

**TOWN OF FOUR OAKS,
NORTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

MAYOR

Vic Medlin

COMMISSIONERS

Tony Capps

Mike Hines

Carles Surles

Kim Robertson

Michael Bradley

FINANCE OFFICER

Rachel Raynor

TOWN CLERK

Rhonda Lee

**Town of Four Oaks
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June 30, 2024**

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FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Mayor
and Members of the Board of Commissioners
Four Oaks, North Carolina

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Four Oaks, North Carolina as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Town of Four Oaks' basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Four Oaks as of June 30, 2024, and the respective changes in financial position, and cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Audit of 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management, 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 the 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2025, on our consideration of the Town of Four Oaks' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 effectiveness of Town of Four Oaks' 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 Town of Four Oaks' internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

January 7, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Four Oaks (the "Town"), we offer readers of the Town of Four Oaks' financial statements this narrative overview and analysis of the financial activities of the Town of Four Oaks for the fiscal year ended June 30, 2024. 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

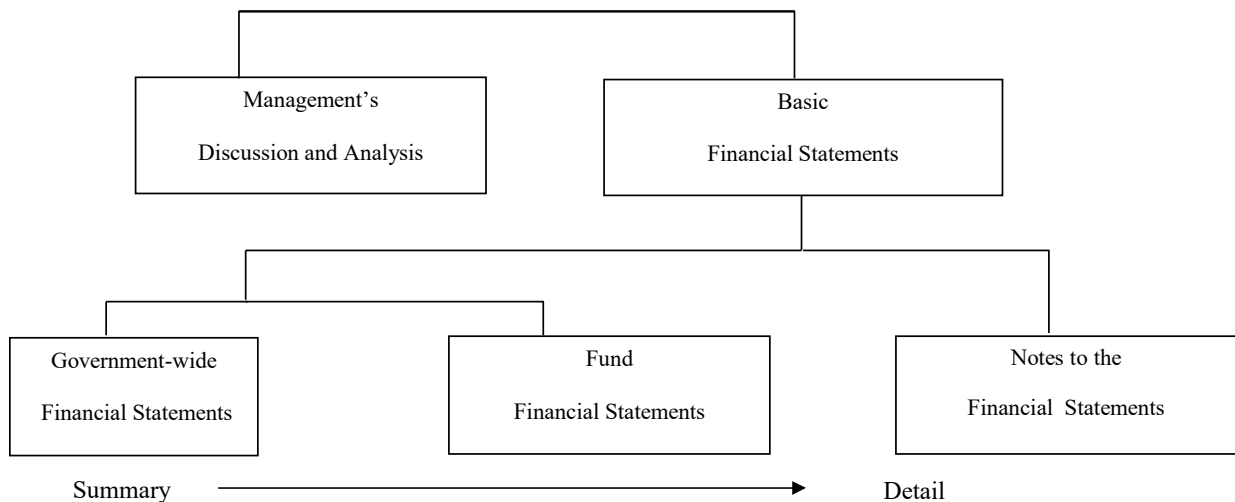
- The assets and deferred outflows of resources of the Town of Four Oaks exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,956,732 (net position).
- The government's total net position increased from the prior year by \$1,629,881.
- As of the close of the current fiscal year, the Town of Four Oaks' governmental funds reported an ending fund balance of \$2,610,889 with a net change of \$404,549 in fund balance. Approximately 42% of this total amount, or \$1,096,450, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,496,983, or 50% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Four Oaks' 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 Four Oaks.

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 statements for major governmental funds; 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 additional details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes can also 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 two categories: 1) governmental activities; and 2) business-type activities. 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 services offered by the Town of Four Oaks.

The government-wide financial statements are on 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 Four Oaks, 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 North Carolina General Statutes or the Town's budget ordinance. All of the funds of the Town of Four Oaks can be divided into two categories: governmental funds and proprietary fund.

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All 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 Four Oaks 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 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 Fund

Town of Four Oaks has one kind of proprietary fund. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Four Oaks uses an enterprise fund to account for its water fund activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 9 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Four Oaks' progress in funding its obligation to provide pension 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. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

**Town of Four Oaks' Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 3,656,306	\$ 3,399,823	\$ 2,207,860	\$ 1,277,740	\$ 5,864,166	\$ 4,677,563
Capital assets	2,070,500	1,700,038	4,078,158	4,153,403	6,148,658	5,853,441
Deferred outflows of resources	417,742	405,257	109,643	103,121	527,385	508,378
Total assets and deferred outflows of resources	6,144,548	5,505,118	6,395,661	5,534,264	12,540,208	11,039,382
Long-term liabilities outstanding	1,481,204	1,459,486	747,737	769,965	2,228,941	2,229,451
Other liabilities	1,127,822	1,276,378	135,434	141,636	1,263,256	1,418,014
Deferred inflows of resources	79,462	60,896	11,818	4,170	91,280	65,066
Total liabilities and deferred inflows of resources	2,688,488	2,796,760	894,989	915,771	3,583,477	3,712,531
Net position:						
Net investment in capital assets	1,324,868	902,717	3,532,577	3,560,629	4,857,445	4,463,346
Restricted	1,124,430	490,112	-	-	1,124,430	490,112
Unrestricted	1,006,762	1,315,529	1,968,095	1,057,864	2,974,857	2,373,393
Total net position	\$ 3,456,060	\$ 2,708,358	\$ 5,500,672	\$ 4,618,493	\$ 8,956,732	\$ 7,326,851

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 Four Oaks exceeded liabilities and deferred inflows by \$8,956,732. The Town's net position increased by \$1,629,881 for the fiscal year ended June 30, 2024. However the largest portion, \$4,857,445 reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Four Oaks uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Four Oaks' net investment in its 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 Four Oaks' net position, \$1,124,430, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,974,857 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.93%.

Town of Four Oaks
Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues						
Charges for services	\$ 956,218	\$ 569,221	\$ 2,381,675	\$ 2,241,982	\$ 3,337,893	\$ 2,811,203
Operating grants and contributions	80,643	790,071	-	-	80,643	790,071
Capital grants and contributions	424,430	122,500	491,143	-	915,573	122,500
General revenues:						
Property taxes	1,332,546	1,224,288	-	-	1,332,546	1,224,288
Other taxes	717,145	691,410	-	-	717,145	691,410
Other	264,708	82,836	29,275	8,779	293,983	91,615
Total revenues	3,775,690	3,480,326	2,902,093	2,250,761	6,677,783	5,731,087
Expenses:						
General government	650,647	498,487	-	-	650,647	498,487
Public safety	1,420,346	1,075,030	-	-	1,420,346	1,075,030
Environmental protection	204,653	223,652	-	-	204,653	223,652
Cultural and recreational	364,968	279,463	-	-	364,968	279,463
Transportation	358,602	324,632	-	-	358,602	324,632
Interest	28,772	55,874	-	-	28,772	55,874
Water and sewer	-	-	2,019,914	2,090,185	2,019,914	2,090,185
Total expenses	3,027,988	2,457,138	2,019,914	2,090,185	5,047,902	3,567,881
Increase (decrease) in net position before transfers	747,702	1,023,188	882,179	160,576	1,629,881	2,163,206
Transfers	-	(452,000)	-	93,500	-	(358,500)
Increase in net position	747,702	571,188	882,179	254,076	1,629,881	1,804,706
Net position, July 1	2,708,358	2,137,170	4,618,493	4,364,417	7,326,851	6,501,587
Net position, June 30	<u>\$ 3,456,060</u>	<u>\$ 2,708,358</u>	<u>\$ 5,500,672</u>	<u>\$ 4,618,493</u>	<u>\$ 8,956,732</u>	<u>\$ 8,306,293</u>

Governmental activities. Governmental activities increased the Town's net position by \$747,702 accounting for 46% of the total increase in the net position of the town of Four Oaks. Key elements of this increase are as follows:

- Increase in charges for services.

Business-type activities. Business-type activities increased the Town's net position by \$882,179, accounting for 54% of the total increase in the net position of the town of Four Oaks. Key elements of this increase are as follows:

- Increase in charges for services.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Four Oaks' 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 Four Oaks' financing requirements.

The general fund is the chief operating fund of the Town of Four Oaks. At the end of the current fiscal year, Town of Four Oaks' fund balance available in the General Fund was \$1,496,983, while total fund balance reached \$2,593,433. The Town currently has an available fund balance of 50% of general fund expenditures, while total fund balance represents 87% of the same amount.

At June 30, 2024, the governmental fund of the Town of Four Oaks reported a fund balance of \$2,610,889 with a net increase in fund balance of \$404,549.

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

Proprietary Fund. The Town's proprietary fund provides 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 \$1,968,095. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Assets and Debt Administration

Capital assets. The Town of Four Oaks' investment in capital assets for its governmental and business type activities as of June 30, 2024, totals \$6,148,658 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

**Town of Four Oaks' Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 372,125	\$ 311,812	\$ 48,416	\$ 48,416	\$ 420,541	\$ 360,228
Construction in progress	822,334	422,002	-	1,700,092	822,334	2,122,094
Buildings and systems	257,215	274,337	3,809,403	2,191,760	4,066,618	2,466,097
Equipment	69,261	70,460	153,159	174,284	222,420	244,744
Vehicles and motorized equipment	299,051	289,080	67,180	38,851	366,231	327,931
Infrastructure	250,514	332,347	-	-	250,514	332,347
Total	<u>\$ 2,070,500</u>	<u>\$ 1,700,038</u>	<u>\$ 4,078,158</u>	<u>\$ 4,153,403</u>	<u>\$ 6,148,658</u>	<u>\$ 5,853,441</u>

Additional information on the Town's capital assets can be found in the notes to the Basic Financial Statements.

Long-term Debt. As of June 30, 2024, the Town of Four Oaks had total bonded debt outstanding of \$1,291,213.

	Govenmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenue bonds	\$ -	\$ -	\$ 427,000	\$ 440,000	\$ 427,000	\$ 440,000
Direct placement installment purchase	745,632	797,321	118,581	152,774	864,213	950,095
Compensated absences	55,711	36,609	14,880	11,038	70,591	47,647
Net pension liability (LGERS)	596,428	558,197	175,890	164,470	772,318	722,667
Total pension liability (LEO)	156,736	138,722	-	-	156,736	138,722
Total	\$ 1,554,507	\$ 1,530,849	\$ 736,351	\$ 768,282	\$ 2,290,858	\$ 2,299,131

Town of Four Oaks' Outstanding Debt

The Town of Four Oaks' total debt decreased by \$98,882 during the past year, primarily due to the decrease in installment purchase note.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Four Oaks is \$20,732,888. The Town has no bonds authorized but unissued at June 30, 2024.

Additional information regarding the Town of Four Oaks' long-term debt can be found in Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town:

Governmental Activities. Property taxes (benefiting from the economic growth) and revenues from permits and fees are expected to lead the increase in budgeted revenue. The Town will use these increases in revenues to finance programs currently in place.

Business-type Activities. Extension of water and sewer service are continuing.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Post Office Box 610, Four Oaks, NC 27524. You can also call 919-963-3112 or send an email to townclerk@fouroaks-nc.com for more information.

BASIC FINANCIAL STATEMENTS

Town of Four Oaks, North Carolina
Statement of Net Position
June 30, 2024

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,691,518	\$ 1,659,874	\$ 3,351,392
Restricted cash	1,197,550	58,928	1,256,478
Taxes receivable	3,817	-	3,817
Accounts receivables (net)	763,421	234,064	997,485
Inventory	-	58,842	58,842
Prepaid expenses	-	196,152	196,152
Capital assets:			
Land, improvements, and construction in progress	1,194,459	48,416	1,242,875
Other capital assets, net of depreciation	876,041	4,029,742	4,905,783
Total capital assets	<u>2,070,500</u>	<u>4,078,158</u>	<u>6,148,658</u>
Total assets	<u>5,726,806</u>	<u>6,286,018</u>	<u>12,012,824</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals - LGERS	371,229	109,643	480,872
Pension deferrals - LEO	46,513	-	46,513
Total deferred outflows of resources	<u>417,742</u>	<u>109,643</u>	<u>527,385</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	141,329	87,892	229,221
Unearned revenue	913,190	-	913,190
Current portion of long term debt	53,303	32,662	85,965
Compensated absences - current	20,000	14,880	34,880
Long-term liabilities:			
Long term debt payables	728,040	512,919	1,240,959
Net pension liability (LGERS)	596,428	175,890	772,318
Total pension liability (LEO)	156,736	-	156,736
Liabilities payable from restricted assets:			
Deposits	-	58,928	58,928
Total liabilities	<u>2,609,026</u>	<u>883,171</u>	<u>3,492,197</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals - LGERS	39,678	11,818	51,496
Pension deferrals - LEO	39,784	-	39,784
Total deferred inflows of resources	<u>79,462</u>	<u>11,818</u>	<u>91,280</u>
NET POSITION			
Net investment in capital assets	1,324,868	3,532,577	4,857,445
Restricted for:			
Stabilization by State Statue	998,945	-	998,945
Debt service reserve	70,599	-	70,599
Streets	26,906	-	26,906
Cultural and recreational	27,980	-	27,980
Unrestricted	1,006,762	1,968,095	2,974,857
Total net position	<u>\$ 3,456,060</u>	<u>\$ 5,500,672</u>	<u>\$ 8,956,732</u>

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

Town of Four Oaks, North Carolina
Statement of Activities
June 30, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 650,647	\$ 403,888	\$ -	\$ 199,430	\$ (47,329)	\$ -	\$ (47,329)
Public safety	1,420,346	108,000	-	225,000	(1,087,346)	-	(1,087,346)
Environmental protection	204,653	444,330	-	-	239,677	-	239,677
Cultural and recreational	364,968	-	-	-	(364,968)	-	(364,968)
Transportation	358,602	-	80,643	-	(277,959)	-	(277,959)
Interest	28,772	-	-	-	(28,772)	-	(28,772)
Total governmental activities	<u>3,027,988</u>	<u>956,218</u>	<u>80,643</u>	<u>424,430</u>	<u>(1,566,697)</u>	<u>-</u>	<u>(1,566,697)</u>
Business-type activities:							
Water and Sewer	\$ 2,019,914	\$ 2,381,675	\$ -	\$ 491,143	-	852,904	852,904
Total Government	<u>\$ 5,047,902</u>	<u>\$ 3,337,893</u>	<u>\$ 80,643</u>	<u>\$ 491,143</u>			
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,332,546	-	1,332,546
Local option sales tax					572,690	-	572,690
Other taxes and licenses					144,455	-	144,455
Investment earnings, unrestricted					26,934	29,275	56,209
Miscellaneous, unrestricted					237,774	-	237,774
Transfers					-	-	-
Total general revenues, special items, and transfers					<u>2,314,399</u>	<u>29,275</u>	<u>2,343,674</u>
Change in net position					747,702	882,179	1,629,881
Net position-beginning					2,708,358	4,618,493	7,326,851
Net position-ending					<u>\$ 3,456,060</u>	<u>\$ 5,500,672</u>	<u>\$ 8,956,732</u>

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

Town of Four Oaks, North Carolina
Balance Sheet
Governmental Fund
June 30, 2024

	Major Funds			
	General Fund	SCIF - Downtown Streetscape Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,691,518	\$ -	\$ -	\$ 1,691,518
Restricted cash	26,906	917,664	252,980	1,197,550
Receivables, net:				
Taxes receivables, net	3,817	-	-	3,817
Account receivables, net	763,421	-	-	763,421
Due from other funds	235,524	-	-	235,524
Total assets	<u>\$ 2,721,186</u>	<u>\$ 917,664</u>	<u>\$ 252,980</u>	<u>\$ 3,891,830</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 123,936	4,474	\$ -	\$ 128,410
Due to other funds	-	-	235,524	235,524
Unearned revenues	-	913,190	-	913,190
Total liabilities	<u>123,936</u>	<u>917,664</u>	<u>235,524</u>	<u>1,277,124</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Taxes	3,817	-	-	3,817
Total deferred inflows of resources	<u>3,817</u>	<u>-</u>	<u>-</u>	<u>3,817</u>
Fund balances:				
Restricted for:				
Streets - Powell Bill	26,906	-	-	26,906
Debt service reserve	70,599	-	-	70,599
Stabilization by State Statute	998,945	-	-	998,945
Cultural and recreation	-	-	27,980	27,980
Public safety	-	-	225,000	225,000
Unassigned	1,496,983	-	(235,524)	1,261,459
Total fund balances	<u>2,593,433</u>	<u>-</u>	<u>17,456</u>	<u>2,610,889</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,721,186</u>	<u>\$ 917,664</u>	<u>\$ 252,980</u>	

Amounts reported for governmental activities in the Statement of
Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

2,070,500

Liabilities for earned revenues considered deferred inflows of resources in fund statements.

3,817

Deferred outflows of resources related to pensions are not reported in the funds.

417,742

Deferred inflows of resources related to pensions are not reported in the funds

(79,462)

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4).

 Compensated absences

(55,711)

 Accrued interest payable

(12,919)

 Long-term debt

(745,632)

 Net pension liability

(596,428)

 Total pension liability

(156,736)

Net position of governmental activities

\$ 3,456,060

Town of Four Oaks, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2024

	Major Funds			
		SCIF -		
	General Fund	Downtown Streetscape Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 1,332,108	\$ -	\$ -	\$ 1,332,108
Unrestricted intergovernmental	715,316	-	-	715,316
Restricted intergovernmental	190,472	199,430	225,000	614,902
Permits and Fees	403,888	-	-	403,888
Sales and services	444,330	-	-	444,330
Investment earnings	25,508	-	1,426	26,934
Miscellaneous	237,774	-	-	237,774
Total revenues	<u>3,349,396</u>	<u>199,430</u>	<u>226,426</u>	<u>\$ 3,775,252</u>
EXPENDITURES				
Current:				
General government	641,214	-	-	641,214
Public safety	1,360,334	-	-	1,360,334
Environmental protection	202,553	-	-	202,553
Cultural and recreational	361,276	199,430	202,328	763,034
Transportation	321,115	-	-	321,115
Debt Service:				
Principal	51,688	-	-	51,688
Interest and other charges	30,765	-	-	30,765
Total expenditures	<u>2,968,945</u>	<u>199,430</u>	<u>202,328</u>	<u>3,370,703</u>
Excess (deficiency) of revenues over expenditures	380,451	-	24,098	404,549
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	-	-
Transfers (to) from other funds	-	-	-	-
Debt proceeds	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	380,451	-	24,098	404,549
Fund balances-beginning	2,212,982	-	(6,642)	2,206,340
Fund balances-ending	<u>\$ 2,593,433</u>	<u>\$ -</u>	<u>\$ 17,456</u>	<u>\$ 2,610,889</u>

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

Town of Four Oaks, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2024

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

Net changes in fund balances - total governmental funds	\$	404,549
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 exceeded depreciation in the current period.		
Capital Outlay	553,511	
Depreciation Expenses	<u>(183,049)</u>	370,462
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities:		116,582
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Increase (decrease) in unavailable revenue for tax revenues		438
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 of long-term debt	51,688	
(Increase) decrease in accrued interest	<u>1,993</u>	53,681
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:		
Pension expense - LGERS		(158,582)
Pension expense - LEO		(20,326)
(Increase) Decrease in Compensated absences		<u>(19,102)</u>
Total changes in net position of governmental activities	<u>\$</u>	<u>747,702</u>

Town of Four Oaks, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2024

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,175,000	\$ 1,333,617	\$ 1,332,108	\$ (1,509)
Unrestricted intergovernmental	561,500	695,200	715,316	20,116
Restricted intergovernmental	424,000	190,643	190,472	(171)
Permits and Fees	160,715	403,787	403,888	101
Sales and services	365,000	420,238	444,330	24,092
Investment earnings	5,000	21,700	25,508	3,808
Miscellaneous	23,500	223,108	237,774	14,666
Total revenues	<u>2,714,715</u>	<u>3,288,293</u>	<u>3,349,396</u>	<u>61,103</u>
Expenditures				
Current:				
General government	774,803	854,870	641,214	213,656
Public safety	985,635	1,386,339	1,360,334	26,005
Environmental protection	326,031	239,420	202,553	36,867
Cultural and recreational	207,756	379,470	361,276	18,194
Transportation	350,645	345,526	321,115	24,411
Debt Service:				
Principal	42,915	51,868	51,688	180
Interest and other charges	26,930	30,800	30,765	35
Total expenditures	<u>2,714,715</u>	<u>3,288,293</u>	<u>2,968,945</u>	<u>319,348</u>
Revenues over (under) expenditures	-	-	380,451	(380,451)
Other financing sources (uses):				
Transfers (to) from other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	380,451	<u>\$ 380,451</u>
Fund Balance, beginning			2,212,982	
Fund Balance, ending			<u>\$ 2,593,433</u>	

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

Town of Four Oaks, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2024

	Major Enterprise Fund
	Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,659,874
Restricted cash and cash equivalents	58,928
Receivables, net	234,064
Inventory	58,842
Prepaid expenses	196,152
Total current assets	<u>2,207,860</u>
Capital assets:	
Capital assets, net of depreciation	<u>4,078,158</u>
Total capital assets	<u>4,078,158</u>
Total assets	<u>6,286,018</u>
DEFERRED OUTFLOWS OF RESOURCES:	<u>109,643</u>
Total deferred outflows of resources	<u>109,643</u>
LIABILITIES	
Current liabilities:	
Accounts payable	87,892
Current portion of long term debt	32,662
Compensated absences - current	14,880
Noncurrent liabilities:	
Long term debt payables	512,919
Net pension liability	175,890
Liabilities payable from restricted assets:	
Deposits	<u>58,928</u>
Total liabilities	<u>883,171</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension deferrals	<u>11,818</u>
Total deferred inflows of resources	<u>11,818</u>
NET POSITION	
Net investment in capital assets	3,532,577
Unrestricted	1,968,095
Total net position	<u><u>\$ 5,500,672</u></u>

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

Town of Four Oaks, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2024

	Major Enterprise Fund
	<u>Water and Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 2,351,330
Other operating revenues	<u>30,345</u>
Total operating revenues	<u>2,381,675</u>
OPERATING EXPENSES	
Water Admin	325,668
Water Operations	735,252
Sewer Admin	319,925
Sewer Operations	495,193
Depreciation	<u>117,762</u>
Total operating expenses	<u>1,993,800</u>
Operating income (loss)	387,875
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	29,275
Interest and other charges	<u>(26,114)</u>
Total nonoperating revenue (expenses)	<u>3,161</u>
Income (loss) before contributions and transfers	391,036
Capital contributions	<u>491,143</u>
Change in net position	882,179
Net position - beginning	<u>4,618,493</u>
Net position - ending	<u><u>\$ 5,500,672</u></u>

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

Town of Four Oaks, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2024

Exhibit 8

	Major Enterprise Fund
	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 2,429,034
Cash Paid for Goods and Services	(310,632)
Cash Paid to or on behalf of employees for services	(1,549,018)
Net Cash Used by Operating Activities	<u>572,885</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(42,517)
Capital contributions	491,143
Principal payments on long term debt	(47,193)
Interest expense	(26,114)
Net Cash Used by Capital and Related Financing Activities	<u>375,319</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>29,275</u>
Net Increase (Decrease) in Cash and Cash Equivalents	977,479
Cash and Cash Equivalents, July 1	<u>741,323</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 1,718,802</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<u>\$ 387,875</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	117,762
Changes in Assets and Liabilities:	
(Increase) Decrease	
in Receivables and other assets	47,359
in Deferred outflows of resources for pensions	(6,522)
Increase (Decrease)	
in Accounts Payable and Accrued Liabilities	3,288
in Customer Deposits	213
in Compensated Absences	3,842
in Deferred inflows of resources for pensions	7,648
in net pension liability	11,420
Total Adjustments	<u>185,010</u>
Net cash provided by operating activities	<u><u>\$ 572,885</u></u>

NOTES TO THE FINANCIAL STATEMENTS

**Town of Four Oaks
Notes to the Financial Statements
For the Year Ended June 30, 2024**

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Four Oaks conform to generally accepted accounting principles as applicable to governments. The Town does not have any discretely presented component units. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Four Oaks (the "Town") is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town.

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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following 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, construction, and sanitation services.

Downtown Streetscape Funds. This fund consists of funds from the NC Office of State Budget and Management for the downtown streetscape revitalizations to relocate utility lines and renovate the sidewalks and streets to make a more vibrant pedestrian friendly environment. The town will use these funds in addition to the CDBG-CV funds to complete the Downtown Streetscape Phase 1 & 2 project. The grant project ordinance is projected to expire December 31, 2026 or when all funds have been obligated and expended.

Notes to the Financial Statements

The Town reports the following non-major governmental fund:

PT George Endowment Fund. This fund is used to account for the Town's investment income and expenditures for the beautification of the Town of Four Oaks area.

CDGB-CV – Downtown Streetscape Project Fund. This fund is a grant project ordinance consisting of a Community Development Block Grant-COVID (CDBG-CV), grant funds from North Carolina Department of Commerce to be used for the downtown streetscape revitalizations to relocate utility lines and renovate the sidewalks and streets to make a more vibrant pedestrian friendly environment. This project is more familiarly known as “Town of Four Oaks CDBG Pedestrian Improvements Project”. The grant project ordinance expires July 1, 2025.

Police and Parks and Rec Project Fund. This fund is used to account for projects within the Police and the Parks and Recreation departments

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.

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 when applicable. 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 and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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. Issuance 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Four Oaks because the tax is levied by Johnston 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 purpose 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 the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Fund Capital Projects Fund. The Enterprise Fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Finance Officer is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$2,500; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. 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 may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and Super-NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town and 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 investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which approximates fair value, and is the NCCMT's share price. 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

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Notes to the Financial Statements

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Four Oaks Restricted Cash

Governmental Activities

General Fund	\$ 26,906
Cultural and recreational	252,980
SCIF	917,664
	<u>1,197,550</u>

Total governmental activities

Business-type Activities

Water and Sewer Fund

Customer Deposits	58,928
	<u>58,928</u>

Total Business-type activities

Total Restricted Cash

\$ 1,256,478

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, 2023. As allowed by State law, the Town has established 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.

6. Inventory and Prepaid Items

The inventories of the Town 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 enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed 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 cost for the Town's assets are \$5,000. 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. 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.

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

<u>Asset Class</u>	<u>Useful Lives</u>
Infrastructure	50
Buildings	30
Improvements	25
Vehicles	6
Furniture and Equipment	10
Computer Equipment	3
Substations, lines, and related equipment	40

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2024 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category- prepaid taxes, property taxes receivable, and pension deferrals.

9. Long-Term Obligations

In the government-wide 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds or not, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. 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, 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.

11. Net Position/Fund Balances

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, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable 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 - North 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 total unexpended Powell Bill funds.

Restricted for Cultural and recreational - portion of fund balance restricted for beautification of the Town of Four Oaks area.

Debt Service Reserve - Portion of fund balance restricted for debt payments

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Four Oaks' 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.

Assigned Fund Balance - portion of fund balance that the Town of Four Oaks intends to use for specific purposes.

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

The Town of Four Oaks has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Pensions

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

II Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

The Town's investment is not in accordance with State law [G.S. 15-30]. The securities previously owned in the P.T. George Fund were Bank of America preferred stock. G.S. 159-33 establishes a nine-month time frame within the securities must be sold. The investment continues to be held by the Town as of June 30, 2024; therefore, it is a statutory violation.

Noncompliance with G.S. 159-34.

Noncompliance with G.S. 159-33.

Noncompliance with G.S. 136-41.

2. Contractual Violations

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

The town has a deficit fund balance in the CDBG and Heidi Fund due to timing issues related to grant income.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town 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 agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the 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. 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 formal 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.

At June 30, 2024, the Town's deposits had a carrying amount of \$4,581,982 and a bank balance of \$4,507,602. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

P T George Fund has invested with Stifel. Bank America Bonds are 6%, maturity unknown. Purchased amount of \$26,206 with a current market value of \$25,888. Principal amount is restricted and earnings are disbursed to the local beautification committee as expenditures are presented for reimbursement.

At June 30, 2024 the Town's investment balances were as follows:

This investment was created by a contribution from the M. T. Barefoot Beautification Endowment Fund in the amount of \$23,147 by James P. George on June 30, 2014 and is restricted for use for the beautification of the Town of Four Oaks.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Bank of America Corp.	\$25,888	Perpetual	N/A

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.

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2024, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 311,812	\$ 60,313	\$ -	\$ 372,125
Construction in progress	422,002	400,332	-	822,334
Total capital assets not being depreciated	733,814	460,645	-	1,194,459
Capital assets being depreciated:				
Buildings	723,308	-	-	723,308
Other improvements	64,965	-	-	64,965
Equipment	590,003	17,000	-	607,003
Vehicles and motorized equipment	615,394	75,866	-	691,260
Infrastructure	1,288,206	-	-	1,288,206
Total capital assets being depreciated	3,281,876	92,866	-	3,374,742
Less accumulated depreciation for:				
Buildings	468,519	16,332	-	484,851
Other improvements	45,417	790	-	46,207
Equipment	519,543	18,199	-	537,742
Vehicles and motorized equipment	326,314	65,895	-	392,209
Infrastructure	955,859	81,833	-	1,037,692
Total accumulated depreciation	2,315,652	\$ 183,049	\$ -	2,498,701
Net capital assets being depreciated	966,224			876,041
Governmental activity capital assets, net	\$ 1,700,038			\$ 2,070,500

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

General Government	\$ 22,811
Public Safety	48,632
Cultural and Recreation	60,059
Transportation	51,547
Total Depreciation Expense	<u>\$ 183,049</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water & Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 48,416	\$ -	\$ -	\$ 48,416
Construction in progress	1,700,092	-	1,700,092	-
Total capital assets not being depreciated	1,215,950	-	1,700,092	48,416
Capital assets being depreciated:				
Buildings	189,661	-	-	189,661
Plant and distribution systems	4,728,629	1,700,092	-	6,428,721
Furniture and maintenance equipment	465,483	6,517	-	472,000
Water and sewer rights	162,000	-	-	162,000
Vehicles	82,169	36,000	-	118,169
Total capital assets being depreciated	5,354,764	1,742,609	-	7,370,551
Less accumulated depreciation for:				
Buildings	106,906	4,742	-	111,648
Plant and distribution systems	2,619,624	77,707	-	2,697,331
Furniture and maintenance equipment	291,199	27,642	-	318,841
Water and sewer rights	162,000	-	-	162,000
Vehicles	43,318	7,671	-	50,989
Total accumulated depreciation	3,115,704	\$ 117,762	\$ -	3,340,809
Net capital assets being depreciated	2,239,060			4,029,742
Business-type activities capital assets, net	\$ 3,455,010			\$ 4,078,158

B. Liabilities1. Pension Plan Obligationsa. Local Governmental Employees' Retirement System

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

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. 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 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. The Town of Four Oaks 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's contractually required contribution rate for the year ended June 30, 2024, was 14.04% of compensation for law enforcement officers and 12.85% of compensation for general employees, 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 were \$151,903 for the year ended June 30, 2024.

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, 2024, the Town reported a liability of \$772,318 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023, 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, 2023 (measurement date), the Town's proportion was 0.01166%, which was an decrease in of 0.00115% from proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Town recognized pension expense of \$206,448. At June 30, 2024, 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	\$ 86,059	\$ 1,853
Changes of assumptions	32,819	-
Net difference between projected and actual earnings on pension plan investments	206,706	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	3,385	49,643
Town's contributions subsequent to the measurement date	151,903	-
Total	<u>\$ 480,872</u>	<u>\$ 51,496</u>

\$151,903 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2025	\$ 101,114
2026	41,994
2027	125,626
2028	8,741
2029	-
	<u>\$ 277,476</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022 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 percent
Investment rate of return	7.00 percent, net of position 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, 2022 valuation were based on the results of an actuarial experience study for the period as of December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm's 2024 long term capital market assumptions. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized figures. Source data provided in the 2023 Annual Comprehensive Financial Report published on website of the NC Office of State Controller.

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

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

	1 % Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$1,338,011	\$772,318	\$306,587

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 of Four Oaks 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 0.85 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 Town law enforcement officers are covered by the Separation Allowance. At December 31, 2022, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	7
Total	7

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 are recognized when due and payable in accordance with the terms of the plan.

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2022, valuation. The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.00 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

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

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. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0.00 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

As June 30, 2024, the Town reported a total pension liability of \$156,736. The total pension liability was measured as of December 31, 2023, based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the Town recognized pension expense of \$20,326.

	Deferred Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 22,118	\$ 5,335
Changes of assumptions	24,395	34,449
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 46,513</u>	<u>\$ 39,784</u>

\$0.00 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2025	\$ 3,974
2026	5,548
2027	5,512
2028	(1,408)
2029	(3,414)
Thereafter	(3,483)
	<u>\$ 6,729</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 4.00 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total pension liability	\$ 175,945	\$ 156,736	\$ 139,381

Law Enforcement Officers' Special Separation Allowance

	2024
Beginning balance	\$ 138,722
Service Cost	9,211
Interest on the total pension liability	5,979
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,323)
Changes of assumptions or other inputs	5,147
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 156,736

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover 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, 2022 valuation were based on the results of an actuarial experience study for the period as of December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 206,448	\$ 20,326	\$ 226,774
Pension liability	772,318	156,736	929,054
Proportionate share of the net pension liability	0.01166%	N/A	

Deferred of Outflows of Resources

Differences between expected and actual experience	86,059	22,118	108,177
Changes of assumptions	32,819	24,395	57,214
Net difference between projected and actual earnings on plan investments	206,706	-	206,706
Changes in proportion and differences between contributions and proportionate share of contributions	3,385	-	3,385
Benefit payments and administrative costs paid subsequent to the measurement date	151,903	-	151,903

Deferred of Inflows of Resources

Differences between expected and actual experience	1,853	5,335	7,188
Changes of assumptions	-	34,449	34,449
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	49,643	-	49,643

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Officer of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to six percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2024 were \$92,164, which consisted of \$64,570 from the Town and \$27,594 from the law enforcement officers.

d. Other Employment Benefits

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

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Differences between expected and actual experience	\$ 108,177
Changes of assumptions	57,214
Net difference between projected and actual earnings on pension plan investments	206,706
Changes in proportion and differences between Town's contributions and proportionate share of contributions	3,385
Town's contributions subsequent to the measurement date	151,903
Total	<u>\$ 527,385</u>

Notes to the Financial Statements

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes Receivable, less penalties (General Fund)	-	3,817
Changes in assumptions	34,449	-
Difference between expected and actual experience	7,188	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	49,643	-
Total	<u>\$ 91,280</u>	<u>\$ 3,817</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town does not carry any flood insurance. The Town is not in a flood plain.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Town's Finance Officer is bonded for the amount of \$500,000.

4. Claims, Judgments, and Contingent Liabilities

At June 30, 2024, the Town had no claims or judgments.

5. Long Term Obligations

a. Installment Purchase

In October 2011 the Town of Four Oaks entered into a \$757,500 direct placement contract with USDA to finance a street paving for the business park. The financing agreement requires principal payments with an interest rate of 3.75%. The balance at June 30, 2024 was \$478,784.

In April 2013 the Town of Four Oaks entered into a \$130,000 direct placement contract with USDA to finance a street resurfacing project. The financing agreement requires principal payments that begin in fiscal year 2013 at an interest rate of 3.375%. The balance at June 30, 2024, was \$59,602.

In April 2013, the Town of Four Oaks entered into a \$221,000 direct placement contract with USDA to finance a street resurfacing project. The financing agreement requires principal payments that begin in fiscal year 2013 at an interest rate of 3.375%. The balance at June 30, 2024 was \$102,432.

In January 2023, the Town of Four Oaks entered into a \$112,000 direct placement contract with KS Bank to purchase 305 N. Baker Street, Four Oaks, NC 27524. The financing agreement requires principal payments that begin in fiscal year 2023 at an interest rate of 5.25%. The balance at June 30, 2024 was \$104,814.

Notes to the Financial Statements

Business-type activities

In January 2013 the Town of Four Oaks entered into a \$70,165 direct placement contract with Johnston County Finance to finance a 6 inch Water Line Extension for Thunder Road. The financing agreement requires principal payments with an interest rate of 5.00%. The balance at June 30, 2024 was \$16,383.

In June 2023, the Town of Four Oaks entered into a \$116,538 direct placement contract with KS Bank to purchase a 2023 New Holland Backhoe. The financing agreement requires monthly principal payments with an interest rate of 4.875%. The balance at June 30, 2024 was \$102,198.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 53,303	\$ 29,151	\$ 19,662	\$ 5,801
2026	55,311	27,143	20,627	4,837
2027	57,396	25,057	21,639	3,825
2028	141,413	20,581	17,695	2,763
2029	55,297	16,346	17,783	1,899
2030 - 2034	251,482	51,084	21,175	1,032
2035 - 2039	131,430	9,967	-	-
Total	\$ 745,632	\$ 179,329	\$ 118,581	\$ 20,157

b. Revenue Bond

Bonds payable at June 30, 2024 are comprised of the following individual issues:

Bond payable in the amount of \$427,000 in the water and sewer fund due annually including interest at 4.375 percent.

Year Ending June 30	Business-type Activities	
	Principal	Interest
2025	\$ 13,000	\$ 18,681
2026	14,000	18,113
2027	14,000	17,500
2028	15,000	16,888
2029	15,000	16,231
2030 - 2034	84,000	70,744
2035 - 2039	100,000	51,013
2040 - 2044	119,000	27,563
2045 - 2049	53,000	3,500
	<u>\$ 427,000</u>	<u>\$ 240,233</u>

Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2024, is as follows:

Operating revenues	\$ 2,381,675
Operating expense*	<u>1,876,038</u>
Operating income	505,637
Non-operating revenues (expense) **	<u>22,411</u>
Income available for debt service	<u><u>\$ 528,048</u></u>
Debt service, principal and interest paid (Revenue bond only)	\$ 32,250
Debt service coverage ratio	1637%

*Per rate covenants, this does not include the depreciation expense of \$117,762.

** Per rate covenants, this does not include the revenue bond interest paid of \$19,250.

Notes to the Financial Statements

c. Changes in General Long-Term Liabilities

During the year ended June 30, 2024, the following changes occurred in liabilities reported in the Long-Term Debt:

	Balance 07/01/23	Additions	Retirements	Balance 06/30/24	Current Portion
Governmental Activities:					
Direct placement installment purchase	\$ 797,321	\$ -	\$ 51,688	\$ 745,632	\$ 53,303
Compensated absences	36,609	32,750	13,648	55,711	20,000
Net pension liability (LGERS)	558,197	38,231	-	596,428	-
Total pension liability (LEO)	138,722	18,014	-	156,736	-
Governmental activity long-term liabilities	<u>\$ 1,530,849</u>	<u>\$ 88,995</u>	<u>\$ 65,336</u>	<u>\$ 1,554,507</u>	<u>\$ 73,303</u>
Business-type activities:					
Revenue bonds	\$ 440,000	\$ -	\$ 13,000	\$ 427,000	\$ 13,000
Direct placement installment purchase	152,774	-	34,193	118,581	19,662
Compensated absences	11,038	6,550	2,708	14,880	14,880
Net pension liability (LGERS)	164,470	11,420	-	175,890	-
Business-type activity long-term liabilities	<u>\$ 768,282</u>	<u>\$ 17,970</u>	<u>\$ 49,901</u>	<u>\$ 736,351</u>	<u>\$ 47,542</u>

At June 30, 2024, the Town of Four Oaks had a legal debt margin of \$20,732,888.

C. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 2,070,500	\$ 4,078,158
less: long-term debt	(745,632)	(545,581)
Net investment in capital asset	<u>\$ 1,324,868</u>	<u>\$ 3,532,577</u>

D. Fund Balance

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

Total fund balance - General Fund	\$ 2,593,433
Less:	
Stabilization by State Statute	998,945
Debt service	70,599
Streets - Powell Bill	26,906
Remaining Fund Balance	\$ 1,496,983

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through January 7, 2025, the date that the financial statements were available to be issued.

Required
Supplementary Financial Data

This section contains additional information required by generally accepted accounting principals

- Schedule of the Proportionate Share of the Net Pension Liability
– Local Government Employees' Retirement System
- Schedule of Contributions – Local Government Employees'
Retirement System
- Schedule of Changes in Total Pension Liability - Law Enforcement
- Schedule of Total Pension Liability as a Percentage of Covered

Town of Four Oaks, North Carolina
Town of Four Oaks' Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years*

Local Government Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability (asset) (%)	0.01166%	0.01281%	0.01254%	0.01197%	0.01101%	0.01159%	0.01092%	0.01158%	0.01050%	0.01132%
Town's proportion of the net pension liability (asset) (\$)	\$ 772,318	\$ 722,667	\$ 192,313	\$ 427,739	\$ 300,675	\$ 274,954	\$ 166,827	\$ 245,768	\$ 47,123	\$ (155,414)
Town's covered-employee payroll	\$ 857,881	\$ 761,385	\$ 779,065	\$ 734,730	\$ 703,608	\$ 662,215	\$ 625,207	\$ 583,950	\$ 584,585	\$ 585,219
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	90.03%	94.91%	24.69%	58.22%	42.73%	41.52%	26.68%	42.09%	8.06%	(26.56%)
Plan fiduciary net position as a percentage of the total pension liability**	82.49%	84.14%	95.51%	88.61%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%

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

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

Town of Four Oaks, North Carolina
Town of Four Oaks Contributions
Required Supplementary Information
Last Ten Fiscal Years

Local Government Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 151,903	\$ 107,328	\$ 88,606	\$ 81,512	\$ 68,170	\$ 56,635	\$ 51,408	\$ 47,047	\$ 39,925	\$ 41,696
Contributions in relation to the contractually required contribution	151,903	107,328	88,606	81,512	68,170	56,635	51,408	47,047	39,925	41,696
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 1,139,525	\$ 857,881	\$ 761,385	\$ 779,065	\$ 734,730	\$ 703,608	\$ 662,215	\$ 625,207	\$ 583,950	\$ 584,585
Contributions as a percentage of covered-employee payroll	13.33%	12.51%	11.64%	10.46%	9.28%	8.05%	7.76%	7.53%	6.84%	7.13%

Town of Four Oaks, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 138,722	\$ 152,745	\$ 120,770	\$ 59,652	\$ 65,475	\$ 58,248	\$ 42,606	\$ 37,725
Service cost	9,211	15,016	13,402	6,593	4,700	7,055	5,374	5,447
Interest on the total pension liability	5,979	3,437	2,331	1,945	2,383	1,841	1,645	1,347
Differences between expected and actual experience in the measurement of the total pension liability	(2,323)	7,867	22,385	6,818	(15,771)	3,089	2,728	-
Changes of assumptions or other inputs	5,147	(40,343)	(6,143)	45,762	2,865	(4,758)	5,895	(1,913)
Ending balance of the total pension liability	<u>\$ 156,736</u>	<u>\$ 138,722</u>	<u>\$ 152,745</u>	<u>\$ 120,770</u>	<u>\$ 59,652</u>	<u>\$ 65,475</u>	<u>\$ 58,248</u>	<u>\$ 42,606</u>

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

Town of Four Oaks, North Carolina
Schedule of Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 156,736	\$ 138,722	\$ 152,745	\$ 120,770	\$ 59,652	\$ 65,475	\$ 58,248	\$ 42,606
Covered payroll	319,562	349,866	340,129	301,134	232,791	246,647	235,022	243,831
Total pension liability as a percentage of covered payroll	49.05%	39.65%	44.91%	40.11%	25.62%	26.55%	24.78%	17.47%

Notes to the schedules:

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

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Town of Four Oaks, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes		\$ 1,330,229	
Interest		1,879	
Total	<u>\$ 1,333,617</u>	<u>1,332,108</u>	<u>\$ (1,509)</u>
Unrestricted intergovernmental:			
Local option sales taxes		572,690	
Telecommunication sales tax		6,216	
Utility franchise tax		121,922	
Video franchise fee		5,686	
ABC profit distribution		8,802	
Total	<u>695,200</u>	<u>715,316</u>	<u>20,116</u>
Restricted intergovernmental:			
Powell Bill allocation		80,643	
Solid waste disposal tax		1,829	
School resource officer reimbursement		108,000	
Total	<u>190,643</u>	<u>190,472</u>	<u>(171)</u>
Permits and Fees			
Building permits		229,726	
Business registration fee		1,665	
Golf cart permit fees		665	
Planning fees		20,582	
Open space fee		151,250	
Total	<u>403,787</u>	<u>403,888</u>	<u>101</u>

Town of Four Oaks, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Sales and Service:			
Garbage fees		416,492	
Cemetery fees		27,838	
Total	420,238	444,330	24,092
Investment earnings	21,700	25,508	3,808
Miscellaneous	223,108	237,774	14,666
 Total Revenues	 3,288,293	 3,349,396	 61,103
Expenditures:			
General government:			
Administration:			
Operating expense		116,572	
Total	310,689	116,572	194,117
Governing Body:			
Salaries & benefits		284,065	
Operating expense		199,698	
Capital outlay		40,879	
Total	544,181	524,642	19,539
Total General Government	854,870	641,214	213,656
Public Safety:			
Fire Department:			
Salaries & benefits		482,669	
Operating expense		4,778	
Total	483,489	487,447	(3,958)
Police Department:			
Salaries & benefits		735,701	
Operating expense		102,199	
Capital outlay		34,987	
Total	902,850	872,887	29,963
Total Public Safety	1,386,339	1,360,334	26,005

Town of Four Oaks, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Environmental Protection:			
Sanitation			
Salaries & benefits		9,950	
Operating expense		192,603	
Total	239,420	202,553	36,867
Cultural and Recreational:			
Parks & Recreation			
Salaries & benefits		75,511	
Operating expense		225,452	
Capital outlay		60,313	
Total	379,470	361,276	18,194
Transportation:			
Streets & Highways			
Salaries & benefits		100,568	
Operating expense		203,547	
Capital outlay		17,000	
Total	345,526	321,115	24,411
Debt Service:			
Principal retirement		51,688	
Interest and other charges		30,765	
Total	82,668	82,453	215
Total Expenditures	3,288,293	2,968,945	319,348
Revenues over (under) expenditures	-	380,451	380,451
Other financing sources (uses)			
Tranfers (to) from other funds		-	
Total Other financing sources (uses)	-	-	-
Net change in fund balance	\$ -	380,451	\$ 380,451
Fund Balance, beginning		2,212,982	
Fund Balance, ending		\$ 2,593,433	

Town of Four Oaks, North Carolina
SCIF Downtown Streetscape Fund
Schedule of Revenues and Expenditures-Budget to Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2024

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental OSBM SCIF funds	<u>\$ 1,500,000</u>	<u>\$ 387,380</u>	<u>\$ 199,430</u>	<u>\$ 586,810</u>	<u>\$ (913,190)</u>
Total revenues	<u>1,500,000</u>	<u>387,380</u>	<u>199,430</u>	<u>586,810</u>	<u>(913,190)</u>
Expenditures:					
Construction	<u>1,500,000</u>	<u>387,380</u>	<u>199,430</u>	<u>586,810</u>	<u>913,190</u>
Total expenditures	<u>1,500,000</u>	<u>387,380</u>	<u>199,430</u>	<u>586,810</u>	<u>913,190</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>		
Fund balance - ending			<u>\$ -</u>		

Town of Four Oaks, North Carolina
Balance sheet
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	PT George Endowment Fund	CDBG Downtown Streetscape Project	Police and Parks and Rec Project Fund	Total Nonmajor Governmental Funds
Assets				
Restricted Cash	\$ 2,092	\$ -	\$ 225,000	\$ 227,092
Investments	25,888	-	-	25,888
Total Assets	<u>\$ 27,980</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 252,980</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	235,524	-	235,524
Unearned revenues	-	-	-	-
Total liabilities	<u>-</u>	<u>235,524</u>	<u>-</u>	<u>235,524</u>
Fund Balances				
Restricted:				
Cultural and recreation - Beautification	27,980	-	-	27,980
Public safety	-	-	225,000	225,000
Unassigned	-	(235,524)	-	(235,524)
Total Fund Balances	<u>27,980</u>	<u>(235,524)</u>	<u>225,000</u>	<u>17,456</u>
Total Liabilities and Fund Balances	<u>\$ 27,980</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 252,980</u>

Town of Four Oaks, North Carolina
Statement of Revenues, Expenditures, and Charges in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	PT George Endowment Fund	CDBG Downtown Streetscape Project	Police and Parks and Rec Project Fund	Total Nonmajor Governmental Funds
REVENUES				
Grants	\$ -	\$ -	\$ 225,000	\$ 225,000
Investment earnings	1,426	-	-	1,426
Total Revenues	<u>1,426</u>	<u>-</u>	<u>225,000</u>	<u>226,426</u>
EXPENDITURES				
Cultural and recreation	1,426	200,902	-	202,328
Total expenditures	<u>1,426</u>	<u>200,902</u>	<u>-</u>	<u>202,328</u>
Revenues over (under) expenditures	<u>-</u>	<u>(200,902)</u>	<u>225,000</u>	<u>24,098</u>
Fund Balances, beginning	27,980	(34,622)	-	(6,642)
Fund Balances, ending	<u>\$ 27,980</u>	<u>\$ (235,524)</u>	<u>\$ 225,000</u>	<u>\$ 17,456</u>

Town of Four Oaks, North Carolina
PT George Endowment Fund
Statement of Revenues, Expenditures, and Charges in Fund Balance
For the Year Ended June 30, 2024

	Budget	PT George Endowment Fund	Variance Positive (Negative)
REVENUES			
Investment earnings		\$ 1,426	
Total Revenues	\$ 1,426	1,426	\$ -
EXPENDITURES			
Beautification		1,426	
Total expenditures	1,426	1,426	-
Revenues over (under) expenditures	\$ -	-	\$ -
Fund Balances, beginning		27,980	
Fund Balances, ending		\$ 27,980	

Town of Four Oaks, North Carolina
CDBG Downtown Streetscape Project
Schedule of Revenues and Expenditures-Budget to Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2024

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
CDBG grant	\$ 900,000	\$ -	\$ -	\$ -	\$ (900,000)
Total revenues	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(900,000)</u>
Expenditures:					
General government:					
Construction	583,400	30,722	191,402	222,124	361,276
Engineering	291,600	-	-	-	291,600
Administration	<u>25,000</u>	<u>3,900</u>	<u>9,500</u>	<u>13,400</u>	<u>11,600</u>
Total expenditures	<u>900,000</u>	<u>34,622</u>	<u>200,902</u>	<u>235,524</u>	<u>664,476</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (34,622)</u>	<u>(200,902)</u>	<u>\$ (235,524)</u>	<u>\$ (235,524)</u>
Fund balance - beginning			<u>(34,622)</u>		
Fund balance - ending			<u><u>\$ (235,524)</u></u>		

Town of Four Oaks, North Carolina
Police and Parks and Rec Project Fund
Schedule of Revenues and Expenditures-Budget to Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2024

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
OSBM grant	\$ -	\$ -	\$ 225,000	\$ 225,000	\$ 225,000
Total revenues	-	-	225,000	225,000	225,000
Expenditures:					
Public safety:					
Administration, construction, and engineering expenses	-	-	-	-	-
Total expenditures	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>225,000</u>	<u>\$ 225,000</u>	<u>\$ 225,000</u>
Fund balance - beginning			<u>-</u>		
Fund balance - ending			<u>\$ 225,000</u>		

PROPRIETARY FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Town of Four Oaks, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2024

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Utility Sales:			
Residential &			
Commercial		\$ 2,351,330	
Miscellaneous		30,345	
Total Operating Revenues	\$ 2,310,800	2,381,675	\$ 70,875
Nonoperating revenues:			
Interest earnings	26,400	29,275	2,875
Total Revenues	2,337,200	2,410,950	73,750
Expenditures:			
Water and Sewer Operations:			
Salaries and benefits		310,632	
Operating Expenses		1,549,018	
Capital outlay		42,517	
Total water administration	2,263,572	1,902,167	361,405
Debt Service			
Interest and other charges		26,114	
Principal retirement		47,193	
Total	73,628	73,307	321
Total expenditures	2,337,200	1,975,474	361,726
Revenues over (under) expenditures	-	435,476	435,476
Revenues and other sources over expenditures and other uses	\$ -	\$ 435,476	\$ 435,476
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		\$ 435,476	
Reconciling items:			
Principal retirement		47,193	
Capital outlay		42,517	
Depreciation		(117,762)	
Capital contributions		491,143	
(Increase) decrease in accrued vacation pay		(3,842)	
(Increase) decrease deferred inflows of resources -pensions		(7,648)	
Increase (decrease) deferred outflows of resources - pensions		6,522	
(Increase) decrease net pension liability		(11,420)	
Total reconciling items		446,703	
Change in net position		\$ 882,179	

Town of Four Oaks, North Carolina
HEIDI Project
Schedule of Revenues and Expenditures-Budget to Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2024

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
CDBG - 18-E-3055	\$ 500,000	\$ 478,333	\$ 21,667	\$ 500,000	\$ -
US Department of Commerce EDA	750,000	288,171	461,829	750,000	-
Golden leaf grant	250,000	241,353	7,647	249,000	(1,000)
Local	310,732	-	-	-	(310,732)
Total revenues	<u>1,810,732</u>	<u>1,007,857</u>	<u>491,143</u>	<u>1,499,000</u>	<u>(311,732)</u>
Expenditures:					
Construction	1,557,932	1,500,416	-	1,500,416	57,516
Administration	52,000	14,669	-	14,669	37,331
Engineering	200,800	25,330	-	25,330	175,470
Total expenditures	<u>1,810,732</u>	<u>1,540,415</u>	<u>-</u>	<u>1,540,415</u>	<u>270,317</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (532,558)</u>	<u>491,143</u>	<u>\$ (41,415)</u>	<u>\$ (41,415)</u>
Fund balance - beginning			<u>(532,558)</u>		
Fund balance - ending			<u>\$ (41,415)</u>		

OTHER SCHEDULES

This section includes additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Four Oaks, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2024

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2023</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2024</u>
2023-2024	\$ -	\$ 1,330,523	\$ 1,329,643	\$ 880
2022-2023	510	-	232	278
2021-2022	334	-	6	328
2020-2021	372	-	18	354
2019-2020	349	-	21	328
2018-2019	511	-	-	511
2017-2018	239	-	-	239
2016-2017	292	-	-	292
2015-2016	346	-	-	346
2014-2015	261	-	-	261
2013-2014	165	-	165	-
	<u>\$ 3,379</u>	<u>1,330,523</u>	<u>1,330,085</u>	<u>\$ 3,817</u>

Ad valorem taxes receivable - net \$ 3,817

Reconcilement with revenues:

Ad valorem taxes - General Fund \$ 1,332,108
Reconciling items:
Interest collected (1,879)
Discounts, Releases, Refunds, Fees, Write-offs (144)
Total collections and credits \$ 1,330,085

Town of Four Oaks, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Year Ended June 30, 2024

				Total Levy	
	Town - Wide		Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate			
Original levy:					
Property taxed at current year's rate	\$ 263,144,000	0.50	\$ 1,315,720	\$ 1,200,489	\$ 115,231
Discoveries - current year	2,972,000		14,860	14,860	-
Releases					
Total property valuation	<u>(11,400)</u>		<u>(57)</u>	<u>(57)</u>	<u>-</u>
Total property valuation	<u><u>\$ 266,104,600</u></u>				
Net levy			1,330,523	1,215,292	115,231
Uncollected taxes at June 30, 2024			<u>(880)</u>	<u>(880)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 1,329,643</u></u>	<u><u>\$ 1,214,412</u></u>	<u><u>\$ 115,231</u></u>
Current levy collection percentage			<u><u>99.93%</u></u>	<u><u>99.93%</u></u>	<u><u>100.00%</u></u>

COMPLIANCE SECTION



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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Four Oaks, North Carolina

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Four Oaks, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprises the Town of Four Oaks' basic financial statements, and have issued our report thereon dated January 7, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Four Oaks' internal control over financial reporting (internal control) as a basis for designing 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 Four Oaks' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-002 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2024-001, 2024-003, 2024-004, 2024-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Four Oaks' financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2024-001, 2024-003, 2024-004, 2024-005.

Town of Four Oaks' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Four Oaks' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

January 7, 2025

Town of Four Oaks, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance to GAAP:
Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) identified X yes no

Noncompliance material to financial
statements noted X yes no

Town of Four Oaks, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2024

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

Finding: 2024 - 001 Investment of Donated Funds

Criteria: The Town should invest in investments that meet the requirements of NC General Statute 159-33.

Condition: The Town invested donated funds into an investment that is not allowed by NC General Statute 159-33. This investment was at the request of the donor.

Effect: The Town violated NC General Statute 159-33.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2023-001.

Cause: The Town management is aware of the General Statute limiting the type of investments for donated or idle funds, but they want to uphold the request of the donor.

Recommendation: The Town should consider all investment options as allowed by NC General Statute 159- 33. General Statute 159-33 establishes a nine-month timeframe within which the securities must be sold.

Views of responsible officials and planned corrective actions: The Town agrees with the finding and will adhere to the corrective action plan of this report.

MATERIAL WEAKNESS

Finding: 2024 - 002 Failure to Perform Reconciliations of Significant Accounts

Criteria: Cash, accounts receivable, and accruals are not reconciled to the general ledger accounts in a timely or accurate manner.

Condition: There is a lack of ability to reconcile these subsidiary ledgers to the general ledger.

Effect: Information obtained from general ledger could be incorrect.

Cause: Inadequate training with software.

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: The Town should obtain additional training with the software vendor and evaluate the usefulness of the system.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan to follow.

Town of Four Oaks, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2024

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

Finding: 2024 - 003 Timeliness of Audit Report Submission

Criteria: The June 30, 2024, audit was submitted passed the required due date. This is a violation of G.S. 159-34.

Condition: The Town did not provide necessary data to audit firm in a timely manner.

Context: The Town was late completing necessary reconciliations which led to the audit being delayed past the required due date.

Effect: The reports are a requirement of General Statutes; lateness created the statue violation.

Cause: Untimely reconciliations of accounts to the ledgers.

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: The Town will ensure reconciliations are performed timely.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and has already taken action.

SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

2024 - 004 Timeliness of LGC – 203 Report Submission

Criteria: The June 30, 2024, LGC – 203 report was submitted passed the required due date. This is a violation of G.S. 159-33.

Condition: The Town did not submit the required LGC-203 in a timely manner.

Context: The Town was late submitting the LGC – 203 reports to the State.

Effect: The reports are a requirement of General Statutes; lateness created the statue violation.

Cause: Untimely reconciliations of accounts to the ledgers.

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: The Town will ensure reconciliations are performed timely.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and has already taken action.

Town of Four Oaks, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2024

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

2024 - 005 Timeliness of Powell Bill Expenditure Report Submission

Criteria: The June 30, 2024, Powell Bill Expenditure Report was submitted passed the required due date. This is a violation of G.S. 136-41.

Condition: The Town did not submit the required Powell Bill Expenditure Report in a timely manner.

Context: The Town was late submitting the Powell Bill Expenditure Report to the State.

Effect: The report is a requirement of General Statutes; lateness created the statute violation.

Cause: Untimely reconciliations of accounts to the ledgers.

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: The Town will ensure reconciliations are performed timely.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and has already taken action.



**CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings

Finding: 2024-001 Investment of Donated Funds

Name of contact person: Rachel Raynor, Finance Officer

Corrective Action: The Town will consider all investment options as allowed by NC General Statute 15-30.

Proposed Completion Date: The board will implement the above procedure immediately.

Finding: 2024 - 002 Failure to Perform Reconciliations of Significant Accounts

Name of Contact Person: Rachel Raynor, Finance Officer

Corrective Action: Management will install measures to ensure all reconciliations are performed timely.

Proposed Completion Date: Immediately.

Finding: 2024 – 003 Timeliness of Audit Report Submission

Name of contact person: Rachel Raynor, Finance Officer

Corrective Action: Management will ensure timeliness of required filings.

Proposed Completion Date: Immediately.

Finding: 2024 – 004 Timeliness of LGC 203 Report

Name of contact person: Rachel Raynor, Finance Officer

Corrective Action: Management will ensure timeliness of required filings.

Proposed Completion Date: Immediately.



**CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Section II – Financial Statement Findings

Finding: 2024 – 005 Timeliness of Powell Bill Expenditure Report

Name of contact person: Rachel Raynor, Finance Officer

Corrective Action: Management will ensure timeliness of required filings.

Proposed Completion Date: Immediately.

Town of Four Oaks, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2024

Finding: 2023-001

Status: The Town still holds investments that are not allowed under NC General Statute 15-30. Refer to finding 2024-001.