<b>34,605</b>	<b>(3,200,605)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,336,365</b>	<b>\$ 2,336,365</b>
<b>Fund balance, beginning of year</b>			<b>10,848,192</b>	
<b>Fund balance, end of year</b>			<b>\$ 13,184,557</b>	

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

PROPRIETARY FUNDS  
 Statements of Fund Net Position  
 June 30, 2025

	Major Enterprise Funds		
	Water and Sewer Fund		Electric Fund
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 5,429,371	\$ 5,809,307	\$ 11,238,678
Accounts receivable			
Billed, net	409,377	840,070	1,249,447
Unbilled	296,708	843,798	1,140,506
Due from other governments	41,958	263,405	305,363
Lease receivable	314,946	-	314,946
Accrued interest receivable	1,975	-	1,975
Prepaid expenses	25,231	9,601	34,832
Due from General Fund	292,586	-	292,586
Restricted cash and cash equivalents	129,121	296,716	425,837
Total current assets	<u>6,941,273</u>	<u>8,062,897</u>	<u>15,004,170</u>
Noncurrent assets:			
Capital assets:			
Land	214,125	347,688	561,813
Construction in progress	307,626	-	307,626
Depreciable capital assets, net	37,543,073	4,439,596	41,982,669
Right to use leased asset, net	7,382	28,716	36,098
Total capital assets	<u>38,072,206</u>	<u>4,816,000</u>	<u>42,888,206</u>
Advance to the general fund	<u>4,681,372</u>	<u>-</u>	<u>4,681,372</u>
Total noncurrent assets	<u>42,753,578</u>	<u>4,816,000</u>	<u>47,569,578</u>
Total assets	<u>49,694,851</u>	<u>12,878,897</u>	<u>62,573,748</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	693,047	256,712	949,759
OPEB deferrals	<u>1,165,974</u>	<u>448,205</u>	<u>1,614,179</u>
Total deferred outflows of resources	<u>1,859,021</u>	<u>704,917</u>	<u>2,563,938</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	120,501	141,930	262,431
Compensated absences, current	40,000	35,000	75,000
Current portion of lease liabilities	2,950	11,043	13,993
Current portion of long-term debt	466,491	-	466,491
Payable from restricted assets:			
Customer deposits	129,121	296,716	425,837
Total current liabilities	<u>759,063</u>	<u>484,689</u>	<u>1,243,752</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	135,122	37,217	172,339
Net OPEB liability	3,198,722	1,229,601	4,428,323
Net pension liability - LGERS	1,400,130	518,623	1,918,753
Lease liability, net of current portion	4,738	18,521	23,259
Long-term debt, net of current portion	1,440,638	-	1,440,638
Total noncurrent liabilities	<u>6,179,350</u>	<u>1,803,962</u>	<u>7,983,312</u>
Total liabilities	<u>6,938,413</u>	<u>2,288,651</u>	<u>9,227,064</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	42,177	15,623	57,800
OPEB deferrals	433,492	166,636	600,128
Lease	<u>323,844</u>	<u>-</u>	<u>323,844</u>
Total deferred inflows of resources	<u>799,513</u>	<u>182,259</u>	<u>981,772</u>
<b>NET POSITION</b>			
Net investment in capital assets	36,157,389	4,786,436	40,943,825
Unrestricted	<u>7,658,557</u>	<u>6,326,468</u>	<u>13,985,025</u>
Total net position	<u>\$ 43,815,946</u>	<u>\$ 11,112,904</u>	<u>\$ 54,928,850</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, 2025

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Electric Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 5,379,149	\$ 10,844,472	\$ 16,223,621
Late payment fees	-	278,655	278,655
Connection fees	82,618	10,883	93,501
Other operating revenue	<u>112,731</u>	<u>106,183</u>	<u>218,914</u>
Total operating revenues	<u>5,574,498</u>	<u>11,240,193</u>	<u>16,814,691</u>
<b>OPERATING EXPENSES</b>			
Administration	1,306,480	1,159,857	2,466,337
Operations	1,386,773	3,040,990	4,427,763
Water plant	1,189,526	-	1,189,526
Waste treatment	1,518,370	-	1,518,370
Pump station and storage	784,746	-	784,746
Electric power	-	4,685,329	4,685,329
Depreciation and amortization	<u>1,708,684</u>	<u>340,670</u>	<u>2,049,354</u>
Total operating expenses	<u>7,894,579</u>	<u>9,226,846</u>	<u>17,121,425</u>
Operating income (loss)	<u>(2,320,081)</u>	<u>2,013,347</u>	<u>(306,734)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Interest income	206,936	182,547	389,483
Lease revenue	36,598	-	36,598
Gain on sale of capital assets	41,569	15,205	56,774
Interest expense	<u>(71,258)</u>	<u>(1,181)</u>	<u>(72,439)</u>
Total nonoperating revenue, net	<u>213,845</u>	<u>196,571</u>	<u>410,416</u>
Income (loss) before capital contributions	<u>(2,106,236)</u>	<u>2,209,918</u>	<u>103,682</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Capital contributions	<u>436,175</u>	<u>680,810</u>	<u>1,116,985</u>
Change in net position	<u>(1,670,061)</u>	<u>2,890,728</u>	<u>1,220,667</u>
Net position, beginning of year	45,518,989	8,232,273	53,751,262
Restatement (Note 8)	<u>(32,982)</u>	<u>(10,097)</u>	<u>(43,079)</u>
Net position, as restated	<u>45,486,007</u>	<u>8,222,176</u>	<u>53,708,183</u>
Net position, end of year	<u>\$ 43,815,946</u>	<u>\$ 11,112,904</u>	<u>\$ 54,928,850</u>

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

PROPRIETARY FUNDS  
 Statements of Cash Flows  
 For the year ended June 30, 2025

	<b>Major Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Electric Fund</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 5,562,756	\$ 11,248,559	\$ 16,811,315
Cash paid for goods and services	(3,085,654)	(7,466,126)	(10,551,780)
Cash paid to employees	(2,918,025)	(1,340,946)	(4,258,971)
Net cash provided (used) by operating activities	<u>(440,923)</u>	<u>2,441,487</u>	<u>2,000,564</u>
<b>Cash flows from noncapital financing activities:</b>			
Payments received on advance to the general fund	292,586	-	292,586
Capital contributions	394,217	417,405	811,622
Net cash provided by noncapital financing activities	<u>686,803</u>	<u>417,405</u>	<u>1,104,208</u>
<b>Cash flows from capital and related financing activities:</b>			
Cash received from sale of capital assets	59,216	15,205	74,421
Cash received from cell tower lease agreement	30,868	-	30,868
Proceeds from installment obligations issued	1,425,908	-	1,425,908
Acquisition and construction of capital assets	(2,184,422)	(1,116,489)	(3,300,911)
Principal paid on leases and installment obligations	(319,560)	(10,596)	(330,156)
Interest paid on long-term debt	(71,258)	(1,181)	(72,439)
Net cash used by capital and related financing activities	<u>(1,059,248)</u>	<u>(1,113,061)</u>	<u>(2,172,309)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	206,936	182,546	389,482
Net increase (decrease) in cash and cash equivalents	(606,432)	1,928,377	1,321,945
Cash and cash equivalents, beginning of year	<u>6,164,924</u>	<u>4,177,646</u>	<u>10,342,570</u>
Cash and cash equivalents, end of year	<u>\$ 5,558,492</u>	<u>\$ 6,106,023</u>	<u>\$ 11,664,515</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	<u>\$ (2,320,081)</u>	<u>\$ 2,013,347</u>	<u>\$ (306,734)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,705,629	329,857	2,035,486
Amortization	3,055	10,813	13,868
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(14,092)	5,393	(8,699)
(Increase) decrease in other prepaid items	(5,172)	-	(5,172)
(Increase) decrease in deferred outflows of resources for pensions	125,609	46,527	172,136
(Increase) decrease in deferred outflows of resources for OPEB	(607,800)	(233,641)	(841,441)
Increase (decrease) in accounts payable and accrued liabilities	3,604	16,592	20,196
Increase (decrease) in customer deposits	2,350	2,976	5,326
Increase (decrease) in compensated absences	6,666	(3,620)	3,046
Increase (decrease) in total OPEB liability	862,044	331,373	1,193,417
Increase (decrease) in net pension liability - LGERS	9,413	3,486	12,899
Increase (decrease) in deferred inflows of resources - pensions	4,722	1,749	6,471
Increase (decrease) in deferred inflows of resources - OPEB	(216,870)	(83,365)	(300,235)
Total adjustments	<u>1,879,158</u>	<u>428,140</u>	<u>2,307,298</u>
Net cash provided (used) by operating activities	<u>\$ (440,923)</u>	<u>\$ 2,441,487</u>	<u>\$ 2,000,564</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, 2025**

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

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

**A. Reporting Entity**

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

**Town of Forest City ABC Board**

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

**B. Basis of Presentation**

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental funds:

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

The Town reports the following major enterprise funds:

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

**D. Budgetary Data**

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

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

## 1. Deposits and Investments

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

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

## 2. Cash and Cash Equivalents

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

### 3. Restricted Assets

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

Governmental Activities	
General Fund:	
Streets	\$ 741,565
Capital Project Fund:	
Unspent grant funds	888,708
Total Governmental Activities	\$ 1,630,273

Business-type Activities		
Water and Sewer Fund:		
Customer deposits		\$ 129,121
Electric Fund:		
Customer deposits		<u>296,716</u>
Total Business-type Activities		\$ 425,837

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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2024. As allowed by state law, the Town periodically establishes a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Account

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

6. Lease Receivable

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

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

7. Inventory and Prepaid Items

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

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

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

8. Capital Assets

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

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

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

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

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

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

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

#### 9. Deferred Outflows/Inflows of Resources

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

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

#### 10. Long-Term Obligations

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

### 11. Compensated Absences

The Town's vacation policy provides that an employee can carry-over one-half of the vacation hours earned in any calendar year; vacation hours can be accumulated up to 240 hours per employee; vacation hours in excess of 240 at December 31, are converted to sick-leave hours for consideration at retirement. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a last-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, 2025 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. In accordance with GASB Statement No. 101 for the Town's government-wide funds, an expense and liability for sick leave is recognized using the "practical expedient approach" allowed by the Standard for the portion of sick leave expected to be used and paid by the Town.

### 12. Net Position

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

### 13. Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 14. Use of Estimates

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

## 15. Defined Benefit Pension and OPEB Plans

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

## Note 2 – Detail Notes on All Funds

### A. Assets

#### 1. Deposits

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

At June 30, 2025, the Town's deposits had a carrying amount of \$7,760,609 and a bank balance of \$7,813,814. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2025, the Town's petty cash fund totaled \$3,600.

The carrying amount of the deposits of the ABC Board was \$310,960 and the bank balance was \$383,998. 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, 2025, 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	\$ 7,760,609	Cash and cash equivalents	\$ 26,884,338
Petty cash on hand	3,600	Restricted cash	2,056,110
Investments	<u>21,176,239</u>		<u>\$28,940,448</u>
	<u>\$28,940,448</u>		

2. Investments

At June 30, 2025, the Town's investments were as follows:

Investment Type	Valuation	Measurement	Book Value	Maturity	Rating
	Method				
NC Capital Management Trust - Government Portfolio	Fair Value Level 1		\$ 21,176,239	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, 2025.

*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, 2025 are net of the following allowances for doubtful accounts:

Government Activities	
Taxes receivable	\$ 38,000
Business-type Activities	
Electric accounts receivable	\$ 8,300
Water and sewer accounts receivable	1,600
Total	\$ 9,900

4. Due From Other Governments

Due from other governments consisted of the following at June 30, 2025:

Due from Other Governments		
Local option sales tax	\$	1,216,283
Utility franchise tax		342,439
FEMA grant receivable		316,959
ABC Distribution		169,246
Sales tax refund		277,959
Property taxes unremitted		78,164
Other		1,356
<b>Total</b>	<b>\$</b>	<b>2,402,406</b>

5. Lease Receivable

In December 2016, the Town entered into a lease with Verizon Wireless. Under the lease, Verizon is required to pay the Town \$2,575 per month for sixty months in exchange use of the cell tower atop a water tank. The lease contains an option to renew with four additional five year renewal periods. Under the lease, on the anniversary of the Commencement Date, the rent increases 3% from the preceding twelve month period. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.014%, which is management's estimate of the rate they would charge on comparable note receivable. In fiscal year 2025, the Town recognized \$36,598 of lease revenue and \$8,779 of interest revenue in the Water and Sewer Fund.

In September 2023, the Town entered into a lease with the Forest City Owls baseball team for the team's use of McNair Municipal Park during baseball season. The lease term extends for 3 full baseball seasons beginning with the 2024 season. Under the lease, the Owls are required to make 5 monthly payments of \$3,400 each. This monthly amount increases to \$3,800 and \$4,200 in the second and third year of the lease, respectively. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.014%, which is management's estimate of the rate they would charge on comparable note receivable. In fiscal year 2025, the Town recognized \$18,200 of lease revenue and \$1,212 of interest revenue in the General Fund.

6. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2025 was as follows:

Governmental Activities	Beginning Balances	Increases	Decreases	Ending Balances
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 7,711,764	\$ -	\$ -	\$ 7,711,764
Construction in progress	107,283	54,009	-	161,292
Total non-depreciable capital assets	<u>7,819,047</u>	<u>54,009</u>	<u>-</u>	<u>7,873,056</u>
<b>Depreciable Capital Assets:</b>				
Buildings	16,421,181	99,495	-	16,520,676
Equipment	5,733,932	287,902	55,645	5,966,189
Infrastructure	2,433,994	35,827	-	2,469,821
Vehicles	5,646,999	237,259	234,874	5,649,384
Total depreciable capital assets	<u>30,236,106</u>	<u>660,483</u>	<u>290,519</u>	<u>30,606,070</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	7,910,444	504,746	-	8,415,190
Equipment	4,351,551	246,946	55,645	4,542,852
Infrastructure	546,831	29,984	-	576,815
Vehicles	4,141,125	312,798	234,874	4,219,049
Total accumulated depreciation	<u>16,949,951</u>	<u>1,094,474</u>	<u>290,519</u>	<u>17,753,906</u>
Depreciable capital assets, net	<u>13,286,155</u>			<u>12,852,164</u>
<b>Capital assets being amortized</b>				
Right-to-use lease asset (vehicles)	<u>590,999</u>	<u>-</u>	<u>-</u>	<u>590,999</u>
<b>Less Accumulated Amortization:</b>				
Right-to-use lease asset (vehicles)	<u>171,149</u>	<u>117,993</u>	<u>-</u>	<u>289,142</u>
Total capital assets being amortized, net	<u>419,850</u>			<u>301,857</u>
Governmental capital assets, net	<u>\$ 21,525,052</u>			<u>\$ 21,027,077</u>

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

Governmental Activities:	
General government	\$ 68,045
Public safety	340,481
Transportation	212,383
Environmental protection	8,233
Culture and recreation	465,332
Total depreciation expense	<u>\$ 1,094,474</u>

Capital asset activity for business-type activities for the year ended June 30, 2025 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Water and Sewer Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 183,990	\$ 30,135	\$ -	\$ 214,125
Construction in progress	-	307,626	-	307,626
Total non-depreciable capital assets	<u>183,990</u>	<u>337,761</u>	<u>-</u>	<u>521,751</u>
Depreciable Capital Assets:				
Equipment	10,501,730	706,712	-	11,208,442
Plant & water lines	63,203,499	1,139,949	96,829	64,246,619
Total depreciable capital assets	<u>73,705,229</u>	<u>1,846,661</u>	<u>96,829</u>	<u>75,455,061</u>
Less Accumulated Depreciation:				
Equipment	9,753,295	1,281,802	-	11,035,097
Plant & water lines	26,532,246	423,827	79,182	26,876,891
Total accumulated depreciation	<u>36,285,541</u>	<u>1,705,629</u>	<u>79,182</u>	<u>37,911,988</u>
Depreciable capital assets, net	<u>37,419,688</u>			<u>37,543,073</u>
Capital assets being amortized				
Right-to-use lease asset (vehicles)	<u>14,419</u>	<u>-</u>	<u>-</u>	<u>14,419</u>
Less Accumulated Amortization:				
Right-to-use lease asset (vehicles)	3,982	3,055	-	7,037
Total capital assets being amortized, net	<u>10,437</u>			<u>7,382</u>
Water and Sewer Fund capital assets, net	<u>\$ 37,614,115</u>			<u>\$ 38,072,206</u>

## Electric Fund:

## Non-Depreciable Capital Assets:

Land	\$ 115,715	\$ 231,973	\$ -	\$ 347,688
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## Depreciable Capital Assets:

Equipment	3,579,459	379,658	135,156	3,823,961
Plant & lines	11,986,845	504,858	-	12,491,703
Total depreciable capital assets	15,566,304	884,516	135,156	16,315,664
Less Accumulated Depreciation:				
Equipment	2,435,952	114,317	135,156	2,415,113
Plant & lines	9,245,415	215,540	-	9,460,955
Total accumulated depreciation	11,681,367	329,857	135,156	11,876,068
Depreciable capital assets, net	3,884,937			4,439,596

## Capital assets being amortized

Right-to-use lease asset (vehicles)	49,590	-	-	49,590
Less Accumulated Amortization:				
Right-to-use lease asset (vehicles)	10,061	10,813	-	20,874
Total capital assets being amortized, net	39,529			28,716

Electric Fund capital assets, net	\$ 4,040,181		\$ 4,816,000
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Construction Commitments

The Town had no construction commitments at June 30, 2025.

Discretely Presented Component Unit

Capital asset activity for the Forest City ABC Board for the period ended June 30, 2025 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Non-Depreciable Capital Assets:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Depreciable Capital Assets:				
Buildings	326,017	-	-	326,017
Furniture and equipment	136,585	-	-	136,585
Total depreciable capital assets	462,602	-	-	462,602
Less Accumulated Depreciation:				
Buildings	218,049	11,871	-	229,920
Furniture and equipment	89,736	14,788	-	104,524
Total accumulated depreciation	307,785	26,659	-	334,444
Depreciable capital assets, net	154,817			128,158
ABC capital assets, net	\$ 204,817			\$ 178,158

## B. Liabilities

### 1. Payables

Payables at the government-wide level at June 30, 2025 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General Fund	<u>\$ 218,990</u>	<u>\$ 398,475</u>	<u>\$ 617,465</u>
Business-type Activities:			
Water and Sewer Fund	\$ 60,937	\$ 59,564	\$ 120,501
Electric Fund	<u>109,635</u>	<u>32,295</u>	<u>141,930</u>
Total business-type activities	<u>\$ 170,572</u>	<u>\$ 91,859</u>	<u>\$ 262,431</u>

### 2. Pension Plan Obligations

#### a. Local Governmental Employees' Retirement System

*Plan Description.* The Town is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://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, 2025, was 15.10% of compensation for law enforcement officers and 13.60% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Forest City were \$1,180,458 for the year ended June 30, 2025.

*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, 2025, the Town reported a liability of \$6,453,408 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2025, the Town's proportion was 0.09573% (measured as of June 30, 2024), which was a decrease of 0.00105% from its proportion as of June 30, 2024 (measured as of June 30, 2023). For the year ended June 30, 2025, the Town recognized pension expense of \$1,824,556.

At June 30, 2025, 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	\$ 1,130,881	\$ 7,604
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	877,337	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,683	186,797
Town contributions subsequent to the measurement date	1,180,458	-
<b>Total</b>	<b>\$ 3,194,359</b>	<b>\$ 194,401</b>

\$1,180,458 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 540,748
2027	1,200,743
2028	177,212
2029	(99,203)
	<b>\$ 1,819,500</b>

*Actuarial Assumptions.* The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study as of December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation protection	6.0%	2.7%
Total	<u>100.0%</u>	

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

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 11,435,628	\$ 6,453,408	\$ 2,354,847

*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, 2023 (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>32</u>
Total	<u><u>35</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, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.78 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, 2023.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study as of December 31, 2019.

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

## 4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The Town paid \$74,302 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, 2025, the Town reported a total pension liability of \$1,491,546. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$112,699.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 133,444	\$ 18,282
Changes of assumptions and other inputs	132,716	192,978
Town benefit payments and plan administrative expense made subsequent to the measurement date	37,594	-
<b>Total</b>	<b>\$ 303,754</b>	<b>\$ 211,260</b>

\$37,594 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	\$ 37,638
2027	22,661
2028	(20,013)
2029	(2,617)
2030	13,385
Thereafter	3,846
	<b>\$ 54,900</b>

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 4.28 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	Current	1% Decrease	Discount Rate	1% Increase
		(3.28%)	(4.28%)	(5.28%)
Total pension liability		\$ 1,626,728	\$ 1,491,546	\$ 1,368,935

#### **Schedule of Changes in Total Pension Liability**

Total pension liability as of December 31, 2023	<u>\$ 1,387,344</u>
<b>Changes for the year:</b>	
Service cost at end of year	62,987
Interest	54,061
Difference between expected and actual experience	95,339
Changes of assumptions and other inputs	(36,545)
Benefit payments	<u>(71,640)</u>
Net changes	104,202
Total pension liability as of December 31, 2024	<u><u>\$ 1,491,546</u></u>

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The Town made contributions of \$94,145 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 \$109,670. 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:

	<b>LGERS</b>	<b>LEOSSA</b>	<b>TOTAL</b>
Proportionate share of net pension liability	\$ 6,453,408	N/A	\$ 6,453,408
Proportion of the net pension liability	0.09573%	N/A	N/A
Total pension liability	N/A	\$ 1,491,546	1,491,546
Pension expense	1,824,556	112,699	1,937,255
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$ 1,130,881	\$ 133,444	\$ 1,264,325
Changes of assumptions	-	132,716	132,716
Net difference between projected and actual earnings on pension plan investments	877,337	-	877,337
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,683	-	5,683
Town contributions (LGERS) and benefit payments (LEOSSA) made subsequent to the measurement date	1,180,458	37,594	1,218,052
<b>Total</b>	<b>\$ 3,194,359</b>	<b>\$ 303,754</b>	<b>\$ 3,498,113</b>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ 7,604	\$ 18,282	\$ 25,886
Changes of assumptions	-	192,978	192,978
Changes in proportion and differences between Town contributions and proportionate share of contributions	186,797	-	186,797
<b>Total</b>	<b>\$ 194,401</b>	<b>\$ 211,260</b>	<b>\$ 405,661</b>

**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 RHB. However, RHB assets may be used for reasonable expenses to administer the RHB, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHB, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Town contributed 7.04% of covered payroll which amounted to \$606,721.

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

At June 30, 2025, Town reported a liability of \$14,673,041 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 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, 2025, the Town's proportion was 0.04314% (as measured at June 30, 2024), an increase of .00292% from the prior year (as measured at June 30, 2023).

For the year ended June 30, 2025, the Town recognized a OPEB expense of \$782,626. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 119,594	\$ -
Changes of assumptions and other inputs	3,533,867	1,913,065
Net difference between projected and actual earnings on OPEB plan investments	62,876	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,025,447	75,426
Town benefit payments and plan administrative expense made subsequent to the measurement date	606,721	-
<b>Total</b>	<b>\$ 5,348,505</b>	<b>\$ 1,988,491</b>

\$606,721 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, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2026	\$ 211,456
2027	561,603
2028	1,122,987
2029	857,247
	<b>\$ 2,753,293</b>

*Actuarial Assumptions.* Actuarial assumptions for the June, 30, 2025 measurement were as follows

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

The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2023 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2023. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

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

Asset Class	Target Allocation	Long-term Expected
		Real Rate of Return
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation protection	6.0%	2.7%
Total	<u>100.0%</u>	

*Discount rate.* The discount rate used to measure the total OPEB liability for the RHB was 3.93%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93 % rate is based on the Bond Buyer 20-year General Obligation Index as of December 31, 2023.

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage point higher (3.93 percent) than the current discount rate:

	1% Decrease	Current	1% Increase
	(2.93%)	(3.93%)	(4.93%)
Net OPEB Liability	\$ 17,457,121	\$ 14,673,041	\$ 12,437,668

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

	Current Trend Rates		
	(6.5% Medical, 7%		
	Prescription, 3.0%		
	1% Decrease	Administration	1% Increase
Net OPEB Liability	\$ 12,111,542	\$ 14,673,041	\$ 17,989,683

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

#### 4. Other Employment Benefits

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

## 5. Deferred Outflows and Inflows of Resources

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

	Government-wide Deferred Outflows of Resources	Governmental Deferred Inflows of Resources	Government-wide Deferred Inflows of Resources
Contributions to pension plan in the current fiscal year	\$ 1,180,458	\$ -	\$ -
Benefit payments made and admin expenses for LEOSSA	37,594	-	-
Benefit payments made and admin expenses for OPEB	606,721	-	-
Pension and OPEB deferrals	7,021,845	-	2,394,152
Prepaid taxes	-	2,791	2,791
Taxes receivable, net (General Fund)	-	145,823	-
Leases	-	20,984	344,828
<b>Total</b>	<b>\$ 8,846,618</b>	<b>\$ 169,598</b>	<b>\$ 2,741,771</b>

## 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's 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 \$1,000,000. The remaining employees that have access to funds are bonded under a blanket employee dishonesty bond for \$25,000.

7. Long-Term ObligationsLeases

At June 30, 2025, the Town had 15 active vehicles leases. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of the inception of the lease. Twelve leased vehicles serve governmental activities, primarily for its public safety and transportation function. Three leased vehicles serve the business-type activities. Lease terms are for 36-60 months per vehicle and monthly lease payments range from \$497 to \$1,528. There are no variable components of the leases. The related lease liabilities are measured at a discount rates ranging from 2.29% to 3.45%, which is management's estimate of the incremental borrowing rate of the Town. As a result of the leases, the Town has recorded a discounted liability of \$311,193 for governmental activities and \$37,252 for business-type activities. The related right to use leased assets with a total net book value of \$301,857 for governmental activities and \$36,098 for business-type activities. The right to use assets are discussed in more detail in the right to use asset section of this note.

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

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 119,038	\$ 7,397	\$ 13,993	\$ 881
2027	121,902	3,968	14,403	471
2028	62,468	1,075	8,856	86
2029	7,785	28	-	-
Total	<u>\$ 311,193</u>	<u>\$ 12,468</u>	<u>\$ 37,252</u>	<u>\$ 1,438</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 PayableGovernmental Activities

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

\$ 529,809

Business-Type Activities

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

\$ 390,894

\$795,150; direct placement installment note issued March 24, 2025 to finance Water & Sewer software; 4.32% annual rate for a term of 60 months; with principal payments of \$13,477, plus interest, due monthly through March 2030.	768,195
\$630,758; direct placement installment note issued August 25, 2024 to finance the WS Combo Truck; 6.12% annual rate for a term of 60 months; \$12,480 due monthly including interest through July 2029.	530,211
Total installment notes payable - business-type activities	\$ 1,689,300

The future minimum payments for installment obligations as of June 30, 2025, including interest are:

Year Ending June 30	Principal	Interest	Principal	Interest
2026	\$ 100,963	\$ 11,561	\$ 442,288	\$ 67,033
2027	103,403	9,122	465,135	49,680
2028	105,902	6,623	342,201	30,377
2029	108,460	4,064	305,897	14,611
2030	111,081	1,443	133,779	2,247
Total	\$ 529,809	\$ 32,813	\$ 1,689,300	\$ 163,948

Direct Placement Revolving Loan:

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

\$ 217,829

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

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2026	\$ 24,203	\$ -	\$ 24,203
2027	24,203	-	24,203
2028	24,203	-	24,203
2029	24,203	-	24,203
2030	24,203	-	24,203
2031-2035	96,814	-	96,814
Total	\$ 217,829	\$ -	\$ 217,829

At June 30, 2025, the Town had a legal debt margin of approximately \$139,000,000.

### Changes in Long-Term Liabilities

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

	As restated			Current	
	Balance		Decreases	Balance	Portion of Balance
	7/1/2024	Increases			
<b><u>Governmental Activities:</u></b>					
Direct placement					
installment notes	\$ 628,390	\$ -	\$ 98,581	\$ 529,809	\$ 100,963
Lease liabilities	426,901	-	115,708	311,193	119,038
Net OPEB liability	7,483,805	2,760,913	-	10,244,718	-
Total pension liability - LEOSSA	1,387,344	104,202	-	1,491,546	-
Net pension liability - LGERS	4,504,168	30,487	-	4,534,655	-
Compensated absences	572,941	46,983	-	619,924	210,000
Total	<u>\$ 15,003,549</u>	<u>\$ 2,942,585</u>	<u>\$ 214,289</u>	<u>\$ 17,731,845</u>	<u>\$ 430,001</u>
<b><u>Business-type Activities:</u></b>					
Direct placement revolving loan	\$ 242,032	\$ -	\$ 24,203	\$ 217,829	\$ 24,203
Installment notes	555,750	1,425,908	292,358	1,689,300	442,288
Lease liabilities	50,847	-	13,595	37,252	13,993
Net pension liability - LGERS	1,905,854	12,899	-	1,918,753	-
Net OPEB liability	3,234,906	1,193,417	-	4,428,323	-
Compensated absences	244,294	3,045	-	247,339	75,000
Total	<u>\$ 6,233,683</u>	<u>\$ 2,635,269</u>	<u>\$ 330,156</u>	<u>\$ 8,538,796</u>	<u>\$ 555,484</u>

Compensated absences have historically been liquidated in the general fund. Pension and OPEB liabilities have historically been liquidated in the general fund.

#### 8. Interfund Balances and Activity:

Interfund loan – On April 25, 2022, the general fund borrowed \$5,851,715 from the water and sewer fund for the purpose of repaying past transfers made from the water and sewer fund to the general fund. The terms of the arrangement require that the general fund repay the water fund by making twenty annual payments in the amount of \$292,586. In the water and sewer fund, \$292,586 that will be due within the next year is presented as due to the general fund as of June 30, 2024. The remaining long term-balance of \$4,681,372 is presented as an advance to general fund. The general fund presents the consolidated total of \$4,973,958 as an advance from the water and sewer fund on exhibit 3.

#### 9. Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2025 is calculated as follows:

	Governmental	Business-Type
Capital assets	\$ 21,027,077	\$ 42,888,206
Less: Long-term debt	(841,002)	(1,944,381)
Net investment in capital assets	<u>\$ 20,186,075</u>	<u>\$ 40,943,825</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	\$ 13,184,557
<u>Less:</u>	
Non-spendable - prepaid	(81,172)
Non-spendable - inventory	(27,078)
Non-spendable - leases	(6,959)
Stabilization by State statute	<u>(2,276,337)</u>
Available Fund Balance	<u><u>\$ 10,793,011</u></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, 2025.

**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, 2025. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

**Note 7 – Concentration of Tax Base**

One taxpayer represented approximately 50% of the Town's tax base for the 2024 tax year. Taxes collected from this taxpayer amounted to approximately \$5,000,000 for the fiscal year ending June 30, 2025. Also, economic development incentive payments were made to this taxpayer in the amount of \$5,070,136 during the fiscal year ended June 30, 2025. Economic development incentive payments equal to 100% of the property taxes paid will continue to be made to this taxpayer until the year 2034.

**Note 8 – Restatement of Beginning Balances – Change in Accounting Principle**

The Town implemented GASB Statement No. 101, Compensated Absences in the current fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of this Statement required a prior period adjustment to reduce governmental activities and business-type activities net positions by \$126,086 and \$43,079, respectively, to record the estimated liability for sick leave at June 30, 2024.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

**TOWN OF FOREST CITY, NORTH CAROLINA**

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

**Retiree Health Benefit Fund**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Town's proportionate share of the net OPEB liability (asset) (%)	0.04314%	0.04022%	0.03909%	0.03955%	0.03871%	0.03791%	0.03679%	0.03698%	0.00000%
Town's proportion of the net OPEB liability (asset) (\$)	\$ 14,673,041	\$ 10,718,711	\$ 9,282,858	\$ 12,228,422	\$ 10,737,851	\$ 11,995,749	\$ 10,480,910	\$ 12,123,671	\$ 15,328,314
Town's covered payroll	8,268,519	7,926,443	7,140,159	6,663,745	6,439,430	6,311,245	5,495,988	5,844,823	5,523,798
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	177.46%	135.23%	130.01%	183.51%	166.75%	190.07%	190.70%	207.43%	277.50%
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	10.73%	10.58%	7.72%	6.92%	4.40%	4.40%	3.52%	2.41%

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

**TOWN OF FOREST CITY, NORTH CAROLINA**

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

**Retiree Health Benefit Fund**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 606,721	\$ 588,806	\$ 546,463	\$ 466,769	\$ 447,648	\$ 419,399	\$ 395,715	\$ 359,732	\$ 339,230
Contribution in relation to the contractually required contribution	<u>606,721</u>	<u>588,806</u>	<u>546,463</u>	<u>466,769</u>	<u>447,648</u>	<u>419,399</u>	<u>395,715</u>	<u>359,732</u>	<u>339,230</u>
Contribution deficiency (excess)	<u>\$ -</u>								
Town's covered payroll	\$ 8,614,867	\$ 8,268,519	\$ 7,926,443	\$ 7,140,159	\$ 6,663,745	\$ 6,439,430	\$ 6,311,245	\$ 5,945,988	\$ 5,844,823
Contributions as a percentage of covered payroll	7.04%	7.12%	6.89%	6.54%	6.72%	6.51%	6.27%	6.05%	5.80%

**TOWN OF FOREST CITY, NORTH CAROLINA**

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

**Local Governmental Employees' Retirement System**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town's proportionate share of the net pension liability (asset) (%)	0.09573%	0.09678%	0.10040%	0.09940%	0.09854%	0.10232%	0.10207%	0.10143%	0.10191%	0.10440%
Town's proportion of the net pension liability (asset) (\$)	\$ 6,453,408	\$ 6,410,022	\$ 5,663,994	\$ 1,524,394	\$ 3,521,254	\$ 2,794,278	\$ 2,421,449	\$ 1,549,569	\$ 2,162,872	\$ 468,676
Town's covered payroll	8,268,519	7,926,443	7,140,159	6,663,745	6,439,430	6,311,245	5,945,988	5,844,823	5,634,708	5,523,798
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	78.05%	80.87%	79.33%	22.88%	54.68%	44.27%	40.72%	26.51%	38.38%	8.48%
Plan fiduciary net position as a percentage of the total pension liability	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.08%

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

**TOWN OF FOREST CITY, NORTH CAROLINA**

SCHEDULE OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS

**Local Governmental Employees' Retirement System**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,180,458	\$ 1,059,685	\$ 959,680	\$ 793,087	\$ 680,184	\$ 580,158	\$ 502,657	\$ 457,501	\$ 435,264	\$ 382,838
Contribution in relation to the contractually required contribution	<u>1,180,458</u>	<u>1,059,685</u>	<u>959,680</u>	<u>793,087</u>	<u>680,184</u>	<u>580,158</u>	<u>502,657</u>	<u>457,501</u>	<u>435,264</u>	<u>382,838</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 8,614,867	\$ 8,268,519	\$ 7,926,443	\$ 7,140,159	\$ 6,663,745	\$ 6,439,430	\$ 6,311,245	\$ 5,945,988	\$ 5,844,823	\$ 5,634,708
Contributions as a percentage of covered payroll	13.70%	12.82%	12.11%	11.11%	10.21%	9.01%	7.96%	7.69%	7.45%	6.79%

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

**Schedule of Changes in Total Pension Liability**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 1,387,344	\$ 1,283,746	\$ 1,416,089	\$ 1,432,572	\$ 1,043,440	\$ 930,199	\$ 941,539	\$ 791,272	\$ 780,051
<b>Changes for the year:</b>									
Service cost at end of year	62,987	56,280	79,290	75,142	47,697	45,553	49,500	41,451	45,100
Interest	54,061	54,165	31,250	27,124	33,202	33,350	29,459	30,112	27,169
Difference between expected and actual experience	95,339	13,030	74,679	(22,844)	(32,558)	26,344	(29,078)	39,985	-
Changes of assumptions and other inputs	(36,545)	34,157	(263,186)	(41,529)	390,767	35,974	(42,620)	61,065	(23,041)
Benefit payments	(71,640)	(54,034)	(54,376)	(54,376)	(49,976)	(27,980)	(18,601)	(22,346)	(38,007)
Net changes	104,202	103,598	(132,343)	(16,483)	389,132	113,241	(11,340)	150,267	11,221
Ending balance of the total pension liability	<u>\$ 1,491,546</u>	<u>\$ 1,387,344</u>	<u>\$ 1,283,746</u>	<u>\$ 1,416,089</u>	<u>\$ 1,432,572</u>	<u>\$ 1,043,440</u>	<u>\$ 930,199</u>	<u>\$ 941,539</u>	<u>\$ 791,272</u>

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

Total pension liability	\$ 1,491,546	\$ 1,387,344	\$ 1,283,746	\$ 1,416,089	\$ 1,432,572	\$ 1,043,440	\$ 930,199	\$ 941,539	\$ 791,272
Covered-employee payroll	1,954,486	1,883,939	1,738,054	1,596,007	1,567,246	1,627,185	1,569,246	1,533,432	1,569,111
Total pension liability as a percentage of covered-employee payroll	76.31%	73.64%	73.86%	88.73%	91.41%	64.13%	59.28%	61.40%	50.43%

Notes to the schedule:

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

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**TOWN OF FOREST CITY, NORTH CAROLINA**

**GENERAL FUND**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the year ended June 30, 2025

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Taxes	\$ 10,395,120		
Penalties and interest	48,491		
Total	<u>\$ 10,234,951</u>	<u>10,443,611</u>	<u>\$ 208,660</u>
<b>Other Taxes and Licenses:</b>			
Local option sales tax	3,753,935		
ABC privilege licenses	870		
Fire district tax	28,930		
Vehicle rental tax	31,720		
Total	<u>3,509,338</u>	<u>3,815,455</u>	<u>306,117</u>
<b>Unrestricted Intergovernmental Revenues:</b>			
Utility sales tax	1,109,079		
Telecommunications sales tax	52,117		
Piped natural gas tax	41,524		
Video programming tax	23,901		
Court costs and fees	3,717		
Beer and wine tax	29,490		
Hold harmless revenue	1,027,572		
Policing subsidies and fees	38,100		
ABC profit distributions	425,347		
Payments-in-lieu	25,666		
Total	<u>2,362,543</u>	<u>2,776,513</u>	<u>413,970</u>
<b>Restricted Intergovernmental Revenues:</b>			
Powell Bill allocation	305,822		
Unauthorized substance tax	1,730		
Police federally forfeited funds	19,275		
State fire fund	5,542		
ABC allocations	51,430		
Police grant - vests	2,629		
Solid waste disposal	5,692		
FEMA grant proceeds	772,548		
Culture and recreation grants	6,000		
Total	<u>361,000</u>	<u>1,170,668</u>	<u>809,668</u>
<b>Permits and fees:</b>			
Building permits	115,188		
Code enforcement fees	21,163		
Total	<u>175,000</u>	<u>136,351</u>	<u>(38,649)</u>

**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, 2025

	Final Budget	Actual	Variance Positive (Negative)
<b>Sales and Services:</b>			
Recreation department	471,172		
Waste collection fees	1,616,101		
Cemetery lots	13,065		
Fire protection fees	6,264		
Other sales and services	11,107		
Total	<u>2,133,056</u>	<u>2,117,709</u>	<u>(15,347)</u>
Investment Earnings	220,000	522,656	302,656
<b>Miscellaneous:</b>			
Lease revenue	18,200		
Rents	108,097		
Other	178,713		
Total	<u>393,077</u>	<u>305,010</u>	<u>(88,067)</u>
<b>Total revenues</b>	<b>19,388,965</b>	<b>21,287,973</b>	<b>1,899,008</b>
<b>Expenditures:</b>			
<b>General Government:</b>			
Governing board:			
Salaries and employee benefits	65,644		
Operating expenditures	30,275		
Total	<u>115,065</u>	<u>95,919</u>	<u>19,146</u>
Administration:			
Salaries and employee benefits	622,702		
Operating expenses	337,063		
Capital outlay	83,077		
Economic development incentive	5,070,136		
Total	<u>6,495,463</u>	<u>6,112,978</u>	<u>382,485</u>
Finance and Legal:			
Salaries and employee benefits	371,550		
Operating expenditures	100,495		
Total	<u>543,763</u>	<u>472,045</u>	<u>71,718</u>
Planning and Zoning:			
Salaries and employee benefits	540,865		
Operating expenditures	85,520		
Capital outlay	30,405		
Total	<u>866,443</u>	<u>656,790</u>	<u>209,653</u>
Downtown Activities:			
Salaries and employee benefits	203,562		
Operating expenditures	167,636		
Total	<u>501,082</u>	<u>371,198</u>	<u>129,884</u>
Administrative expense reimbursement	<u>(1,058,952)</u>	<u>(1,058,952)</u>	-
<b>Total general government</b>	<b>7,462,864</b>	<b>6,649,978</b>	<b>812,886</b>

**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, 2025

	Final Budget	Actual	Variance Positive (Negative)
<b>Public Safety:</b>			
Police department:			
Salaries and employee benefits	3,250,275		
Operating expenditures	572,316		
Capital outlay	216,672		
Total	<u>4,144,603</u>	<u>4,039,263</u>	<u>105,340</u>
Fire department:			
Salaries and employee benefits	1,543,815		
Operating expenditures	430,608		
Capital outlay	93,901		
Total	<u>3,363,759</u>	<u>2,068,324</u>	<u>1,295,435</u>
Total public safety	<u>7,508,362</u>	<u>6,107,587</u>	<u>1,400,775</u>
<b>Transportation:</b>			
Streets and highways:			
Salaries and employee benefits	1,138,920		
Operating expenditures	337,552		
Capital outlay	116,474		
Total	<u>2,176,465</u>	<u>1,592,946</u>	<u>583,519</u>
Warehouse and garage			
Salaries and employee benefits	327,364		
Operating expenditures	151,769		
Total	<u>733,481</u>	<u>479,133</u>	<u>254,348</u>
Powell bill			
Salaries and employee benefits	15,736		
Operating expenditures	169,697		
Total	<u>249,589</u>	<u>185,433</u>	<u>64,156</u>
Disaster recovery - Hurricane Helene	<u>375,000</u>	<u>308,927</u>	<u>64,156</u>
Administrative expense reimbursement	<u>(436,424)</u>	<u>(436,424)</u>	<u>-</u>
Total transportation	<u>3,098,111</u>	<u>2,130,015</u>	<u>966,179</u>
<b>Environmental Protection:</b>			
Sanitation:			
Operating expenditures	1,685,914		
Total	<u>1,685,980</u>	<u>1,685,914</u>	<u>66</u>
Cemetery:			
Operating expenditures	13,253		
Capital outlay	15,350		
Total	<u>38,000</u>	<u>28,603</u>	<u>9,397</u>
Total environmental protection	<u>1,723,980</u>	<u>1,714,517</u>	<u>9,463</u>

**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, 2025

	Final Budget	Actual	Variance Positive (Negative)
<b>Cultural and Recreation:</b>			
Parks and recreation:			
Salaries and employee benefits	1,212,322		
Other operating expenditures	752,061		
Total	<u>2,381,746</u>	<u>1,964,383</u>	<u>417,363</u>
Library:			
Salaries and employee benefits	142,347		
Other operating expenditures	38,572		
Total	<u>210,297</u>	<u>180,919</u>	<u>29,378</u>
Total cultural and recreation	<u>2,592,043</u>	<u>2,145,302</u>	<u>446,741</u>
<b>Debt Service:</b>			
Principal retirement	214,289		
Interest and fees	24,525		
Total	<u>238,815</u>	<u>238,814</u>	<u>1</u>
Total expenditures	<u>22,624,175</u>	<u>18,986,213</u>	<u>3,636,045</u>
Revenues over (under) expenditures	<u>(3,235,210)</u>	<u>2,301,760</u>	<u>5,536,970</u>
<b>Other Financing Sources:</b>			
Appropriated fund balance	2,236,310	-	(2,236,310)
Installment obligations issued	998,900	-	(998,900)
Sale of capital assets	-	34,605	34,605
Total other financing sources	<u>3,235,210</u>	<u>34,605</u>	<u>(3,200,605)</u>
Net change in fund balance	<u>\$</u> <u>  -</u>	<u>2,336,365</u>	<u>\$</u> <u>2,336,365</u>
Fund balance, beginning of year		<u>10,848,192</u>	
Fund balance, end of year		<u>\$</u> <u>13,184,557</u>	

**TOWN OF FOREST CITY, NORTH CAROLINA**

**GENERAL CAPITAL PROJECT FUND**

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
From inception and for the year ended June 30, 2025

	Project Authorization	Prior Years	Current Year	Actual Total	Variance Positive (Negative)
<b>Revenues:</b>					
NC PARTF Grant	\$ 450,000	\$ -	\$ -	\$ -	\$ (450,000)
RHI Legacy Foundation Grant	500,000	500,000	-	500,000	-
Meta Grant (BARN)	300,000	300,000	-	300,000	-
Rutherford County TDA	125,000	-	-	-	(125,000)
Carolina Foothills Foundation Grant	250,000	250,000	-	250,000	-
TDA Community Funds	100,000	-	-	-	(100,000)
TDA Community Funds (prior years)	300,000	-	-	-	(300,000)
FEMA Grant	376,800	-	-	-	(376,800)
Total revenues	<u>2,401,800</u>	<u>1,050,000</u>	<u>-</u>	<u>1,050,000</u>	<u>(1,351,800)</u>
<b>Expenditures:</b>					
Park Square Depot Project					
Professional services	98,500	107,283	383	107,666	(9,166)
Construction	1,758,850	-	-	-	1,758,850
Contingency	167,650	-	-	-	167,650
Total	<u>2,025,000</u>	<u>107,283</u>	<u>383</u>	<u>107,666</u>	<u>1,917,334</u>
FEMA BRIC 2022-0017					
Professional services	506,020	-	53,626	53,626	452,394
Contingency	21,500	-	-	-	21,500
Total	<u>527,520</u>	<u>-</u>	<u>53,626</u>	<u>53,626</u>	<u>473,894</u>
Total expenditures	<u>2,552,520</u>	<u>107,283</u>	<u>54,009</u>	<u>161,292</u>	<u>2,391,228</u>
Revenues over expenditures	<u>(150,720)</u>	<u>942,717</u>	<u>(54,009)</u>	<u>888,708</u>	<u>1,039,428</u>
<b>Other Financing Sources:</b>					
Transfer from general fund	<u>150,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,720)</u>
Revenues and other sources under expenditures	<u>\$ -</u>	<u>\$ 942,717</u>	<u>(54,009)</u>	<u>\$ 888,708</u>	<u>\$ 888,708</u>
Fund balance, beginning of year			<u>942,717</u>		
Fund balance, end of year			<u>\$ 888,708</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, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Water sales	\$ 3,637,000	\$ 3,602,584	\$ (34,416)
Sewer charges	1,920,000	1,776,565	(143,435)
Tap and connection fees	35,000	82,618	47,618
Other	64,000	112,731	48,731
Total operating revenues	<u>5,656,000</u>	<u>5,574,498</u>	<u>(81,502)</u>
Non-operating revenues:			
Water tank lease revenue	24,000	36,598	12,598
FEMA grant proceeds	-	436,175	436,175
Interest earnings	85,000	206,936	121,936
Total non-operating income	<u>109,000</u>	<u>679,709</u>	<u>570,709</u>
Total revenues	<u>5,765,000</u>	<u>6,254,207</u>	<u>489,207</u>
<b>Expenditures:</b>			
Administration:			
Salaries and employee benefits	426,061		
Operating expenditures	831,169		
Total administration	<u>1,323,683</u>	<u>1,257,230</u>	<u>66,453</u>
Water Operations:			
Salaries and employee benefits	801,006		
Operating expenditures	372,438		
Capital outlay	1,078,623		
Total water operations	<u>2,823,111</u>	<u>2,252,067</u>	<u>571,044</u>
Water Plant:			
Salaries and employee benefits	589,368		
Operating expenditures	503,719		
Capital outlay	342,905		
Total water plant	<u>1,453,745</u>	<u>1,435,992</u>	<u>17,753</u>
Sewer Operations:			
Salaries and employee benefits	255,711		
Operating expenditures	93,271		
Capital outlay	549,439		
Total sewer operations	<u>1,348,311</u>	<u>898,421</u>	<u>449,890</u>
Waste Treatment Plants:			
Salaries and employee benefits	540,409		
Operating expenditures	519,218		
Capital outlay	141,405		
Total water treatment plants	<u>1,487,960</u>	<u>1,201,032</u>	<u>286,928</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, 2025

	Budget	Actual	Variance Positive (Negative)
Pump Station and Storage:			
Salaries and employee benefits		325,588	
Operating expenditures		439,019	
Capital outlay		189,351	
Total pump station and storage	<u>1,405,297</u>	<u>953,958</u>	<u>451,339</u>
Disaster recovery - Hurricane Helene	<u>300,000</u>	<u>187,833</u>	<u>112,167</u>
Debt service:			
Principal		319,560	
Interest		71,258	
	<u>485,617</u>	<u>390,818</u>	<u>94,799</u>
Total expenditures	<u>10,627,724</u>	<u>8,577,351</u>	<u>2,050,373</u>
Revenues under expenditures	<u>(4,862,724)</u>	<u>(2,323,144)</u>	<u>2,539,580</u>
Other Financing Sources:			
Installment obligations issued	795,150	1,425,908	630,758
Sale of capital assets	-	59,216	59,216
Appropriated fund balance	<u>4,067,574</u>	<u>-</u>	<u>(4,067,574)</u>
Total other financing sources	<u>4,862,724</u>	<u>1,485,124</u>	<u>(3,377,600)</u>
Revenues and other sources under expenditures	<u>\$ -</u>	<u>(838,020)</u>	<u>\$ (838,020)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement of debt		319,560	
Capital outlay		2,184,422	
Proceeds from issuance of installment obligations		(1,425,908)	
Decrease in deferred outflows of resources - LGERS		(125,609)	
Increase in net pension liability - LGERS		(9,413)	
Increase in deferred inflows of resources - LGERS		(4,722)	
Increase in deferred outflows of resources - OPEB		607,800	
Increase in net OPEB liability		(862,044)	
Decrease in deferred inflows of resources - OPEB		216,870	
Increase in compensated absences		(6,666)	
Remaining basis in disposed capital assets		(17,647)	
Amortization		(3,055)	
Depreciation		<u>(1,705,629)</u>	
Total reconciling items		<u>(832,041)</u>	
Change in net position		<u>\$ (1,670,061)</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, 2025

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Electricity sales	\$ 11,464,000	\$ 10,844,472	\$ (619,528)
Late payment penalties	260,000	278,655	18,655
Connection fees	47,000	10,883	(36,117)
Other operating revenue	<u>50,000</u>	<u>106,183</u>	<u>56,183</u>
Total operating revenues	<u>11,821,000</u>	<u>11,240,193</u>	<u>(580,807)</u>
Non-operating revenues:			
FEMA grant proceeds	-	661,324	661,324
Other grants	-	19,486	19,486
Interest earnings	<u>60,000</u>	<u>182,546</u>	<u>122,546</u>
Total non-operating revenue	<u>60,000</u>	<u>863,356</u>	<u>803,356</u>
Total revenues	<u>11,881,000</u>	<u>12,103,549</u>	<u>222,549</u>
<b>Expenditures:</b>			
Administration:			
Salaries and employee benefits		243,134	
Operating expenditures		<u>903,593</u>	
Total administration	<u>1,193,887</u>	<u>1,146,727</u>	<u>47,160</u>
Operations:			
Salaries and employee benefits		1,114,403	
Operating expenditures		726,111	
Repairs and maintenance		644,418	
Capital outlay		<u>1,116,489</u>	
Total operations	<u>5,323,906</u>	<u>3,601,421</u>	<u>1,722,485</u>
Electric power purchased:	<u>6,500,000</u>	<u>4,685,329</u>	<u>1,814,671</u>
Disaster recovery - Hurricane Helene	<u>700,000</u>	<u>506,678</u>	<u>193,322</u>
Debt service:			
Principal		10,596	
Interest		<u>1,181</u>	
	<u>11,777</u>	<u>11,777</u>	<u>-</u>
Total expenditures	<u>13,729,570</u>	<u>9,951,932</u>	<u>3,777,638</u>
Revenues over (under) expenditures	<u>(1,848,570)</u>	<u>2,151,617</u>	<u>4,000,187</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, 2025**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Other Financing Sources:</b>			
Sale of capital assets	-	15,205	15,205
Appropriated fund balance	1,848,570	-	(1,848,570)
Total other financing sources	<u>1,848,570</u>	<u>15,205</u>	<u>(1,833,365)</u>
Revenues and other sources over expenditures	\$ <u>                  -</u>	<u>2,166,822</u>	<u>\$ 2,166,822</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
<b>Reconciling items:</b>			
Principal retirement of debt	10,596		
Capital outlay	1,116,489		
Decrease in deferred outflows of resources - LGERS	(46,527)		
Increase in net pension liability - LGERS	(3,486)		
Increase in deferred inflows of resources - LGERS	(1,749)		
Increase in deferred outflows of resources - OPEB	233,641		
Increase in net OPEB liability	(331,373)		
Decrease in deferred inflows of resources - OPEB	83,365		
Decrease in compensated absences	3,620		
Amortization	(10,813)		
Depreciation	<u>(329,857)</u>		
Total reconciling items	<u>723,906</u>		
Change in net position	<u>\$ 2,890,728</u>		

**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, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
<b>Other Financing Sources:</b>				
Transfers from Electric Fund	\$ 1,394,493	\$ 1,394,493	\$ -	\$ 1,394,493
Transfer to Electric Fund	<u>(1,394,493)</u>	<u>(252,218)</u>	<u>-</u>	<u>(252,218)</u>
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, 2025**

Fiscal Year	Uncollected		Collections And Credits	Uncollected	
	Balance 6/30/2024	Additions		Balance 6/30/2025	
2024-2025	\$ -	\$ 10,416,232	\$ 10,303,916	\$ 112,316	
2023-2024	122,773	-	77,259	45,514	
2022-2023	22,233	-	8,671	13,562	
2021-2022	4,632	-	2,153	2,479	
2020-2021	3,646	-	1,084	2,562	
2019-2020	2,884	-	666	2,218	
2018-2019	2,062	-	424	1,638	
2017-2018	1,839	-	358	1,481	
2016-2017	1,782	-	278	1,504	
2015-2016	888	-	339	549	
2014-2015	967	-	967	-	
	<u>\$ 163,706</u>	<u>\$ 10,416,232</u>	<u>\$ 10,396,115</u>		<u>183,823</u>

Less: allowance for uncollectible accounts:

General Fund (38,000)

Ad valorem taxes receivable, net \$ 145,823

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 10,443,611
<u>Reconciling items:</u>	
Interest and penalties collected	(48,491)
Taxes written off	967
Other adjustments and releases, net	28
Total collections and credits	<u>\$ 10,396,115</u>

**TOWN OF FOREST CITY, NORTH CAROLINA**

GENERAL FUND  
Analysis of Current Tax Levy  
For the year ended June 30, 2025

					Total Levy
					Property Excluding Registered
	Property Valuation	Rate	Total Levy	Motor Vehicles	Motor Vehicles
<b>Original levy:</b>					
Property taxed at current year's rate	\$ 1,734,513,898	0.590	\$ 10,233,632	\$ 9,844,276	\$ 389,356
Discoveries	52,515,932	0.590	309,844	309,844	-
Abatements	<u>(21,566,780)</u>	0.590	<u>(127,244)</u>	<u>(127,244)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,765,463,051</u></u>				
Net levy			10,416,232	10,026,876	389,356
Uncollected taxes at June 30, 2025			<u>(112,316)</u>	<u>(112,316)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 10,303,916</u>	<u>\$ 9,914,560</u>	<u>\$ 389,356</u>
Current levy collection percentage			98.92%	98.88%	100.00%

## COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and remaining fund information of the Town of Forest City, North Carolina, as of and for the year ended June 30, 2025, which collectively comprise the Town of Forest City's basic financial statements, and have issued our report thereon dated November 30, 2025. The financial statements of the Town of Forest City ABC Board were not audited in accordance with *Government Auditing Standards*.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of the Report**

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

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
November 30, 2025



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

**Independent Auditors' Report**

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

***Report on Compliance for Each Major Federal Program***

**Opinion on Each Major Federal Program**

We have audited the Town of Forest City, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement and Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Forest City's major federal programs for the year ended June 30, 2025. The Town of Forest City's major federal program are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Forest City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

**Basis for Opinion on Each Major Federal Program**

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

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

### Responsibilities of Management for Compliance

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

### Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

### Report on Internal Control Over Compliance

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

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

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

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

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
November 30, 2025

## TOWN OF FOREST CITY, NORTH CAROLINA

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2025

#### 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  X none reported

Noncompliance material to financial statements noted  yes  X no

##### Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified?  yes  X no
- Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CRF 200.516(a)?  yes  X no

The following was audited as a major federal program for the fiscal year ended June 30, 2025:

<u>Program Name</u>	<u>AL #</u>
Emergency Management Performance Grant	97.036

##### Federal Awards

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

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

**TOWN OF FOREST CITY, NORTH CAROLINA**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2025**

**II.Financial Statement Findings**

None reported.

**III.Federal Award Findings and Questioned Costs**

None reported.

**TOWN OF FOREST CITY, NORTH CAROLINA**

Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2025

**No findings reported for the fiscal year ending June 30, 2024.**

**TOWN OF FOREST CITY, NORTH CAROLINA**

Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2025

	Federal Assistance Listing	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures
<b>Federal Grants:</b>				
<u>U.S. Department of Homeland Security</u>				
Passed through the N.C. Department of Public Safety, Division of Emergency Management				
Emergency Management Performance Grant - Hurricane Helene	97.036		1,802,422	67,625
Total U.S. Department of Homeland Security			<u>1,802,422</u>	<u>67,625</u>
Total Federal awards			<u>1,802,422</u>	<u>67,625</u>
<b>State Awards</b>				
<u>N. C. Department of Transportation:</u>				
Powell Bill		DOT-4; 32570	-	185,326
Total N.C. Department of Transportation			<u>-</u>	<u>185,326</u>
Total State awards			<u>-</u>	<u>252,951</u>
Total Federal and State awards			<u>\$ 1,802,422</u>	<u>\$ 252,951</u>

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

- Basis of Presentation**  
The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the Town of Forest City under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Forest City, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Forest City.
- Summary of Significant Accounting Policies**  
Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Forest City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.