

Town of Forest City, North Carolina

Financial Statements

June 30, 2021

REVIEWED

By SLGFD at 8:45 am, Dec 09, 2021



**Forest City Town Council
(As of June 30, 2021)**

Steve Holland, Mayor

Commissioners:

David Eaker

Chris Lee

Dee Dee Bright

Justin Conner

Shawn Moore

Town Manager:

Janet Mason

**TOWN OF FOREST CITY, NORTH CAROLINA
YEAR ENDED JUNE 30, 2021**

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Forest City, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Town of Forest City, North Carolina, as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-11, the Retiree Health Benefit Fund's Schedules of the Proportionate Share of the Net OPEB Liability and Contributions on pages 53-54, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 55-56, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 57 be presented to supplement the basic financial statements. Such information, although not a 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 and Other Information

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

The individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the individual fund 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 26, 2021 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, 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 the 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 26, 2021

TOWN OF FOREST CITY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2021

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, 2021. 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.

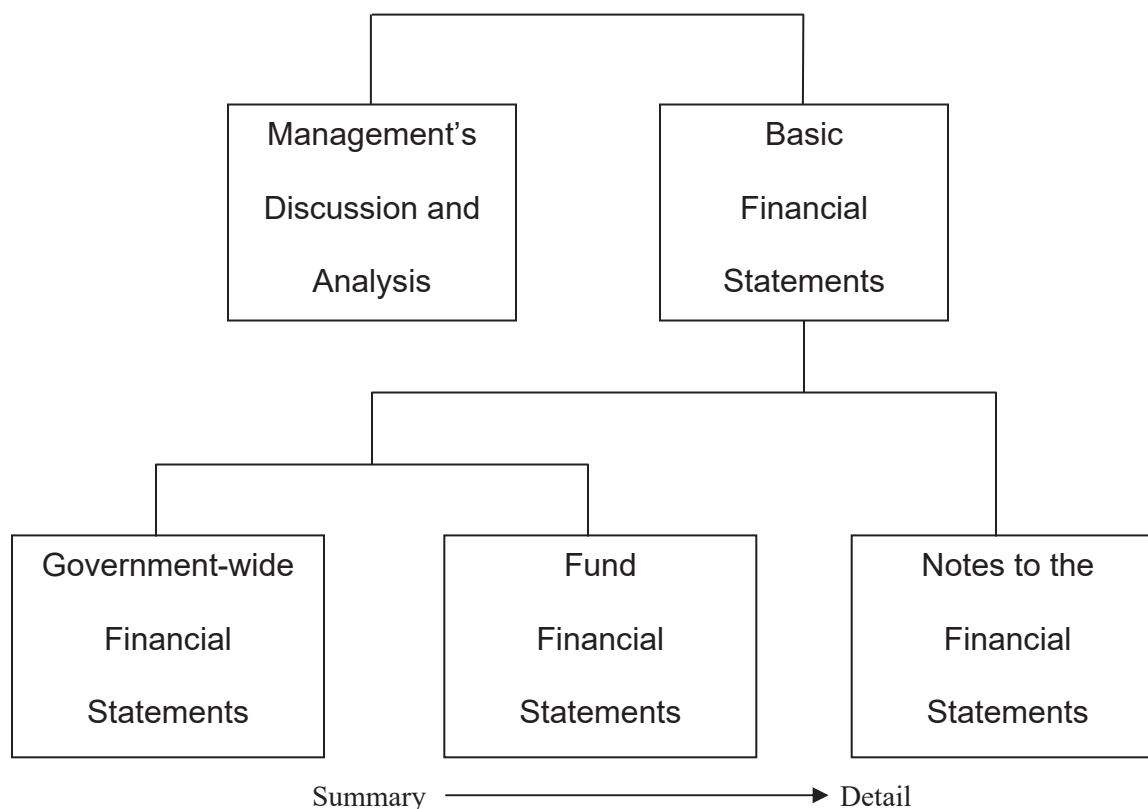
Financial Highlights

- 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 \$64,731,579 (*net position*).
- The government's total net position increased by \$1,654,591, consisting of an increase in the governmental activities net position of \$603,891 and an increase in the business-type activities net position of \$1,050,700.
- As of the close of the current fiscal year, the Town of Forest City's governmental fund reported ending fund balance of \$4,978,564 with a net decrease of \$426,351 in fund balance. Approximately 36% of this total amount, or \$1,787,049, is restricted.
- At the end of the current fiscal year, fund balance available for appropriation in the General Fund was \$3,514,166, or 23% of net General Fund expenditures for the fiscal year, and total fund balance for the General Fund was \$4,978,564 or 32% of net General Fund expenditures.
- The Town of Forest City's long-term installment and revolving loan obligations decreased by \$289,088 or 16% during the current fiscal year due to scheduled principal payments made on existing debt.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 5,692,856	\$ 6,339,079	\$ 14,573,861	\$ 14,155,054	\$ 20,266,717	\$ 20,494,133
Capital assets	22,627,115	21,931,321	41,856,675	41,437,211	64,483,790	63,368,532
Deferred outflows of resources	2,989,385	2,471,426	1,087,404	1,001,029	4,076,789	3,472,455
Total assets and deferred outflows of resources	31,309,356	30,741,826	57,517,940	56,593,294	88,827,296	87,335,120
Current liabilities	1,096,260	1,259,215	739,364	813,061	1,835,624	2,072,276
Long-term liabilities	12,576,943	12,872,414	4,656,775	4,887,086	17,233,718	17,759,500
Deferred inflows of resources	3,533,886	3,111,821	1,492,489	1,314,535	5,026,375	4,426,356
Total liabilities and deferred inflows of resources	17,207,089	17,243,450	6,888,628	7,014,682	24,095,717	24,258,132
Net position:						
Net investment in capital assets	21,438,939	20,486,876	41,542,033	41,089,750	62,980,972	61,576,626
Restricted	1,787,049	1,599,375	-	-	1,787,049	1,599,375
Unrestricted (deficit)	(9,123,721)	(8,587,875)	9,087,279	8,488,862	(36,442)	(99,013)
Total net position	\$ 14,102,267	\$ 13,498,376	\$ 50,629,312	\$ 49,578,612	\$ 64,731,579	\$ 63,076,988

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 \$64,731,579 as of June 30, 2021. The Town's net position increased by \$1,654,591 for the fiscal year ended June 30, 2021. However, the largest portion of net position (97%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Forest City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Forest City's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Forest City's net position, \$1,787,049 represents resources that are subject to external restrictions on how they may be used. This leaves an unrestricted deficit of 36,442.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.43%. The statewide average in fiscal year 2021 was 98.78%.
- Continued cost saving efforts utilized by Town department heads, which resulted in actual expenditures being much less than the budget in many areas.
- Property tax revenue (net of economic incentives), as well as sales tax revenues, increased due to economic growth.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,758,682	\$ 1,816,187	\$ 16,838,547	\$ 16,841,702	\$ 18,597,229	\$ 18,657,889
Operating grants and contributions	367,959	49,304	-	-	367,959	49,304
Capital grants and contributions	572,827	236,597	319,521	857,018	892,348	1,093,615
General revenues:						
Property taxes	5,085,436	5,585,331	-	-	5,085,436	5,585,331
Other taxes	1,999,559	1,638,736	-	-	1,999,559	1,638,736
Grants and other contributions, not restricted to specific programs	1,816,659	1,656,941	-	-	1,816,659	1,656,941
Other	282,232	262,729	18,629	114,698	300,861	377,427
Total revenues	11,883,354	11,245,825	17,176,697	17,813,418	29,060,051	29,059,243
Expenses:						
General government	4,566,129	6,037,126	-	-	4,566,129	6,037,126
Public safety	4,762,880	4,617,100	-	-	4,762,880	4,617,100
Transportation	1,738,255	1,512,472	-	-	1,738,255	1,512,472
Environmental protection	1,339,215	1,357,281	-	-	1,339,215	1,357,281
Cultural and recreation	2,057,650	2,154,988	-	-	2,057,650	2,154,988
Economic development	-	-	-	-	-	-
Interest on long-term debt	31,824	13,037	-	-	31,824	13,037
Water and sewer	-	-	5,573,230	5,513,080	5,573,230	5,513,080
Electric	-	-	7,336,277	7,529,839	7,336,277	7,529,839
Total expenses	14,495,953	15,692,004	12,909,507	13,042,919	27,405,460	28,734,923
Changes in net position before transfers	(2,612,599)	(4,446,179)	4,267,190	4,770,499	1,654,591	324,320
Transfers	3,216,490	3,950,600	(3,216,490)	(3,950,600)	-	-
Changes in net position	603,891	(495,579)	1,050,700	819,899	1,654,591	324,320
Net position, beginning of year	13,498,376	13,993,955	49,578,612	48,758,713	63,076,988	62,752,668
Net position, end of year	\$ 14,102,267	\$ 13,498,376	\$ 50,629,312	\$ 49,578,612	\$ 64,731,579	\$ 63,076,988

Governmental activities. Governmental activities decreased the Town's net position by \$2,612,599 before transfers from the enterprise funds. This decrease is largely due to pension and OPEB related expenses as well as budgeted reliance on enterprise fund transfers.

Business-type activities. Business-type activities increased the Town of Forest City's net position by \$4,267,190, before transfers of \$3,216,490 to the general fund. This increase is due to cost saving efforts which resulted in actual expenditures being less than budgeted.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Forest City. At the end of the current fiscal year, the Town of Forest City's fund balance available in the General Fund was \$3,514,166, while total fund balance was \$4,978,564. The Town currently has an available fund balance of 23% of net General Fund expenditures, and total fund balance represents 32% 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 from FEMA for flood damage reimbursements and for the unexpected repair or replacement of equipment necessary to provide essential services.

Actual revenues are generally higher than the budget due to the use of conservative revenue estimation. Expenditures tend to be lower than the budget. For the fiscal year ended June 30, 2021, revenues were \$1,658,183 more than the budgeted amounts, due largely to receipt of capital grant contributions. Expenditures were \$1,437,386 less than the budgeted amounts, and the Town was able to comply with its budgetary requirements.

Proprietary Funds. The Town of Forest City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,612,510 and the total change in net position for the Water and Sewer Fund was \$859,929. Unrestricted net position of the Electric Fund was \$5,474,769 and the total change in net position for the Electric Fund was \$190,771.

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, 2021, totals \$64,483,790 (net of accumulated depreciation). These assets include land, buildings, water and sewer lines, electric lines machinery and equipment, park facilities, and vehicles.

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

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 7,656,757	\$ 7,656,757	\$ 293,597	\$ 293,597	\$ 7,950,354	\$ 7,950,354
Construction in progress	1,010,300	959,869	1,316,213	1,083,472	2,326,513	2,043,341
Buildings	15,876,171	15,850,941	-	-	15,876,171	15,850,941
Infrastructure	1,322,887	1,239,876	73,305,889	73,057,670	74,628,776	74,297,546
Equipment	5,256,865	5,092,067	9,474,511	7,925,186	14,731,376	13,017,253
Vehicles	5,418,929	4,346,648	-	-	5,418,929	4,346,648
	36,541,909	35,146,158	84,390,210	82,359,925	120,932,119	117,506,083
Accumulated depreciation	(13,914,794)	(13,214,837)	(42,533,535)	(40,922,714)	(56,448,329)	(54,137,551)
Capital assets, net	<u>\$ 22,627,115</u>	<u>\$ 21,931,321</u>	<u>\$ 41,856,675</u>	<u>\$ 41,437,211</u>	<u>\$ 64,483,790</u>	<u>\$ 63,368,532</u>

Additional information on the Town's capital assets can be found in Note 2 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, the Town of Forest City had total installment debt outstanding of \$1,188,176 which is secured with the assets purchased with these funds, and a state revolving loan of \$314,642.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct placement installment loans	\$ 1,188,176	\$ 1,444,445	\$ -	\$ 8,616	\$ 1,188,176	\$ 1,453,061
Direct placement revolving loan	-	-	314,642	338,845	314,642	338,845
	<u>\$ 1,188,176</u>	<u>\$ 1,444,445</u>	<u>\$ 314,642</u>	<u>\$ 347,461</u>	<u>\$ 1,502,818</u>	<u>\$ 1,791,906</u>

The Town of Forest City's total long-term debt decreased by \$289,088, or 16%, during the past fiscal year due scheduled principal payments made against existing debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Forest City is approximately \$144,000,000.

Additional information regarding the Town of Forest City's long-term debt can be found in Note 2 of this report.

Impact of Coronavirus on the Town

The impact of Covid-19 for the Town included increased expenses related to sanitization procedures and the distancing of employees. Pricing increases were seen for many budgeted supplies as well as an increase in quotes for construction projects and equipment. The increased demand and shortened supply have caused delays for the receipt of necessary items.

Economic Factors and Next Year’s Budgets and Rates

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

Property taxes remain at \$.28/\$100 for fiscal year 2020-2021. An increase in property tax revenue is expected due to new housing construction projects.

The Enterprise Fund is stable, which helps the Town to provide sustainable rates to our citizens and businesses. This also allows the Town to plan for necessary future capital needs to maintain our existing utility infrastructure. This year's budget saw water, sewer, and electric rates remain the same as the previous five years. Rates for electricity may be adjusted during the year to pass on rate changes charged to the Town by our wholesale energy provider, Duke Energy.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF FOREST CITY, NORTH CAROLINA

Exhibit 1

Statement of Net Position
June 30, 2021

	Primary Government			Forest City
	Governmental	Business-type		ABC Board
	Activities	Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,749,966	\$ 11,805,329	\$ 15,555,295	\$ 318,382
Taxes receivable, net	51,631	-	51,631	-
Accrued interest receivable	9,645	-	9,645	-
Accounts receivable, net	119,421	2,357,504	2,476,925	-
Due from other governments	1,262,106	-	1,262,106	-
Interfund balances	6,686	(6,686)	-	-
Prepaid expenses	65,311	28,040	93,351	12,150
Inventories	20,064	-	20,064	249,219
Restricted cash and cash equivalents	408,026	389,674	797,700	-
Total current assets	5,692,856	14,573,861	20,266,717	579,751
Capital assets:				
Land and construction in progress	8,667,057	1,609,810	10,276,867	50,000
Other capital assets, net	13,960,058	40,246,865	54,206,923	186,593
Total capital assets	22,627,115	41,856,675	64,483,790	236,593
Total assets	28,319,971	56,430,536	84,750,507	816,344
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	1,768,545	559,692	2,328,237	19,748
OPEB deferrals	1,220,840	527,712	1,748,552	-
Total deferred outflows of resources	2,989,385	1,087,404	4,076,789	19,748
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	637,826	245,487	883,313	243,469
Current portion of long-term liabilities	458,434	104,203	562,637	-
Payable from restricted assets:				
Customer deposits	-	389,674	389,674	-
Total current liabilities	1,096,260	739,364	1,835,624	243,469
Long-term liabilities:				
Net pension liability - LGERS	2,474,301	1,046,953	3,521,254	28,230
Total pension liability - LEOSSA	1,432,572	-	1,432,572	-
Net OPEB liability	7,497,168	3,240,683	10,737,851	-
Due in more than one year	1,172,902	369,139	1,542,041	-
Total long-term liabilities	12,576,943	4,656,775	17,233,718	28,230
Total liabilities	13,673,203	5,396,139	19,069,342	271,699

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

Statement of Net Position
June 30, 2021

	Primary Government			Forest City ABC Board
	Governmental Activities	Business-type Activities	Total	
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	6,000	-	6,000	-
Pension deferrals	158,021	35,850	193,871	-
OPEB deferrals	3,369,865	1,456,639	4,826,504	-
Total deferred inflows of resources	3,533,886	1,492,489	5,026,375	-
NET POSITION				
Net investment in capital assets	21,438,939	41,542,033	62,980,972	236,593
Restricted for:				
Stabilization by State statute	1,379,023	-	1,379,023	-
Streets	408,026	-	408,026	-
Working capital	-	-	-	96,765
Unrestricted (deficit)	(9,123,721)	9,087,279	(36,442)	231,035
Total net position	\$ 14,102,267	\$ 50,629,312	\$ 64,731,579	\$ 564,393

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, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital	Primary Government			Forest City ABC Board
				Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General government	\$ 4,566,129	\$ 182,128	\$ -	\$ -	\$ (4,384,001)	\$ -	\$ (4,384,001)	\$ -
Public safety	4,762,880	-	362,388	-	(4,400,492)	-	(4,400,492)	-
Transportation	1,738,255	5,028	-	219,827	(1,513,400)	-	(1,513,400)	-
Environmental protection	1,339,215	1,307,392	5,571	-	(26,252)	-	(26,252)	-
Cultural and recreation	2,057,650	264,134	-	353,000	(1,440,516)	-	(1,440,516)	-
Interest on long-term debt	31,824	-	-	-	(31,824)	-	(31,824)	-
Total governmental activities	14,495,953	1,758,682	367,959	572,827	(11,796,485)	-	(11,796,485)	-
Business-type activities:								
Water and sewer fund	5,573,230	6,109,006	-	319,521	-	855,297	855,297	-
Electric fund	7,336,277	10,729,541	-	-	-	3,393,264	3,393,264	-
Total business-type activities	12,909,507	16,838,547	-	319,521	-	4,248,561	4,248,561	-
Component unit								
ABC Board	3,214,514	3,275,708	-	-	-	-	-	61,194
Total	\$ 27,405,460	\$ 18,597,229	\$ 367,959	\$ 892,348	(11,796,485)	4,248,561	(7,547,924)	61,194
General revenues:								
Taxes:								
					5,085,436	-	5,085,436	-
					1,999,559	-	1,999,559	-
Grants and contributions not restricted to specific programs								
					1,816,659	-	1,816,659	-
					1,447	4,431	5,878	739
					38,323	14,198	52,521	-
					242,462	-	242,462	1,584
Total general revenues before transfers					9,183,886	18,629	9,202,515	2,323
Transfers					3,216,490	(3,216,490)	-	-
Total general revenues					12,400,376	(3,197,861)	9,202,515	2,323
Changes in net position					603,891	1,050,700	1,654,591	63,517
Net position, beginning of year					13,498,376	49,578,612	63,076,988	500,876
Net position, end of year					\$ 14,102,267	\$ 50,629,312	\$ 64,731,579	\$ 564,393

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2021

	Major Fund	Total Governmental
	General Fund	Funds
ASSETS		
Cash and cash equivalents	\$ 3,749,966	\$ 3,749,966
Restricted cash and cash equivalents	408,026	408,026
Taxes receivable, net	51,631	51,631
Accounts receivable, net	119,421	119,421
Due from other governments	1,262,106	1,262,106
Due from the Everest Textile Fund	6,686	6,686
Prepaid expenses	65,311	65,311
Inventories	20,064	20,064
Total assets	<u>\$ 5,683,211</u>	<u>\$ 5,683,211</u>
LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 637,826</u>	<u>\$ 637,826</u>
DEFERRED INFLOWS OF RESOURCES	<u>66,821</u>	<u>66,821</u>
FUND BALANCES		
Non-spendable		
Prepaid expenses	65,311	65,311
Inventory	20,064	20,064
Restricted for:		
Stabilization by State statute	1,379,023	1,379,023
Streets	408,026	408,026
Assigned - subsequent year expenditures	2,656,827	2,656,827
Unassigned	449,313	449,313
Total fund balances	<u>4,978,564</u>	<u>4,978,564</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,683,211</u>	<u>\$ 5,683,211</u>

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2021

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

Fund balances of governmental funds	\$ 4,978,564
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	22,627,115
Deferred outflows of resources related to pensions are not reported in the funds.	1,768,545
Deferred outflows of resources related to OPEB are not reported in the funds.	1,220,840
Other long-term assets are not available to pay for current-period expenditures and, therefore, are inflows of resources in the funds.	9,645
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	60,821
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:	
Notes payable	(1,188,176)
Net OPEB liability	(7,497,168)
Total pension liability - LEOSA	(1,432,572)
Net pension liability - LGERS	(2,474,301)
Compensated absences	(443,160)
Deferred inflows of resources related to pensions are not reported in the funds.	(158,021)
Deferred inflows of resources related to OPEB are not reported in the funds.	<u>(3,369,865)</u>
Net position of governmental activities	<u>\$ 14,102,267</u>

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

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

	<u>Major Fund</u>	
	General Fund	Total Governmental Funds
REVENUES		
Ad valorem taxes	\$ 5,127,269	\$ 5,127,269
Other taxes and licenses	1,999,559	1,999,559
Unrestricted intergovernmental	1,816,659	1,816,659
Restricted intergovernmental	940,786	940,786
Permits and fees	158,931	158,931
Sales and services	1,608,751	1,608,751
Investment earnings	1,447	1,447
Miscellaneous	242,462	242,462
Total revenues	<u>11,895,864</u>	<u>11,895,864</u>
EXPENDITURES		
Current:		
General government	4,593,563	4,593,563
Public safety	5,761,704	5,761,704
Transportation	1,816,120	1,816,120
Environmental protection	1,367,666	1,367,666
Cultural and recreation	1,749,882	1,749,882
Debt service:		
Principal	256,269	256,269
Interest	31,824	31,824
Total expenditures	<u>15,577,028</u>	<u>15,577,028</u>
Revenues under expenditures	<u>(3,681,164)</u>	<u>(3,681,164)</u>
OTHER FINANCING SOURCES		
Sale of capital assets	38,323	38,323
Transfer from other funds	3,216,490	3,216,490
Total other financing sources	<u>3,254,813</u>	<u>3,254,813</u>
Net change in fund balances	<u>(426,351)</u>	<u>(426,351)</u>
Fund balance, beginning of year	<u>5,404,915</u>	<u>5,404,915</u>
Fund balances, end of year	<u>\$ 4,978,564</u>	<u>\$ 4,978,564</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, 2021

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

Net changes in fund balances - total governmental funds	\$	(426,351)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was more than depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 1,737,703		
Depreciation expense for governmental assets	<u>(1,041,909)</u>		695,794

Contributions to the LGERS pension plan in the current fiscal year are not included in the statement of activities.			680,184
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Benefit payments paid and administrative expenses for the LEOSSA are not included on the statement of activities.			27,616
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the statement of activities.			447,648
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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	(4,855)		
Change in unavailable tax and sanitation revenues	<u>(45,978)</u>		(50,833)

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			256,269
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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	58,734		
Pension expense - LGERS	(1,008,171)		
Pension expense - LEO	(116,767)		
OPEB benefit	<u>39,768</u>		<u>(1,026,436)</u>

Total changes in net position of governmental activities	\$	<u>603,891</u>
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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, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 5,064,685	\$ 5,064,685	\$ 5,127,269	\$ 62,584
Other taxes	1,457,865	1,457,865	1,999,559	541,694
Unrestricted intergovernmental	1,559,592	1,559,592	1,816,659	257,067
Restricted intergovernmental	360,500	360,500	940,786	580,286
Permits and fees	107,000	107,000	158,931	51,931
Sales and services	1,556,700	1,556,700	1,608,751	52,051
Investment earnings	19,000	19,000	1,447	(17,553)
Miscellaneous	103,000	112,339	242,462	130,123
Total revenues	<u>10,228,342</u>	<u>10,237,681</u>	<u>11,895,864</u>	<u>1,658,183</u>
Expenditures:				
Current:				
General government	4,999,272	5,253,814	4,593,563	660,251
Public safety	4,773,273	5,972,375	5,761,704	210,671
Transportation	1,970,380	1,970,380	1,816,120	154,260
Environmental protection	1,433,931	1,433,931	1,367,666	66,265
Cultural and recreation	2,048,595	2,095,778	1,749,882	345,896
Debt service:				
Principal retirement	279,192	256,312	256,269	43
Interest and other charges	8,944	31,824	31,824	-
Total expenditures	<u>15,513,587</u>	<u>17,014,414</u>	<u>15,577,028</u>	<u>1,437,386</u>
Revenues under expenditures	<u>(5,285,245)</u>	<u>(6,776,733)</u>	<u>(3,681,164)</u>	<u>3,095,569</u>
Other financing sources:				
Appropriated fund balance	2,068,755	3,560,243	-	(3,560,243)
Sale of capital assets	-	-	38,323	38,323
Transfer from water and sewer fund	3,216,490	3,216,490	3,216,490	-
Total other financing sources	<u>5,285,245</u>	<u>6,776,733</u>	<u>3,254,813</u>	<u>(3,521,920)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(426,351)</u>	<u>\$ (426,351)</u>
Fund balance, beginning of year			<u>5,404,915</u>	
Fund balance, end of year			<u>\$ 4,978,564</u>	

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

PROPRIETARY FUNDS
Statements of Fund Net Position
June 30, 2021

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,485,298	\$ 5,320,031	\$ 11,805,329
Accounts receivable			
Billed - net	427,639	867,963	1,295,602
Unbilled	323,531	738,371	1,061,902
Prepaid expenses	20,298	7,742	28,040
Restricted cash and cash equivalents	116,347	273,327	389,674
Total current assets	<u>7,373,113</u>	<u>7,207,434</u>	<u>14,580,547</u>
Noncurrent assets:			
Capital assets:			
Land	177,882	115,715	293,597
Construction in progress	1,316,213	-	1,316,213
Depreciable capital assets, net	36,680,086	3,566,779	40,246,865
Total capital assets	<u>38,174,181</u>	<u>3,682,494</u>	<u>41,856,675</u>
Total assets	<u>45,547,294</u>	<u>10,889,928</u>	<u>56,437,222</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	408,412	151,280	559,692
OPEB deferrals	381,184	146,528	527,712
Total deferred outflows of resources	<u>789,596</u>	<u>297,808</u>	<u>1,087,404</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	131,261	114,226	245,487
Due to the General Fund	6,686	-	6,686
Compensated absences, current	60,000	20,000	80,000
Current portion of long-term debt	24,203	-	24,203
Payable from restricted assets:			
Customer deposits	116,347	273,327	389,674
Total current liabilities	<u>338,497</u>	<u>407,553</u>	<u>746,050</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	52,746	25,954	78,700
Net OPEB liability	2,340,851	899,832	3,240,683
Net pension liability - LGERS	763,970	282,983	1,046,953
Long-term debt, net of current portion	290,439	-	290,439
Total noncurrent liabilities	<u>3,448,006</u>	<u>1,208,769</u>	<u>4,656,775</u>
Total liabilities	<u>3,786,503</u>	<u>1,616,322</u>	<u>5,402,825</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	26,160	9,690	35,850
OPEB deferrals	1,052,178	404,461	1,456,639
Total deferred inflows of resources	<u>1,078,338</u>	<u>414,151</u>	<u>1,492,489</u>
NET POSITION			
Net investment in capital assets	37,859,539	3,682,494	41,542,033
Unrestricted	3,612,510	5,474,769	9,087,279
Total net position	<u>\$ 41,472,049</u>	<u>\$ 9,157,263</u>	<u>\$ 50,629,312</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, 2021

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
OPERATING REVENUES			
Charges for services	\$ 5,509,363	\$ 10,574,023	\$ 16,083,386
Late payment fees	-	123,021	123,021
Connection fees	56,200	8,712	64,912
Other operating revenue	543,443	23,785	567,228
Total operating revenues	<u>6,109,006</u>	<u>10,729,541</u>	<u>16,838,547</u>
OPERATING EXPENSES			
Administration	772,541	953,192	1,725,733
Operations	768,894	1,410,754	2,179,648
Water plant	796,143	-	796,143
Waste treatment	1,133,892	-	1,133,892
Pump station and storage	711,652	-	711,652
Electric power	-	4,656,732	4,656,732
Depreciation	1,390,108	315,599	1,705,707
Total operating expenses	<u>5,573,230</u>	<u>7,336,277</u>	<u>12,909,507</u>
Operating income	<u>535,776</u>	<u>3,393,264</u>	<u>3,929,040</u>
NONOPERATING REVENUE			
Interest income	2,634	1,797	4,431
Sale of capital assets	1,998	12,200	14,198
Capital contributions	319,521	-	319,521
Total nonoperating revenue	<u>324,153</u>	<u>13,997</u>	<u>338,150</u>
Income before transfers	<u>859,929</u>	<u>3,407,261</u>	<u>4,267,190</u>
TRANSFERS			
Transfer to the general fund	<u>-</u>	<u>(3,216,490)</u>	<u>(3,216,490)</u>
Change in net position	859,929	190,771	1,050,700
Net position, beginning of year	<u>40,612,120</u>	<u>8,966,492</u>	<u>49,578,612</u>
Net position, end of year	<u>\$ 41,472,049</u>	<u>\$ 9,157,263</u>	<u>\$ 50,629,312</u>

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

PROPRIETARY FUNDS
Statements of Cash Flows
For the year ended June 30, 2021

	Major Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 6,162,093	\$ 10,624,313	\$ 16,786,406
Cash paid for goods and services	(2,249,146)	(832,809)	(3,081,955)
Cash paid to employees	(2,121,382)	(6,218,029)	(8,339,411)
Net cash provided by operating activities	<u>1,791,565</u>	<u>3,573,475</u>	<u>5,365,040</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>-</u>	<u>(3,216,490)</u>	<u>(3,216,490)</u>
Cash flows from capital and related financing activities:			
Cash received from grants	319,521	-	319,521
Proceeds on sale of assets	1,998	12,200	14,198
Cash advance from the general fund	2,028	-	2,028
Acquisition and construction of capital assets	(1,816,155)	(309,015)	(2,125,170)
Principal retirement	(32,819)	-	(32,819)
Interest paid on long-term debt	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(1,525,427)</u>	<u>(296,815)</u>	<u>(1,822,242)</u>
Cash flows from investing activities:			
Payments on note receivable	34,988	-	34,988
Interest on investments	<u>2,634</u>	<u>1,796</u>	<u>4,430</u>
Net cash provided by investing activities	<u>37,622</u>	<u>1,796</u>	<u>39,418</u>
Net increase in cash and cash equivalents	303,760	61,966	365,726
Cash and cash equivalents, beginning of year	<u>6,297,885</u>	<u>5,531,392</u>	<u>11,829,277</u>
Cash and cash equivalents, end of year	<u>\$ 6,601,645</u>	<u>\$ 5,593,358</u>	<u>\$ 12,195,003</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	<u>\$ 535,776</u>	<u>\$ 3,393,264</u>	<u>\$ 3,929,040</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,390,108	315,599	1,705,707
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	48,650	(110,707)	(62,057)
(Increase) decrease in other prepaid items	(20,298)	(7,742)	(28,040)
(Increase) decrease in deferred outflows of resources for pensions	(65,141)	(24,129)	(89,270)
(Increase) decrease in deferred outflows of resources for OPEB	2,091	804	2,895
Increase (decrease) in accounts payable and accrued liabilities	(76,195)	1,198	(74,997)
Increase (decrease) in customer deposits	4,437	5,479	9,916
Increase (decrease) in compensated absences	(39,995)	(2,626)	(42,621)
Increase (decrease) in total OPEB liability	(274,222)	(105,412)	(379,634)
Increase (decrease) in net pension liability - LGERS	157,724	58,423	216,147
Increase (decrease) in deferred inflows of resources - pensions	8,686	3,217	11,903
Increase (decrease) in deferred inflows of resources - OPEB	<u>119,944</u>	<u>46,107</u>	<u>166,051</u>
Total adjustment	<u>1,255,789</u>	<u>180,211</u>	<u>1,436,000</u>
Net cash provided by operating activities	<u>\$ 1,791,565</u>	<u>\$ 3,573,475</u>	<u>\$ 5,365,040</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, 2021

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

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

A. Reporting Entity

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

Town of Forest City ABC Board

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and enterprise funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund. 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 Equity1. Deposits and Investments

All deposits of the Town 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	\$ 408,026
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Business-type Activities

Water and Sewer Fund:

Customer deposits	\$ 116,347
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Electric Fund:

Customer deposits	273,327
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Total Business-type Activities	\$ 389,674
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. 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 Accounts

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. Inventory and Prepaid Items

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

The inventories of the Town's general fund and those of the ABC Board consist of materials and supplies held for subsequent use and resale, respectively. 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.

7. Capital Assets

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

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

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

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

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

8. 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, other receivables, and pension and OPEB deferrals.

9. 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.

10. Compensated Absences

The Town's vacation policy provides that an employee can carry-over one-half of the vacation hours earned in any calendar year; vacation hours can be accumulated up to 240 hours per employee; vacation hours in excess of 240 at December 31, are converted to sick-leave hours for consideration at retirement. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded

as the leave is earned. The Town has assumed a first-in and first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

ABC Board employees may accumulate earned vacation and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2021 amounted to \$7,798. The current portion of accumulated vacation pay is not considered to be material.

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

11. 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.

12. Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

13. 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.

14. 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 County’s employer contributions are recognized when due and the County 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, 2021, the Town's deposits had a carrying amount of \$7,345,576 and a bank balance of \$7,569,000. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$3,600.

The carrying amount of the deposits of the ABC Board was \$314,827 and the bank balance was \$412,765. 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.

Reconciliation of cash and cash equivalents:

The components of cash and cash equivalents:		Reported in the financial statements as:	
Deposits in banks	\$ 7,345,576	Cash and cash equivalents	\$ 15,555,295
Petty cash on hand	3,600	Restricted cash	797,700
Investments	9,003,819		\$ 16,352,995
	<u>\$ 16,352,995</u>		

2. Investments: At June 30, 2021, 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	\$ 9,003,819	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 and AAAm-mf by Moody's Investors Service as of June 30, 2021.

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, 2021 are net of the following allowances for doubtful accounts:

Government Activities	
Taxes receivable	\$ 50,000
Business-type Activities	
Electric accounts receivable	\$ 5,000
Water and sewer accounts receivable	2,500
Total	\$ 7,500

4. Due From Other Governments

Due from other governments consisted of the following at June 30, 2021:

Due from Other Governments	
Local option sales tax	\$ 661,139
Utility franchise tax	279,843
ABC Distribution	91,224
Solid waste tax	1,381
Property taxes unremitted	41,047
Sales tax refund	187,472
Total	\$ 1,262,106

5. Industrial Development Loan Receivable

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

This loan was paid in full during the year ending June 30, 2021.

6. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2021 was as follows:

Governmental Activities	Beginning Balances	Increases	Decreases	Ending Balances
Non-Depreciable Capital Assets:				
Land	\$ 7,656,757	\$ -	\$ -	\$ 7,656,757
Construction in progress	959,869	50,431	-	1,010,300
Total non-depreciable capital assets	<u>8,616,626</u>	<u>50,431</u>	<u>-</u>	<u>8,667,057</u>
Depreciable Capital Assets:				
Buildings	15,850,941	25,230	-	15,876,171
Equipment	5,092,067	356,362	191,564	5,256,865
Infrastructure	1,239,876	83,011	-	1,322,887
Vehicles	4,346,648	1,222,669	150,388	5,418,929
Total depreciable capital assets	<u>26,529,532</u>	<u>1,687,272</u>	<u>341,952</u>	<u>27,874,852</u>
Less Accumulated Depreciation:				
Buildings	6,017,779	421,424	-	6,439,203
Equipment	3,517,014	265,494	191,564	3,590,944
Infrastructure	436,283	25,888	-	462,171
Vehicles	3,243,761	329,103	150,388	3,422,476
Total accumulated depreciation	<u>13,214,837</u>	<u>1,041,909</u>	<u>341,952</u>	<u>13,914,794</u>
Depreciable capital assets, net	<u>13,314,695</u>			<u>13,960,058</u>
Governmental capital assets, net	<u>\$21,931,321</u>			<u>\$22,627,115</u>

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

Governmental Activities:	
General government	\$ 86,494
Public safety	377,189
Transportation	125,296
Environmental protection	1,874
Culture and recreation	451,056
Total depreciation expense	<u>\$ 1,041,909</u>

Capital asset activity for business-type activities for the year ended June 30, 2021 was as follows:

<u>Business-type activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Water and Sewer:				
Non-Depreciable Capital Assets:				
Land	\$ 177,882	\$ -	\$ -	\$ 177,882
Construction in progress	1,083,472	232,741	-	1,316,213
Total non-depreciable capital assets	<u>1,261,354</u>	<u>232,741</u>	<u>-</u>	<u>1,494,095</u>
Depreciable Capital Assets:				
Equipment	5,714,411	1,251,080	-	6,965,491
Plant & water lines	61,195,204	332,334	12,516	61,515,022
Total depreciable capital assets	<u>66,909,615</u>	<u>1,583,414</u>	<u>12,516</u>	<u>68,480,513</u>
Less Accumulated Depreciation:				
Equipment	4,833,143	1,178,423	-	6,011,566
Plant & water lines	25,589,692	211,685	12,516	25,788,861
Total accumulated depreciation	<u>30,422,835</u>	<u>1,390,108</u>	<u>12,516</u>	<u>31,800,427</u>
Depreciable capital assets, net	<u>36,486,780</u>			<u>36,680,086</u>
Water and Sewer capital assets, net	<u>\$37,748,134</u>			<u>\$38,174,181</u>
Electric Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 115,715	\$ -	\$ -	\$ 115,715
Depreciable Capital Assets:				
Equipment	2,210,775	298,245	-	2,509,020
Plant & lines	11,862,466	10,770	82,369	11,790,867
Total depreciable capital assets	<u>14,073,241</u>	<u>309,015</u>	<u>82,369</u>	<u>14,299,887</u>
Less Accumulated Depreciation:				
Equipment	1,465,512	220,499	-	1,686,011
Plant & lines	9,034,367	95,099	82,369	9,047,097
Total accumulated depreciation	<u>10,499,879</u>	<u>315,598</u>	<u>82,369</u>	<u>10,733,108</u>
Depreciable capital assets, net	<u>3,573,362</u>			<u>3,566,779</u>
Electric Fund capital assets, net	<u>\$ 3,689,077</u>			<u>\$ 3,682,494</u>

Construction Commitments

The Town had no construction commitments at June 30, 2021.

Discretely Presented Component Unit

Capital asset activity for the Forest City ABC Board for the period ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Non-Depreciable Capital Assets:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Depreciable Capital Assets:				
Buildings	314,605	-	-	314,605
Furniture and equipment	171,553	11,417	18,628	164,342
Total depreciable capital assets	486,158	11,417	18,628	478,947
Less Accumulated Depreciation:				
Buildings	173,796	10,730	-	184,526
Furniture and equipment	119,732	6,724	18,628	107,828
Total accumulated depreciation	293,528	17,454	18,628	292,354
Depreciable capital assets, net	192,630			186,593
ABC capital assets, net	<u>\$ 242,630</u>			<u>\$ 236,593</u>

B. Liabilities1. Payables

Payables at the government-wide level at June 30, 2021 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General Fund	<u>\$ 346,192</u>	<u>\$ 291,634</u>	<u>\$ 637,826</u>
Business-type Activities:			
Water and Sewer Fund	\$ 60,986	\$ 70,275	\$ 131,261
Electric Fund	84,116	30,110	114,226
Total business-type activities	<u>\$ 145,102</u>	<u>\$ 100,385</u>	<u>\$ 245,487</u>

2. Pension Plan Obligationsa. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of

Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Forest City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Forest City's contractually required contribution rate for the year ended June 30, 2021, was 10.9% of compensation for law enforcement officers and 10.15% 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 \$680,184 for the year ended June 30, 2021.

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, 2021, the Town reported a liability of \$3,521,254 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020, the Town's proportion was 0.09854%, which was a decrease of 0.00378% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$1,153,280. At June 30, 2021, 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	\$ 444,673	\$ -
Changes of assumptions	262,050	-
Net difference between projected and actual earnings on pension plan investments	495,523	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	120,575
Town contributions subsequent to the measurement date	680,184	-
Total	<u>\$ 1,882,430</u>	<u>\$ 120,575</u>

\$680,184 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 291,443
2023	411,062
2024	232,516
2025	146,650
Thereafter	-
	<u>\$ 1,081,671</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 7,144,241	\$ 3,521,254	\$ 510,297

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, 2019 (valuation date), the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>29</u>
Total	<u><u>31</u></u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 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	1.93 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, 2019.

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

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

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. The Town paid \$27,980 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, 2021, the Town reported a total pension liability of \$1,432,572. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$116,767.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,641	\$ 43,952
Changes of assumptions and other inputs	383,550	29,344
Town benefit payments and plan administrative expense made subsequent to the measurement date	27,616	-
Total	<u>\$ 445,807</u>	<u>\$ 73,296</u>

\$27,616 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2022	\$	62,620
2023		63,904
2024		61,725
2025		53,691
2026		58,966
Thereafter		43,989
	\$	<u>344,895</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	(0.93%)	(1.93%)	(2.93%)
Total pension liability	\$ 1,569,466	\$ 1,432,572	\$ 1,307,973

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2019	\$ 1,043,440
Changes for the year:	
Service cost at end of year	47,697
Interest	33,202
Change in benefit terms	-
Difference between expected and actual experience	(32,558)
Changes of assumptions and other inputs	390,767
Benefit payments	(49,976)
Other	-
Net changes	<u>389,132</u>
Total pension liability as of December 31, 2020	<u>\$ 1,432,572</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 \$80,173 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 \$97,050. No amounts were forfeited.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Proportionate share of net pension liability	\$ 3,521,254	N/A	\$ 3,521,254
Proportion of the net pension liability	0.09854%	N/A	N/A
Total pension liability	N/A	\$ 1,432,572	1,432,572
Pension expense	1,153,280	116,767	1,270,047

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 444,673	\$ 34,641	\$ 479,314
Changes of assumptions	262,050	383,550	645,600
Net difference between projected and actual earnings on pension plan investments	495,523	-	495,523
Town contributions (LGERS) and benefit payments (LEOSSA) made subsequent to the measurement date	<u>680,184</u>	<u>27,616</u>	<u>707,800</u>
Total	<u>\$ 1,882,430</u>	<u>\$ 445,807</u>	<u>\$ 2,328,237</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 43,952	\$ 43,952
Changes of assumptions	-	29,344	29,344
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>120,575</u>	<u>-</u>	<u>120,575</u>
Total	<u>\$ 120,575</u>	<u>\$ 73,296</u>	<u>\$ 193,871</u>

3. Post-Employment Healthcare Benefits

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

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

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

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

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

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

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Town contributed 6.72% of covered payroll which amounted to \$447,648.

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

At June 30, 2021, Town reported a liability of \$10,737,851 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 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, 2021, the Town's proportion was 0.03871% (as measured at June 30, 2020), an increase of .00080% from the prior year (as measured at June 30, 2019).

For the year ended June 30, 2021, the Town recognized OPEB benefit of \$66,518. At June 30, 2021, 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	\$ 9,728	\$ 420,078
Changes of assumptions and other inputs	470,916	4,357,589
Net difference between projected and actual earnings on OPEB plan investments	22,620	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	797,640	48,837
Town benefit payments and plan administrative expense made subsequent to the measurement date	447,648	-
Total	<u>\$ 1,748,552</u>	<u>\$ 4,826,504</u>

\$447,648 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2022	\$ (1,288,160)
2023	(1,286,981)
2024	(531,516)
2025	(115,521)
2026	(303,422)
Thereafter	-
	<u>\$ (3,525,600)</u>

Actuarial Assumptions. Actuarial assumptions for the June, 30, 2020 measurement were as follows

Inflation	3.00%
Salary increases	5.5% grading down to 3.5%
Investment rate of return	7.20%, net of OPEB plan investment expense, including inflation
Health care cost trends:	medical 6.5% decreasing to 5.0% by 2024 prescription drug 9.50% decreasing to 5.0% by 2028 administrative 3.00%

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

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

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

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

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

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 2.21%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Current (2.21%)	1% Increase (3.21%)
Net OPEB Liability	\$ 12,734,412	\$ 10,737,851	\$ 9,129,288

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

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

	Current Trend Rates (6.5% Medical, 7.5% Prescription, 3.0% Administration)		
	1% Decrease	3.0% Administration	1% Increase
Net OPEB Liability	\$8,656,649	\$ 10,737,851	\$13,519,657

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

4. Other Employment Benefits

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

5. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Governmental Deferred Inflows of Resources	Net Position Deferred Inflows of Resources
Contributions to pension plan in the current fiscal year	\$ 680,184	\$ -	\$ -
Benefit payments made and admin expenses for LEOSSA	27,616	-	-
Benefit payments made and admin expenses for OPEB	447,648	-	-
Pension and OPEB deferrals	2,921,341	-	5,020,375
Prepaid taxes	-	6,000	6,000
Taxes receivable, net (General Fund)	-	51,631	-
Other receivables (General Fund)	-	9,190	-
Total	<u>\$ 4,076,789</u>	<u>\$ 66,821</u>	<u>\$ 5,026,375</u>

6. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town secures insurance coverage for these risks from several commercial insurance companies. The Town's insurance coverage includes: (1) general liability, \$13 million; (2) fire coverage on buildings at estimated replacement costs and up to \$5 million for flood and earthquake; (3) errors and omissions liability, \$13 million; (4) auto liability, \$13 million and (5) public officials liability, \$13 million. Various deductibles apply to coverage amounts. In addition, the Town secures workers' compensation coverage up to the statutory limits and an employer'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 \$100,000. The remaining employees that have access to funds are bonded under a blanket employee dishonesty bond for \$25,000.

7. Long-Term ObligationsInstallment Purchases

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

Direct Placement Installment Notes Payable

\$2,500,000; direct placement installment note issued February 15, 2008; collateral is the Municipal Baseball Facility as partially funded by proceeds; 3.66% annual rate, reduced to 2.43% effective February 21, 2013; \$13,899 due monthly plus interest through February 2023. \$ 277,778

\$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. 910,398

Total installment notes payable - governmental activities \$ 1,188,176

Annual debt service for governmental activities are as follows:

Year Ending	Governmental Activities	
	Principal	Interest
June 30		
2022	\$ 258,434	\$ 25,751
2023	205,096	19,636
2024	96,256	16,269
2025	98,581	13,943
2026	100,963	11,561
2027-2030	428,846	21,792
Total	\$ 1,188,176	\$ 108,952

Direct Placement Revolving Loan:

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

\$ 314,642

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

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2022	\$ 24,203	\$ -	\$ 24,203
2023	24,203	-	24,203
2024	24,203	-	24,203
2025	24,203	-	24,203
2026	24,203	-	24,203
2027-2031	121,015	-	121,015
2032-2034	72,612	-	72,612
Total	<u>\$ 314,642</u>	<u>\$ -</u>	<u>\$ 314,642</u>

At June 30, 2021, the Town had a legal debt margin of approximately \$144,000,000.

Changes in Long-Term Liabilities

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

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021	Portion of Balance
<u>Governmental Activities:</u>					
Direct placement					
installment notes	\$ 1,444,445	-	256,269	1,188,176	258,434
Net OPEB liability	8,375,432	-	878,264	7,497,168	-
Total pension liability - LEOSSA	1,043,440	389,132	-	1,432,572	-
Net pension liability - LGERS	1,963,472	510,829	-	2,474,301	-
Compensated absences	501,894	480,364	539,098	443,160	200,000
Total	<u>\$ 13,328,683</u>	<u>\$ 1,380,325</u>	<u>\$ 1,673,631</u>	<u>\$ 13,035,377</u>	<u>\$ 458,434</u>
<u>Business-type Activities:</u>					
Direct placement revolving loan	\$ 338,845	\$ -	\$ 24,203	\$ 314,642	\$ 24,203
Direct placement					
installment note	8,616	-	8,616	-	-
Net pension liability - LGERS	830,806	216,147	-	1,046,953	-
Net OPEB liability	3,620,317	-	379,634	3,240,683	-
Compensated absences	201,321	198,065	240,686	158,700	80,000
Total	<u>\$ 4,999,905</u>	<u>\$ 414,212</u>	<u>\$ 653,139</u>	<u>\$ 4,760,978</u>	<u>\$ 104,203</u>

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

8. Interfund Balances and Activity:

Transfer between funds at June 30, 2021 consisted of:

	<u>Purpose</u>	<u>Amount</u>
To the General Fund from the Electric Fund	to support operations	\$ 1,204,673
To the Parks & Recreation Fund from the Electric Fund	to support operations	2,011,817
		<u>\$ 3,216,490</u>

A balance of \$6,686 is due from the Everest Textile Capital Project Fund to the general fund, for reimbursement of expenditures.

9. Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2021 is calculated as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$ 22,627,115	\$ 41,856,675
Less: Long-term debt	(1,188,176)	(314,642)
Net investment in capital assets	<u>\$ 21,438,939</u>	<u>\$ 41,542,033</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	\$ 4,978,564
<u>Less:</u>	
Non-spendable - prepaid	(65,311)
Non-spendable - inventory	(20,064)
Stabilization by State statute	<u>(1,379,023)</u>
Available Fund Balance	<u>\$ 3,514,166</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, 2021.

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

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, 2021. 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 61% of the Town's tax base for the 2020 tax year. Taxes collected from this taxpayer amounted to \$3,089,087 for the fiscal year ended June 30, 2021. Also, economic development incentive payments were made to this taxpayer in the amount of \$3,089,087 during the fiscal year ended June 30, 2021. Economic development incentive payments equal to 100% of the property taxes paid will continue to be made to this taxpayer until the year 2033.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

TOWN OF FOREST CITY, NORTH CAROLINA

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

Retiree Health Benefit Fund

	2021	2020	2019	2018	2017
Town's proportionate share of the net OPEB liability (asset) (%)	0.03871%	0.03791%	0.03679%	0.03698%	0.00000%
Town's proportion of the net OPEB liability (asset) (\$)	\$ 10,737,851	\$ 11,995,749	\$ 10,480,910	\$ 12,123,671	\$ 15,328,314
Town's covered payroll	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	166.75%	190.07%	190.70%	207.43%	277.50%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	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 FIVE FISCAL YEARS**

Retiree Health Benefit Fund

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 447,648	\$ 419,399	\$ 395,715	\$ 359,732	\$ 339,230
Contribution in relation to the contractually required contribution	<u>447,648</u>	<u>419,399</u>	<u>395,715</u>	<u>359,732</u>	<u>339,230</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 6,663,745	\$ 6,439,430	\$ 6,311,245	\$ 5,945,988	\$ 5,844,823
Contributions as a percentage of covered payroll	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 EIGHT FISCAL YEARS ***

Local Governmental Employees' Retirement System

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

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

TOWN OF FOREST CITY, NORTH CAROLINA

SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS

Local Governmental Employees' Retirement System

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

TOWN OF FOREST CITY, NORTH CAROLINA

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

Schedule of Changes in Total Pension Liability

	2021	2020	2019	2018	2017
Beginning balance	\$ 1,043,440	\$ 930,199	\$ 941,539	\$ 791,272	\$ 780,051
Changes for the year:					
Service cost at end of year	47,697	45,553	49,500	41,451	45,100
Interest	33,202	33,350	29,459	30,112	27,169
Change in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(32,558)	26,344	(29,078)	39,985	-
Changes of assumptions and other inputs	390,767	35,974	(42,620)	61,065	(23,041)
Benefit payments	(49,976)	(27,980)	(18,601)	(22,346)	(38,007)
Other	-	-	-	-	-
Net changes	<u>389,132</u>	<u>113,241</u>	<u>(11,340)</u>	<u>150,267</u>	<u>11,221</u>
Ending balance of the total pension liability	<u>\$ 1,432,572</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	\$ 1,432,572	\$ 1,043,440	\$ 930,199	\$ 941,539	\$ 791,272
Covered payroll	1,567,246	1,627,185	1,569,246	1,533,432	1,569,111
Total pension liability as a percentage of covered payroll	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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad Valorem Taxes:			
Taxes		\$ 5,099,376	
Penalties and interest		27,893	
Total	<u>\$ 5,064,685</u>	<u>5,127,269</u>	<u>\$ 62,584</u>
Other Taxes and Licenses:			
Local option sales tax		1,963,536	
ABC privilege licenses		945	
Fire district tax		9,960	
Vehicle rental tax		25,118	
Total	<u>1,457,865</u>	<u>1,999,559</u>	<u>541,694</u>
Unrestricted Intergovernmental Revenues:			
Utility sales tax		778,393	
Telecommunications sales tax		63,828	
Piped natural gas tax		28,632	
Video programming tax		32,813	
Court costs and fees		2,097	
Beer and wine tax		31,086	
Hold harmless revenue		558,441	
Policing subsidies and fees		32,875	
ABC profit distributions		270,775	
Payments-in-lieu		17,719	
Total	<u>1,559,592</u>	<u>1,816,659</u>	<u>257,067</u>
Restricted Intergovernmental Revenues:			
Powell Bill allocation		219,827	
Unauthorized substance tax		16,217	
Police grant - vests		2,037	
CARES Act		288,914	
ABC allocations		49,421	
State Fire Fund		5,799	
Solid waste disposal		5,571	
Culture and recreation grants		353,000	
Total	<u>360,500</u>	<u>940,786</u>	<u>237,398</u>
Permits and fees:			
Building permits		128,027	
Code enforcement fees		30,904	
Total	<u>107,000</u>	<u>158,931</u>	<u>51,931</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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and Services:			
Recreation department		264,134	
Waste collection fees		1,303,297	
Cemetery lots		13,095	
Fire protection fees		5,028	
Other sales and services		23,197	
Total	<u>1,556,700</u>	<u>1,608,751</u>	<u>52,051</u>
Investment Earnings	<u>19,000</u>	<u>1,447</u>	<u>(17,553)</u>
Miscellaneous:			
Rents		90,780	
Other		151,682	
Total	<u>112,339</u>	<u>242,462</u>	<u>130,123</u>
Total revenues	<u>10,237,681</u>	<u>11,895,864</u>	<u>1,315,295</u>
Expenditures:			
General Government:			
Governing board:			
Salaries and employee benefits		53,688	
Operating expenditures		61,071	
Total	<u>133,773</u>	<u>114,759</u>	<u>19,014</u>
Administration:			
Salaries and employee benefits		511,665	
Operating expenses		264,261	
Capital outlay		79,756	
Economic development incentive		3,089,087	
Total	<u>4,184,617</u>	<u>3,944,769</u>	<u>239,848</u>
Finance and Legal:			
Salaries and employee benefits		328,445	
Operating expenditures		78,190	
Total	<u>524,671</u>	<u>406,635</u>	<u>118,036</u>
Planning and Zoning:			
Salaries and employee benefits		362,350	
Operating expenditures		70,575	
Total	<u>528,576</u>	<u>432,925</u>	<u>95,651</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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Clubhouse:			
Salaries and employee benefits		2,053	
Operating expenditures		<u>17,278</u>	
Total	<u>49,170</u>	<u>19,331</u>	<u>29,839</u>
Downtown Activities:			
Salaries and employee benefits		158,387	
Operating expenditures		<u>189,714</u>	
Total	<u>505,964</u>	<u>348,101</u>	<u>157,863</u>
Administrative expense reimbursement	<u>(672,957)</u>	<u>(672,957)</u>	<u>-</u>
Total general government	<u>5,253,814</u>	<u>4,593,563</u>	<u>660,251</u>
Public Safety:			
Police department:			
Salaries and employee benefits		2,536,528	
Operating expenditures		387,720	
Capital outlay		<u>382,938</u>	
Total	<u>3,407,658</u>	<u>3,307,186</u>	<u>100,472</u>
Fire department:			
Salaries and employee benefits		1,184,783	
Operating expenditures		253,031	
Capital outlay		<u>1,016,704</u>	
Total	<u>2,564,717</u>	<u>2,454,518</u>	<u>110,199</u>
Total public safety	<u>5,972,375</u>	<u>5,761,704</u>	<u>210,671</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits		840,399	
Operating expenditures		638,434	
Capital outlay		<u>205,219</u>	
Total	<u>1,807,059</u>	<u>1,684,052</u>	<u>123,007</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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Warehouse and garage			
Salaries and employee benefits		300,390	
Operating expenditures		<u>159,706</u>	
Total	<u>491,349</u>	<u>460,096</u>	<u>31,253</u>
Administrative expense reimbursement	<u>(328,028)</u>	<u>(328,028)</u>	<u>-</u>
Total transportation	<u>1,970,380</u>	<u>1,816,120</u>	<u>154,260</u>
Environmental Protection:			
Sanitation:			
Contracted services		1,338,228	
Operating expenditures		<u>17,660</u>	
Total	<u>1,401,381</u>	<u>1,355,888</u>	<u>45,493</u>
Cemetery:			
Operating expenditures		3,081	
Capital outlay		<u>8,697</u>	
Total	<u>32,550</u>	<u>11,778</u>	<u>20,772</u>
Total environmental protection	<u>1,433,931</u>	<u>1,367,666</u>	<u>66,265</u>
Cultural and Recreation:			
Parks and recreation:			
Salaries and employee benefits		990,572	
Other operating expenditures		509,873	
Capital outlay		<u>89,229</u>	
Total	<u>1,917,910</u>	<u>1,589,674</u>	<u>328,236</u>
Library:			
Salaries and employee benefits		113,418	
Other operating expenditures		<u>46,790</u>	
Total	<u>177,868</u>	<u>160,208</u>	<u>17,660</u>
Total cultural and recreation	<u>2,095,778</u>	<u>1,749,882</u>	<u>345,896</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, 2021

	<u>Final Budget</u>	<u>Actual</u>	Variance <u>Positive (Negative)</u>
Debt Service:			
Principal retirement		256,269	
Interest and fees		<u>31,824</u>	
Total	<u>288,136</u>	<u>288,093</u>	<u>43</u>
 Total expenditures	 <u>17,014,414</u>	 <u>15,577,028</u>	 <u>1,437,386</u>
 Revenues under expenditures	 <u>(6,776,733)</u>	 <u>(3,681,164)</u>	 <u>3,095,569</u>
 Other Financing Sources:			
Appropriated fund balance	3,560,243	-	(3,560,243)
Sale of capital assets	-	38,323	38,323
Transfer from Water and Sewer Fund	<u>3,216,490</u>	<u>3,216,490</u>	<u>-</u>
Total other financing sources	<u>6,776,733</u>	<u>3,254,813</u>	<u>(3,521,920)</u>
 Net change in fund balance	 <u><u>\$ -</u></u>	 <u>(426,351)</u>	 <u><u>\$ (426,351)</u></u>
 Fund balance, beginning of year		 <u>5,404,915</u>	
 Fund balance, end of year		 <u><u>\$ 4,978,564</u></u>	

TOWN OF FOREST CITY, NORTH CAROLINA

WATER AND SEWER FUND

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

For the year ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 3,370,000	\$ 3,605,946	\$ 235,946
Sewer charges	1,676,000	1,903,417	227,417
Tap and connection fees	38,000	56,200	18,200
Other	66,600	543,443	476,843
Total operating revenues	<u>5,150,600</u>	<u>6,109,006</u>	<u>958,406</u>
Non-operating revenues:			
Interest earnings	<u>65,714</u>	<u>2,634</u>	<u>(63,080)</u>
Total non-operating income	<u>65,714</u>	<u>2,634</u>	<u>(63,080)</u>
Total revenues	<u>5,216,314</u>	<u>6,111,640</u>	<u>895,326</u>
Expenditures:			
Administration:			
Salaries and employee benefits		305,631	
Operating expenditures		<u>484,981</u>	
Total administration	<u>859,044</u>	<u>790,612</u>	<u>68,432</u>
Water Operations:			
Salaries and employee benefits		439,961	
Operating expenditures		302,815	
Capital outlay		<u>535,529</u>	
Total water operations	<u>1,729,218</u>	<u>1,278,305</u>	<u>450,913</u>
Water Plant:			
Salaries and employee benefits		448,531	
Operating expenditures		361,981	
Capital outlay		<u>118,536</u>	
Total water plant	<u>933,216</u>	<u>929,048</u>	<u>4,168</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, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Sewer Operations:			
Salaries and employee benefits		197,914	
Operating expenditures		98,387	
Capital outlay		<u>678,490</u>	
Total sewer operations	<u>1,093,755</u>	<u>974,791</u>	<u>118,964</u>
Waste Treatment Plants:			
Salaries and employee benefits		468,702	
Operating expenditures		386,864	
Capital outlay		<u>66,860</u>	
Total water treatment plants	<u>1,150,697</u>	<u>922,426</u>	<u>228,271</u>
Pump Station and Storage:			
Salaries and employee benefits		251,364	
Operating expenditures		396,918	
Capital outlay		<u>313,985</u>	
Total pump station and storage	<u>1,878,824</u>	<u>962,267</u>	<u>916,557</u>
Debt service:			
Principal		32,819	
Interest		<u>-</u>	
	<u>211,530</u>	<u>32,819</u>	<u>178,711</u>
Total expenditures	<u>7,856,284</u>	<u>5,890,268</u>	<u>1,966,016</u>
Revenues over (under) expenditures	<u>(2,639,970)</u>	<u>221,372</u>	<u>2,861,342</u>
Other Financing Sources:			
Installment obligations issued	946,375	-	(946,375)
Sale of capital assets	-	1,998	1,998
Appropriated fund balance	<u>1,693,595</u>	<u>-</u>	<u>(1,693,595)</u>
Total other financing sources	<u>2,639,970</u>	<u>1,998</u>	<u>(2,637,972)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>223,370</u>	<u>\$ 223,370</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, 2021

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement of debt		32,819	
Capital outlay		1,583,414	
Revenues over expenditures of the capital project fund		86,780	
Capital outlay of the capital project fund		232,741	
Increase in deferred outflows of resources - LGERS		65,141	
Increase in net pension liability - LGERS		(157,724)	
Increase in deferred inflows of resources - LGERS		(8,686)	
Decrease in deferred outflows of resources - OPEB		(2,091)	
Decrease in net OPEB liability		274,222	
Increase in deferred inflows of resources - OPEB		(119,944)	
Decrease in compensated absences		39,995	
Depreciation		(1,390,108)	
Total reconciling items		636,559	
Change in net position		\$ 859,929	

TOWN OF FOREST CITY, NORTH CAROLINA

WATER & SEWER CAPITAL PROJECT FUND

EVEREST TEXTILE PROJECT

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

From inception and for the year ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>
Revenues:				
Community Development Block Grant	\$ 1,500,000	\$ 990,005	\$ 319,521	\$ 1,309,526
Expenditures:				
Water Improvements	122,400	-	-	-
Sewer Improvements	1,319,600	1,058,719	232,741	1,291,460
Planning	5,000	-	-	-
Administration	30,000	24,752	-	24,752
Contingency	<u>23,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,500,000</u>	<u>1,083,471</u>	<u>232,741</u>	<u>1,316,212</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (93,466)</u>	<u>\$ 86,780</u>	<u>\$ (6,686)</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, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Electricity Sales	\$ 11,450,000	\$ 10,574,023	\$ (875,977)
Late payment penalties	235,000	123,021	(111,979)
Connection fees	16,000	8,712	(7,288)
Other operating revenue	15,000	23,785	8,785
Total operating revenues	<u>11,716,000</u>	<u>10,729,541</u>	<u>(986,459)</u>
Non-operating revenues:			
Interest earnings	<u>30,000</u>	<u>1,796</u>	<u>(28,204)</u>
Total revenues	<u>11,746,000</u>	<u>10,731,337</u>	<u>(1,014,663)</u>
Expenditures:			
Administration:			
Salaries and employee benefits		201,726	
Operating expenditures		<u>767,979</u>	
Total administration	<u>981,442</u>	<u>969,705</u>	<u>11,737</u>
Operations:			
Salaries and employee benefits		632,280	
Operating expenditures		466,161	
Repairs and maintenance		319,415	
Capital outlay		<u>309,015</u>	
Total operations	<u>2,060,853</u>	<u>1,726,871</u>	<u>333,982</u>
Electric power purchased:	<u>6,500,000</u>	<u>4,656,732</u>	<u>1,843,268</u>
Total expenditures	<u>9,542,295</u>	<u>7,353,308</u>	<u>2,188,987</u>
Revenues over expenditures	<u>2,203,705</u>	<u>3,378,029</u>	<u>1,174,324</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, 2021

	Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses):			
Transfer to General Fund	(3,216,490)	(3,216,490)	-
Proceeds from sale of capital assets	-	12,200	12,200
Appropriated fund balance	1,012,785	-	(1,012,785)
Total other financing sources (uses)	(2,203,705)	(3,204,290)	(1,000,585)
Revenues and other sources over expenditures and other uses	\$ -	173,739	\$ 173,739
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		309,015	
Increase in deferred outflows of resources - LGERS		24,129	
Increase in net pension liability - LGERS		(58,423)	
Increase in deferred inflows of resources - LGERS		(3,217)	
Decrease in deferred outflows of resources - OPEB		(804)	
Decrease in net OPEB liability		105,412	
Increase in deferred inflows of resources - OPEB		(46,107)	
Decrease in compensated absences		2,626	
Depreciation		(315,599)	
Total reconciling items		17,032	
Change in net position		\$ 190,771	

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, 2021

	Actual			
	Project	Prior	Current	Total
	Authorization	Years	Year	
Other Financing Sources:				
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	<u>\$ -</u>	<u>\$ 1,142,275</u>	<u>-</u>	<u>\$ 1,142,275</u>

OTHER SCHEDULES

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND

Schedule of Ad Valorem Taxes Receivable

For the year ended June 30, 2021

Fiscal Year	Uncollected Balance 6/30/2020	Additions	Collections And Credits	Uncollected Balance 6/30/2021
2020-2021	\$ -	\$ 5,064,935	\$ 5,035,940	\$ 28,995
2019-2020	51,693	-	33,880	17,813
2018-2019	17,234	-	8,970	8,264
2017-2018	16,386	-	7,407	8,979
2016-2017	13,319	-	5,206	8,113
2015-2016	19,413	-	5,919	13,494
2014-2015	7,418	-	4,446	2,972
2013-2014	14,551	-	10,321	4,230
2012-2013	10,148	-	6,074	4,074
2011-2012	9,947	-	5,250	4,697
2010-2011	8,499	-	8,499	-
	<u>\$ 168,608</u>	<u>\$ 5,064,935</u>	<u>\$ 5,131,912</u>	<u>101,631</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>(50,000)</u>
Ad valorem taxes receivable, net				<u>\$ 51,631</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 5,127,269
Reconciling items:				
Interest and penalties collected				(27,893)
Taxes written off and credits				8,499
Adjustments and releases				<u>24,037</u>
Total collections and credits				<u>\$ 5,131,912</u>

TOWN OF FOREST CITY, NORTH CAROLINA

GENERAL FUND
Analysis of Current Tax Levy
For the year ended June 30, 2021

			Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,823,130,714	0.280	\$ 5,104,766	\$ 4,960,010	\$ 144,756
Discoveries	4,607,143	0.280	12,900	12,900	-
Abatements	<u>(18,832,500)</u>	0.280	<u>(52,731)</u>	<u>(52,731)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,808,905,357</u></u>				
Net levy			5,064,935	4,920,179	144,756
Uncollected taxes at June 30, 2021			<u>(28,995)</u>	<u>(28,995)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 5,035,940</u></u>	<u><u>\$ 4,891,184</u></u>	<u><u>\$ 144,756</u></u>
Current levy collection percentage			99.43%	99.41%	100.00%

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Forest City, North Carolina, as of and for the year ended June 30, 2021, which collectively comprise the Town of Forest City's basic financial statements, and have issued our report thereon dated November 26, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of the Report

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

Donald Killian CPA Group, P.A.

Asheville, North Carolina
November 26, 2021



Report On Compliance With Requirements Applicable to Each Major Federal Program And 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

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 the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Town of Forest City, North Carolina's major federal program for the year ended June 30, 2021. The Town of Forest City, North Carolina's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Forest City, North Carolina's major federal program based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Forest City, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Town of Forest City, North Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Forest City, North Carolina 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, 2021.

Report on Internal Control over Compliance

Management of the Town of Forest City, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Forest City, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Forest City, North Carolina's 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 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 a 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 the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, significant deficiencies or material weaknesses may exist that were not identified. We did not identify any deficiency in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

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 26, 2021



GOULD KILLIAN
CPA GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**Report On Compliance With Requirements Applicable to Each Major State
Program And 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 State Program

We have audited the Town of Forest City, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Town of Forest City, North Carolina's major federal program for the year ended June 30, 2021. The Town of Forest City, North Carolina's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Forest City, North Carolina's major state programs based on our audit of the types of compliance requirements referred to above. 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; applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Forest City, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Forest City, North Carolina's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Forest City, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Town of Forest City, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Forest City, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Forest City, North Carolina's 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 state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 state 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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 the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, significant deficiencies or material weaknesses may exist that were not identified. We did not identify any deficiency in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

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 26, 2021

Town of Forest City, North Carolina

Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
Federal Awards:				
<u>U.S. Department of Treasury</u>				
Passed-through the Office of State Budget and Management:				
NC Pandemic Recovery Office				
Coronavirus Relief Fund	21.019	02-79-004	\$ 288,914	\$ -
<u>U.S. Department of Homeland Security</u>				
Passed-through N.C. Dept. of Public Safety				
Division of Emergency Management				
Disaster Grants - Public Assistance				
(Presidentially Declared Disasters)	97.036	FEMA-4543-DR	335,728	111,909
Disaster Grant - Public Assistance - COVID-19	97.036	FEMA-4487-DR	17,992	-
			<u>353,720</u>	<u>111,909</u>
<u>U.S. Department of Housing and Urban Development (HUD)</u>				
Passed-through NC Department of Environmental Quality				
Division of Water Infrastructure				
CDBG - Everest Sewer Project	14.228	15-E-2789	<u>319,521</u>	<u>-</u>
Total federal awards			<u>\$ 962,155</u>	<u>\$ 111,909</u>
State Awards:				
<u>N.C. Dept. of Transportation (NCDOT)</u>				
Powell Bill Funds		DOT - 4	-	192,991
<u>NC Dept. of Natural and Cultural Resources</u>				
Division of Parks and Recreation				
Parks and Recreation Trust Fund		2018-859	<u>-</u>	<u>350,000</u>
Total State awards			<u>-</u>	<u>542,991</u>
Total federal and State awards			<u>\$ 962,155</u>	<u>\$ 654,900</u>

Town of Forest City, North Carolina

Schedule of Expenditures of Federal and State Awards For the year ended June 30, 2021

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

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of Town of Forest City under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. 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 Town of Forest City, it is not intended to and does not present the financial position, changes in net position or cash flows of Town of Forest City.

Note 2: 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.

Note 3: Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

TOWN OF FOREST CITY, NORTH CAROLINA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted _____yes X no

Federal Awards

Internal control over major federal programs:

- 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 CFR 200.516(a)? _____yes X no

The following were audited as major federal programs for the fiscal year ended June 30, 2021:

<u>Program Name</u>	<u>CFDA #</u>
Disaster Grants – Public Assistance	97.036
Coronavirus Relief Fund	21.019

The threshold for distinguishing between Type A and Type B 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, 2021

State Awards

Internal control over major State programs:

- 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 state program: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? yes X no

Identification of major State programs:

Program Name

Parks and Recreation Trust Fund

II. Financial Statement Findings

None reported.

III. Federal and State 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, 2021**

No findings reported for the fiscal year ending June 30, 2020.