

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS

June 30, 2015

Board of Commissioners

Craig Caster, Mayor
Barbara Glidden, Mayor Pro Tem
Mike Forte
David Putnam
Mary Stillwell

Administrative and Financial Staff

Jeff Repp, City Manager
Jane McMinn, City Clerk
Karen Thompson, Finance Director

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FINANCIAL SECTION

Independent Auditors' Report

To the Honorable Mayor and
Members of the Board of Commissioners
City of Boiling Spring Lakes
Boiling Spring Lakes, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Boiling Spring Lakes Board of Alcoholic Control were not audited in accordance with Government Auditing Standards.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on Exhibits A-1 through A-6, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015 on our consideration of City of Boiling Spring Lakes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Boiling Spring Lakes' internal control over financial reporting and compliance.

Berry, Padgett & Chambers PLLC
Certified Public Accountants

Southport, North Carolina
November 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Boiling Spring Lakes, we offer readers of the City of Boiling Spring Lakes' financial statements this narrative overview and analysis of the financial activities of the City of Boiling Spring Lakes for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

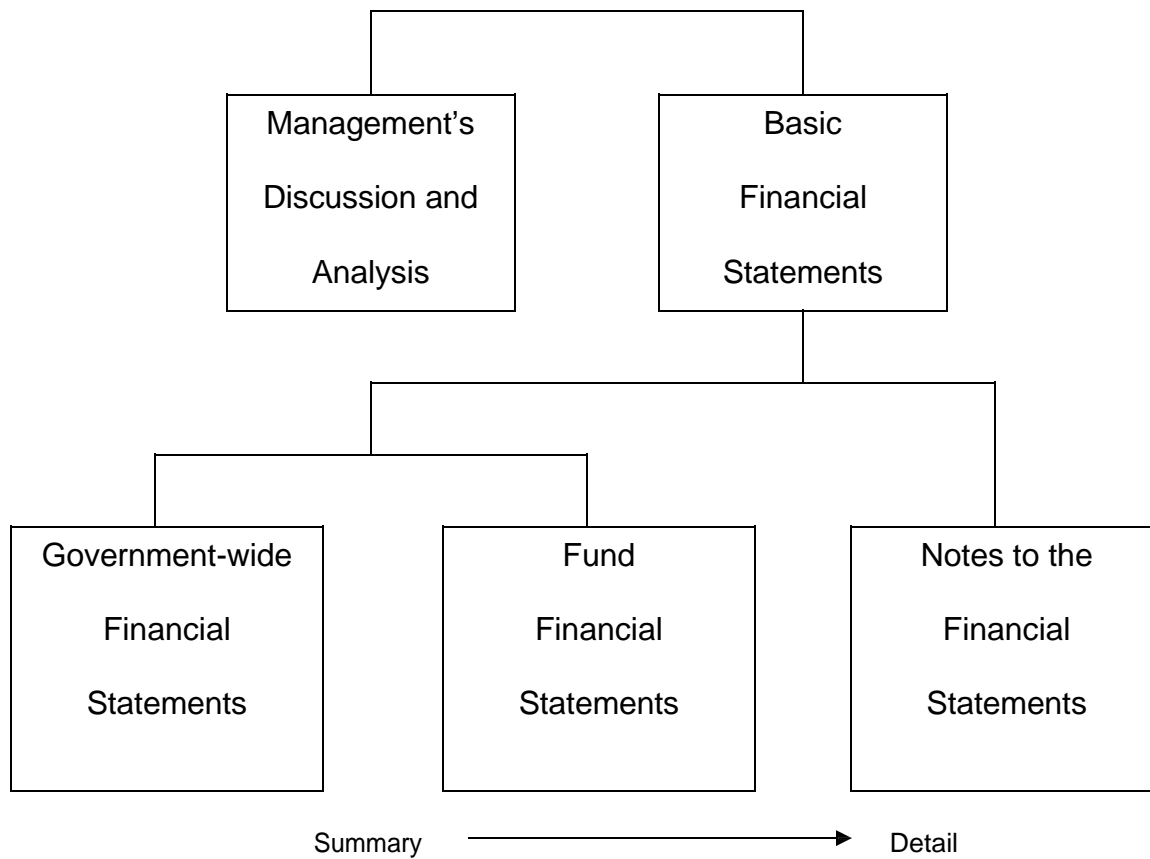
- *The assets of the City of Boiling Spring Lakes exceeded its liabilities at the close of the fiscal year by \$ 4,910,092 (net assets).*
- *As of the close of the current fiscal year, the City of Boiling Spring Lakes' governmental funds reported combined ending fund balances of \$ 3,098,895 an increase of \$ 353,971.*
- *At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,169,073 or 67% of the General Fund expenditures in the current year.*
- *The City of Boiling Spring Lakes' total long term debt decreased to \$ 1,099,653 as of June 30, 2015 a decrease by \$ 80,000.*
- *This financial statement reflects the final transfer from the enterprise fund (Water Fund) and the closing of that fund.*
- *The financial statements will show for the first time GASB required financial reporting of the City's involvement with state controlled pension funds.*

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Boiling Spring Lakes' basic financial statements. The City'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 City 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 City of Boiling Spring Lakes.

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 City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City'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, 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, **Required Supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City'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 City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. State Income Tax, property taxes and state and federal grant funds finance most of these activities. At June 30, 2015, the City does not conduct any business-type activities. The water system was transferred to Brunswick County in May, 2010. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits, which have continued to rise since a fire destroyed the store in late 2011 and a new facility opened in 2013, to the City.

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 City'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 City of Boiling Spring Lakes, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Boiling Spring Lakes can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City'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* that 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 City's programs. The relationship between governmental 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 City of Boiling Spring Lakes 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 City, the management of the City, and the decisions of the Board concerning which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Boiling Spring Lakes had an Enterprise fund. The Water System was transferred to Brunswick County in May, 2010. The City officially terminated the enterprise fund and transferred final proceeds in FY 2015 and revenues received after that date will now be deposited in the City's general fund. Several line items have increased in the accounts receivable and payable as a result of this activity.

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

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

Government-Wide Financial Analysis

The City of Boiling Spring Lakes' Net Position

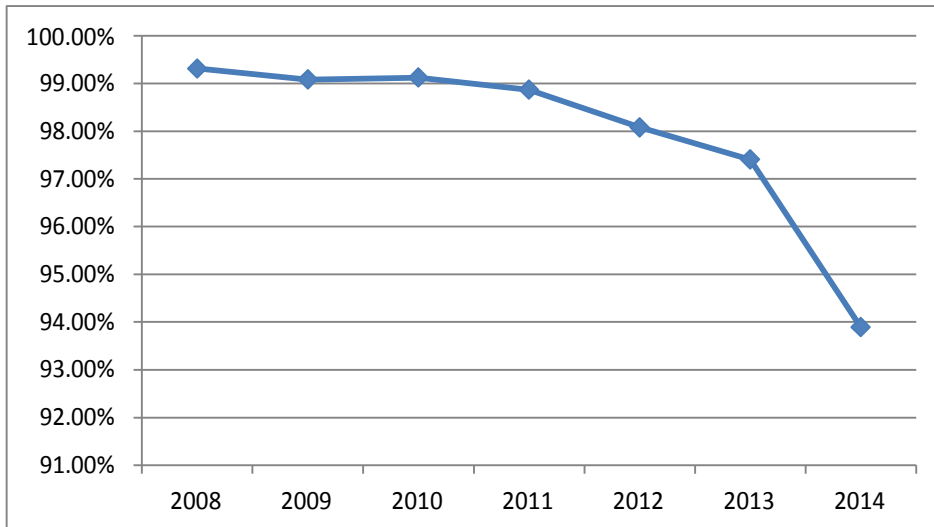
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	3,435,971	2,989,452	-	364,946	3,435,971	3,354,398
Capital Assets	3,596,210	3,322,851	-	-	3,596,210	3,322,851
Total Assets	7,032,181	6,312,303	-	364,946	7,032,181	6,677,249
Long-term liabilities outstanding	1,740,137	1,740,690	-	-	1,740,137	1,740,690
Other liabilities	178,718	108,158	-	-	178,718	108,158
Total liabilities	1,918,855	1,848,848	-	-	1,918,855	1,848,848
Net assets:						
Invested in Capital assets						
Net of related debt	2,363,746	2,143,198			2,363,746	2,143,198
Restricted	708,420	490,715	-	364,946	708,420	855,661
Unrestricted	1,837,926	1,829,542	-	-	1,837,926	1,829,542
Total net assets	4,910,092	4,463,455		364,946	4,910,092	4,828,401

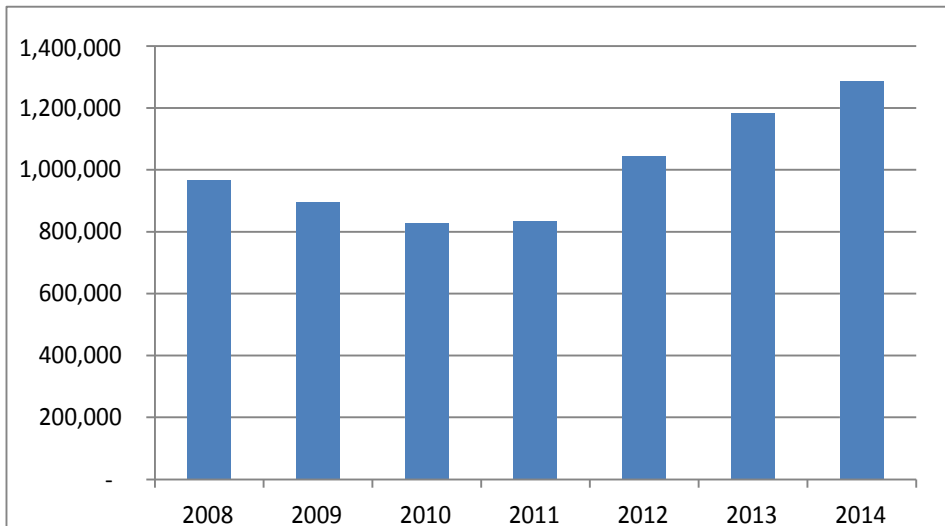
As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Boiling Spring Lakes exceeded liabilities by \$4,910,092 as of June 30, 2015. The City's net assets increased by \$ 81,691 for the fiscal year ended June 30, 2015. This net increase resulted from an decrease of \$ 147,241 in restricted net assets, an increase in unrestricted net assets of \$8,384, and a increase of \$273,359 invested in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Boiling Spring Lakes uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Boiling Spring Lakes' 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. Restricted net assets represent resources that are subject to external restrictions (Water Assessments

and Powell Bill) on how they may be used. The remaining balance of net position, \$1,837,926 is unrestricted, a increase of \$ 8,384 from the prior fiscal year. Several particular aspects of the City's financial operations influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of real property taxes by maintaining an average tax collection percentage (2008-2014) of 98.05%, which is comparable to the statewide average of 97.5%.



- Increased sales tax revenues due to improving economic conditions in Brunswick County and increasing population of the City which is integral to the distribution method of sales tax revenue.



- Low cost of debt due to the City's strong fiscal controls.

City of Boiling Spring Lakes Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	210,494	184,913	-	1,178	210,494	186,091
Operating grants and contributions	350,554	380,109	-	-	350,554	380,109
Capital grants and contributions	879	1,334	-	12,229	879	13,563
General Revenues:						
Property Taxes	888,162	744,360	-	-	888,162	744,360
Other Taxes	1,773,598	1,578,937	-	-	1,773,598	1,578,937
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Unrestricted investment income	11	6	-	-	11	6
Other	41,790	13,110	-	1,374	41,790	14,484
Total Revenues	3,265,488	2,902,769	-	14,781	3,265,488	2,917,550
Expenses						
General Government	990,601	847,326	-	-	990,601	847,326
Public Safety	1,063,565	963,406	-	-	1,063,565	963,406
Transportation	579,924	549,871	-	-	579,924	549,871
Environmental Protection	7,130	2,561	-	-	7,130	2,561
Health and welfare	354,865	329,071	-	-	354,865	329,071
Cultural and recreation	2,218	27,840	-	-	2,218	27,840
Interest on long-term debt	45,140	47,791	-	-	45,140	47,791
Water	-	-	-	16	-	16
Total Expenses	3,043,443	2,767,866	-	16	3,043,443	2,767,882
Change in net assets before transfers	222,045	134,903	-	14,765	222,045	149,668
Special item - water assessment refunds	-	-	-	-	-	-
Special item - water system transfer	-	-	-	-	-	-
Transfers	364,946	-	(364,946)	-	-	-
Change in net assets	586,991	134,903	(364,946)	14,765	222,045	149,668
Net assets, July 1	4,323,101	4,328,552	364,946	350,181	4,828,401	4,678,733
Net assets, June 30	4,910,092	4,463,455	-	364,946	5,050,446	4,828,401

Governmental activities: Governmental activities increased the City's net assets by \$586,991, while business-type activities decreased the City's net assets by \$364,946. It is important to point out that without the water fund transfer the increase would have been \$ 222,405. Key elements of the government activities increase are as follows.

- Increase local option sales tax distribution revenue
- Improved permit fees
- Depreciation expense
- Increase in overall expenditures

Business-type activities: Business-type activities decreased the City of Boiling Spring Lakes' net assets by \$364,946 due to the final transfer of unrestricted assets from the Water Fund.

Financial Analysis of the City's Funds

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

Governmental Funds: The focus of the City of Boiling Spring Lakes' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Boiling Spring Lakes' financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Boiling Spring Lakes. At the end of the current fiscal year, the City's fund unassigned balance available in the General Fund was \$2,169,073, while the total fund balance was \$ 3,086,513. The unassigned fund balance represents 67% of general fund expenditures, while total fund balance represents 95% of the same amount.

At June 30, 2015, the governmental funds of City of Boiling Spring Lakes reported a combined fund balance of \$ 3,098,895 with an increase in fund balance of \$ 353,971. Included in this change in fund balance are increases in fund balance in the General and a remaining balance in the Capital Project Fund.

General Fund Budgetary Highlights. During the fiscal year, the City 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 capital lease proceeds, and 3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts primarily because intergovernmental revenues were more than anticipated. Expenditures were increased to fund additional activities with the new revenues not anticipated during the budget and the City was able to comply with its budgetary requirements.

Proprietary Funds. The City of Boiling Spring Lakes' proprietary funds provide the same type of information found in the government-wide statements but in more detail. The total change in net assets for the fund was an decrease of \$ 364,946 to reflect the final transfer of unrestricted assets from the Water Fund to the General Fund.

Capital Asset and Debt Administration

Capital assets. The City of Boiling Spring Lakes' investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$3,463,399 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

City of Boiling Spring Lakes Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	152,421	152,421	-	-	152,421	152,421
Construction in Progress	149,597	148,355	-	-	149,597	148,355
Buildings	2,417,539	2,417,539	-	-	2,417,539	2,417,539
Machinery and Equipment	1,040,456	950,698	-	-	1,040,456	950,698
Furniture, fixtures and office equipment	-	-	-	-	-	-
Vehicles	768,704	725,012	-	-	768,704	725,012
Infrastructure	1,259,543	1,063,751	-	-	1,259,543	1,063,751
Accumulated Depreciation	(2,324,861)	(2,134,925)	-	-	(2,324,861)	(2,134,925)
Total	3,463,399	3,322,851	-	-	3,463,399	3,322,851

Additional information on the City's capital assets can be found in note III, A, 4 of the Basic Financial Statements.

Long-term Debt: The City's total long term debt decreased by \$80,000 to \$ 1,099,653 as of June 30, 2015.

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 FY 2015 for the City of Boiling Spring Lakes is \$ 41,290,408.

Additional information regarding the City of Boiling Spring Lakes' long-term debt can be found in note, III, B, 6 of this report.

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities: Due to the improving economic climate property taxes, sales taxes and revenues from permits, fees and street license fees are expected to show an increase in budgeted revenue from June 30, 2015. The City administration will monitor the economic conditions in Brunswick County and remain poised to make adjustments to the budget as warranted. Budgeted expenditures in the General Fund will be reduced if required. Construction was concluded by Brunswick County Department of Utilities for a Sewer Collection System along the Highway 87 Commercial Corridor and necessary pump stations and transmission lines.

Business – type Activities: The City completed the second phase of the water system in December of 2010 and had properly transferred all water system assets to the County at June 30, 2011. Unused Water Assessments were refunded by the City as provided under the provisions of N. C. General Statutes. The refunds were completed during the year ended June 30, 2015. Unrestricted assets of the Water Fund have been periodically transferred to the General Fund. Final transfer occurred in FY 2015.

In FY 2013, some of these assets were used to create the Capital Improvement Fund with an initial balance of \$ 150,000. As of June 30, 2015 the remaining balances of this fund was \$ 113,615 and are considered committed funds.

Requests for Information

This report is designed to provide an overview of the City'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 Karen Thompson, Finance Director, City of Boiling Spring Lakes, 9 East Boiling Spring Road, Boiling Spring Lakes, NC 28461 at (910) 363-0025 or kthompson@cityofbsl.org. Copies of the audit and past three fiscal year audits are available on the city's website at www.cityofbsl.org.

BASIC FINANCIAL STATEMENTS

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2015

EXHIBIT 1

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Component</u> <u>Units</u>
ASSETS				
Current assets:				
Cash and equivalents	2,370,711	-	2,370,711	85,130
Taxes receivable (net)	133,817	-	133,817	-
Other receivables	214,164	-	214,164	-
Accrued interest receivable on taxes	26,678	-	26,678	-
Due from other governmental agencies	346,916	-	346,916	-
Due from component unit	13,147	-	13,147	-
Inventories	-	-	-	55,108
Prepaid expenses	-	-	-	4,552
Restricted cash and cash equivalents	330,538	-	330,538	-
Total current assets	<u>3,435,971</u>	<u>-</u>	<u>3,435,971</u>	<u>144,790</u>
Non-current assets:				
Restricted assets				
Net pension asset	132,811	-	132,811	2,948
Capital assets				
Land and improvements not being depreciated	152,421	-	152,421	15,000
Construction in progress	149,597	-	149,597	-
Other capital assets, net of depreciation	3,161,381	-	3,161,381	126,349
Total capital assets	<u>3,463,399</u>	<u>-</u>	<u>3,463,399</u>	<u>141,349</u>
Total non-current assets	<u>3,596,210</u>	<u>-</u>	<u>3,596,210</u>	<u>144,297</u>
Total assets	<u>7,032,181</u>	<u>-</u>	<u>7,032,181</u>	<u>289,087</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current fiscal year	86,715	-	86,715	3,038
Pension deferrals	33,744	-	33,744	-
Total deferred outflows of resources	<u>120,459</u>	<u>-</u>	<u>120,459</u>	<u>3,038</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	93,851	-	93,851	58,007
Due to primary government	-	-	-	13,147
Accrued interest	2,137	-	2,137	-
Accounts payable from restricted assets	82,730	-	82,730	-
Current portion of long-term liabilities	161,852	-	161,852	-
Total current liabilities	<u>340,570</u>	<u>-</u>	<u>340,570</u>	<u>71,154</u>
Long-term liabilities				
Due in more than one year	1,578,285	-	1,578,285	-
Total liabilities	<u>1,918,855</u>	<u>-</u>	<u>1,918,855</u>	<u>71,154</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	323,693	-	323,693	7,390
Total deferred inflows of resources	<u>323,693</u>	<u>-</u>	<u>323,693</u>	<u>7,390</u>
NET POSITION				
Net investment in capital assets	2,363,746	-	2,363,746	141,349
Restricted for:				
Stabilization by State Statute	574,227	-	574,227	-
Streets - Powell Bill	134,193	-	134,193	-
Capital outlay	-	-	-	19,760
Unrestricted	1,837,926	-	1,837,926	52,472
Total net position	<u>4,910,092</u>	<u>-</u>	<u>4,910,092</u>	<u>213,581</u>

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

EXHIBIT 2

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for	Operating Grants	Capital Grants	Governmental	Business-type	Total	
		Services	and	and	Activities	Activities		
			Contributions	Contributions				
Primary government								
Governmental activities								
General Government	990,601	464	2,054	-	(988,083)		(988,083)	
Public Safety	1,063,565	51,023	39,501	115	(972,926)		(972,926)	
Transportation	579,924	23,250	308,129	-	(248,545)		(248,545)	
Health Sanitation and Welfare	7,130	-	870	-	(6,260)		(6,260)	
Culture and Recreation	354,865	135,757	-	764	(218,344)		(218,344)	
Environmental protection	2,218	-	-	-	(2,218)		(2,218)	
Interest on Long-term debt	45,140	-	-	-	(45,140)		(45,140)	
Total governmental activities	3,043,443	210,494	350,554	879	(2,481,516)		(2,481,516)	
Business-type activities								
Water and Sewer Operations	-	-	-	-		-	-	
Total business-type activities	-	-	-	-		-	-	
Total primary government	3,043,443	210,494	350,554	879	(2,481,516)	-	(2,481,516)	
Component Units								
Boiling Spring Lakes ABC Board	515,363	515,363	-	-				-
Total component units	515,363	515,363	-	-				-
General revenues:								
Taxes:								
Property taxes, levied for general purposes					888,162	-	888,162	-
Other taxes					1,773,598	-	1,773,598	-
Unrestricted investment earnings					11	-	11	-
Miscellaneous					41,790	-	41,790	-
Transfers					364,946	(364,946)	-	-
Total general revenues and transfers					3,068,507	(364,946)	2,703,561	-
Change in net position					586,991	(364,946)	222,045	-
Net position - beginning, previously reported					4,463,455	364,946	4,828,401	217,890
Restatement					(140,354)		(140,354)	(4,309)
Net position - beginning, restated					4,323,101	(364,946)	5,132,137	213,581
Net position - ending					4,910,092	-	4,910,092	213,581

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

EXHIBIT 3
Page 1 of 2

	<u>Major Fund</u>	<u>Total Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Spillway Capital Project Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	2,357,129	13,582	2,370,711
Taxes receivable, net	133,817	-	133,817
Receivable from other governments	346,916	-	346,916
Receivable from other component unit	13,147	-	13,147
Other receivables	214,164	-	214,164
Restricted assets:			
Cash and cash equivalents	330,538	-	330,538
Total assets	<u>3,395,711</u>	<u>13,582</u>	<u>3,409,293</u>
LIABILITIES			
Accounts payable	92,651	1,200	93,851
Accounts payable from restricted assets	82,730	-	82,730
Total liabilities	<u>175,381</u>	<u>1,200</u>	<u>176,581</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	133,817	-	133,817
Total deferred inflows of resources	<u>133,817</u>	<u>-</u>	<u>133,817</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	574,227	-	574,227
Streets	134,193	-	134,193
Committed			
Capital outlay	113,615	12,382	125,997
Assigned			
Environmental Protection	-	-	-
Cultural and Recreation	-	-	-
Subsequent year's expenditure	95,405	-	95,405
Unassigned	2,169,073	-	2,169,073
Total fund balances	<u>3,086,513</u>	<u>12,382</u>	<u>3,098,895</u>
Total liabilities, deferred inflows of resources and fund balances	<u>3,395,711</u>	<u>13,582</u>	<u>3,409,293</u>

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2015

EXHIBIT 3
Page 2 of 2

Total fund balance, governmental funds	3,098,895
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Gross capital assets at historical costs	5,788,260	
Accumulated depreciation	<u>(2,324,861)</u>	3,463,399

Net pension asset	132,811
-------------------	---------

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	86,715
--	--------

Deferred outflows of resources resulting from changes in the City's proportionate share of pension contributions compared to the City's actual contributions	33,744
--	--------

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	26,678
---	--------

Liabilities for earned revenues considered deferred inflows of resources in fund statements.	133,817
--	---------

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(1,740,137)
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Pension related deferrals	(323,693)
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Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(2,137)
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Net position of governmental funds	<u><u>4,910,092</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

EXHIBIT 4
Page 1 of 2

	<u>Major Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Spillway Capital Project Fund</u>	
REVENUES			
Property taxes	866,074	-	866,074
Other taxes	2,060	-	2,060
Unrestricted intergovernmental revenues	1,771,538	-	1,771,538
Restricted intergovernmental revenues	348,257	-	348,257
Licenses and permits	73,386	-	73,386
Sales and services	149,559	-	149,559
Investment earnings	11	-	11
Miscellaneous	32,515	-	32,515
Total revenues	<u>3,243,400</u>	<u>-</u>	<u>3,243,400</u>
EXPENDITURES			
Current:			
General government	860,793	-	860,793
Public safety	1,136,030	-	1,136,030
Transportation	718,010	-	718,010
Environmental protection	2,218	-	2,218
Health and welfare	7,130	-	7,130
Culture and recreation	403,912	1,242	405,154
Debt Service:			
Principal	80,000	-	80,000
Interest and other charges	45,040	-	45,040
Total expenditures	<u>3,253,133</u>	<u>1,242</u>	<u>3,254,375</u>
Excess (deficiency) of revenues over expenditures	<u>(9,733)</u>	<u>(1,242)</u>	<u>(10,975)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	364,946	-	364,946
Total other financing sources and uses	<u>364,946</u>	<u>-</u>	<u>364,946</u>
Net change in fund balances	355,213	(1,242)	353,971
Fund balances - beginning	<u>2,731,300</u>	<u>13,624</u>	<u>2,744,924</u>
Fund balances - ending	<u><u>3,086,513</u></u>	<u><u>12,382</u></u>	<u><u>3,098,895</u></u>

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

EXHIBIT 4
Page 2 of 2

Net change in fund balances - total governmental funds: 353,971

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay expenditures which were capitalized	367,401
Depreciation expense for governmental assets	(226,853)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	86,715
--	--------

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Change in unavailable revenue for tax revenues	22,088
--	--------

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	80,000
Accrued interest	(100)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Compensated absences	(124)
Pension expense	(9,117)
Net pension obligation	(14,810)
Unfunded OPEB benefits	(72,180)

Total changes in net position of governmental activities	586,991
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The accompanying notes are an integral part of the financial statements.

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year ended June 30, 2015**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	858,436	858,436	866,074	7,638
Other taxes	7,500	7,500	2,060	(5,440)
Unrestricted intergovernmental revenues	1,606,991	1,606,991	1,771,538	164,547
Restricted intergovernmental revenues	319,216	345,216	348,257	3,041
Licenses and permits	68,325	68,325	73,386	5,061
Sales and services	108,180	133,436	149,559	16,123
Investment earnings	-	-	11	11
Miscellaneous	24,245	28,633	32,515	3,882
Total revenues	<u>2,992,893</u>	<u>3,048,537</u>	<u>3,243,400</u>	<u>194,863</u>
EXPENDITURES				
Current:				
General government	737,809	891,781	860,793	30,988
Public Safety	1,073,217	1,183,521	1,136,030	47,491
Transportation	706,156	735,620	718,010	17,610
Environmental protection	1,510	2,246	2,218	28
Health and welfare	2,800	7,164	7,130	34
Culture and recreation	345,470	404,379	403,912	467
Debt Service:				
Principal	80,001	80,001	80,000	1
Interest and other charges	45,050	45,050	45,040	10
Contingency	25,880	-	-	-
Total expenditures	<u>3,017,893</u>	<u>3,349,762</u>	<u>3,253,133</u>	<u>96,629</u>
Excess (deficiency) of revenues over expenditures	<u>(25,000)</u>	<u>(301,225)</u>	<u>(9,733)</u>	<u>291,492</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	171,000	364,946	(193,946)
Total other financing sources and uses	<u>-</u>	<u>171,000</u>	<u>364,946</u>	<u>(193,946)</u>
 Fund balance appropriated	 25,000	 130,225	 -	 (130,225)
Net change in fund balances	<u>-</u>	<u>-</u>	<u>355,213</u>	<u>355,213</u>
Fund balances - beginning			2,609,245	
Fund balances - ending			2,964,458	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Transfer to General Fund			8,440	
Fund balance, beginning			113,615	
Fund balance, ending (Exhibit 4)			<u>3,086,513</u>	

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

EXHIBIT 6

	<u>Enterprise Funds</u>	
	<u>Water Fund</u>	<u>Total</u>
ASSETS		
Current assets:		
Total current assets	<u>-</u>	<u>-</u>
Total assets	<u>-</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
NET POSITION		
Unrestricted	<u>-</u>	<u>-</u>
Total net position	<u>-</u>	<u>-</u>

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

EXHIBIT 7

	<u>Enterprise Funds</u>	
	<u>Water Fund</u>	<u>Total</u>
REVENUES		
Total operating revenues	-	-
OPERATING EXPENSES		
Total operating expenses	-	-
Operating income (loss)	-	-
NON-OPERATING REVENUES (EXPENSES)		
Total non-operating revenue (expenses)	-	-
Income (loss) before contributions and transfers	-	-
Transfers out	(364,946)	(364,946)
Change in net position	(364,946)	(364,946)
Total net position - beginning	364,946	364,946
Total net position - ending	-	-

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

EXHIBIT 8

	Major Enterprise Funds	
	Water Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided (used) by operating activities	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to other funds	(147,642)	(147,642)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net cash provided (used) by capital and related financing activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on assessments	-	-
Net increase (decrease) in cash and cash equivalents	(147,642)	(147,642)
Cash and cash equivalents, beginning	147,642	147,642
Cash and cash equivalents, ending	-	-
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (loss)	-	-
Adjustments to reconcile operating income to net cash provided by operating activities:		
Total adjustments	-	-
Net cash provided (used) by operating activities	-	-

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

EXHIBIT 9
Page 1 of 26

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Boiling Spring Lakes, North Carolina and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Boiling Spring Lakes is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

Town of Boiling Spring Lakes ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Boiling Spring Lakes ABC Board, 3130 George II Hwy, SE, Boiling Spring Lakes, NC 28461.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. 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 City and for each function of the City'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 City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. 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 administration, public safety, street maintenance and construction, sanitation, and parks and recreation. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

The City reports the following non-major governmental fund:

Spillway Capital Project Fund. This fund is used to account for the construction cost of updating the lakes and dam spillway.

The City reports the following major proprietary funds:

Water Fund. As of May 1, 2010, the City's water system and related debt was transferred to Brunswick County. At the date of transfer, there were uncollected assessments that were levied to finance the construction of the system. Through special legislation, a portion of the assessments collected through December 31, 2011 was approved to be refunded to the original payer of the assessment. On July 1, 2014 the Water Fund was closed and the remaining assets were transferred to the General Fund.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City 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 City 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues 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 City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The City 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 are shown as a receivable in these financial statements and are offset by deferred inflows of resources. Other receivables consist of Water Assessment which were recognized as income in the Water Fund prior to the closing of the Water Fund and transfer to the General Fund. Therefore, the General Fund will not recognize income when assessments are collected. However, fund balance available for appropriation will increase as the assessments are collected.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Water Fund. All annual appropriations lapse at the fiscal-year end. A project ordinance is adopted for the Spillway Capital Project. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The City Budget Officer is authorized to transfer appropriations within departmental budgets up to \$10,000. All such transfers shall be reported to the Board of Commissioners at its next regular monthly meeting. Any other revisions that shall be made to any portion of the Budget must be approved by the governing board. During the year, several amendments to the original budget were necessary. 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 Outflow/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. Cash and Cash Equivalents

The City 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. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Money in the Capital Reserve Fund is classified as restricted assets because its use is restricted for future capital asset purchases per NC G.S. Chapter 159, Article 3, Part 2.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014.

5. Other Receivables

Other receivables include uncollected utility billings and water assessments which were transferred to the General Fund upon the closing of the Water Fund. The utility billings are significant past due and are included in the allowance for doubtful accounts. The water assessments are considered fully collectible as liens against the related property.

6. Allowances for Doubtful Accounts

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

7. Inventory and Prepaid Items

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

The inventory of the ABC Board consist of materials and supplies held for subsequent use. The costs of these inventories are recorded as an expense as the inventories are 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets consist of road networks paved after July 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure - streets	20 years
Buildings & improvements	40 years
Automobiles	3 years
Light trucks	5 years
Heavy vehicles & machinery	10 years
Furniture and equipment	10 years
Computer equipment	4 years

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	39 years
Furniture and equipment	3-10 years

9. 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 City has two items that meet this criterion, contributions made to the pension plan in the 2015 fiscal year and pension deferrals. 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 Inflow 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 City has several items that meet the criterion for this category – property taxes receivable and deferral of pension expense that results from the implementation of GASB Statement 68.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, governmental fund types the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

11. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City'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 City 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. For the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded within the component unit as the leave is earned.

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

12. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as invested 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 classification designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Inventories and prepaid expenses – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories and prepaid expenses.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Restricted for capital outlay – portion of fund balance restricted for capital outlay [G.S. Chapter 159, Article 3, Part 2].

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Boiling Spring Lakes' 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 City of Boiling Spring Lakes intends to use for specific purposes.

Subsequent year's expenditures - portion of the total fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within departments up to \$10,000.

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

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

13. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Boiling Spring Lakes' employer contributions are recognized when due and the City of Boiling Spring Lakes 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

Noncompliance with N.C. General Statutes

There are no material instances of non-compliance with N. C. General Statutes.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2015, the City's deposits had a carrying amount of \$2,638,396 and a bank balance of \$2,766,201. The carrying amount of deposits of the ABC Board was \$84,530 and the bank balance was \$82,709. Of the bank balance \$82,709 of the ABC Board and \$250,000 of the City was covered by federal depository insurance. At June 30, 2015, the City's petty cash funds totaled \$574 and the ABC Board totaled \$600.

At June 30, 2015, the City had \$62,279 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

2. Restricted Assets

Restricted assets presented in the Balance Sheet and Statement of Net Position at June 30, 2015 are as follows:

Restricted Cash:

Governmental Activities

General Fund	
Streets	216,923
Capital Outlay	113,615
Total Governmental Activities	<u>330,538</u>
Total Restricted Cash	<u><u>330,538</u></u>

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2015 are net of the following allowances for doubtful accounts:

General Fund:

Taxes receivable	27,910
Utility billings receivable	<u>31,479</u>
Total	<u><u>59,389</u></u>

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2015 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land and improvements	152,421	-		152,421
Construction in progress	148,355	1,242	-	149,597
Total capital assets not being depreciated	300,776	1,242	-	302,018
Capital assets being depreciated:				
Buildings	2,363,536			2,363,536
Other improvements	54,003			54,003
Machinery equipment, furniture and fixtures	950,698	89,758	-	1,040,456
Vehicles	725,012	80,609	36,917	768,704
Infrastructure	1,063,751	195,792		1,259,543
Total capital assets being depreciated	5,157,000	366,159	36,917	5,486,242
Less accumulated depreciation for:				
Buildings	448,156	58,200		506,356
Other improvements	13,561	1,325		14,886
Machinery equipment, furniture and fixtures	734,697	63,678	-	798,375
Vehicles	574,558	55,407	36,917	593,048
Infrastructure	363,953	48,243		412,196
Total accumulated depreciation	2,134,925	226,853	36,917	2,324,861
Total capital assets being depreciated, net	3,022,075			3,161,381
Governmental activities capital assets, net	<u>3,322,851</u>			<u>3,463,399</u>

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

General government	123,034
Public safety	56,585
Transportation	30,934
Culture and recreation	16,300
Total depreciation expense	<u>226,853</u>

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2015, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Capital assets not being depreciated:				
Land	15,000			15,000
Total capital assets not being depreciated	15,000	-	-	15,000
Capital assets being depreciated:				
Buildings and improvements	146,747			146,747
Furniture, fixtures and office equipment	18,498	2,475		20,973
Total capital assets being depreciated	165,245	2,475	-	167,720
Less accumulated depreciation for:				
Buildings	27,019	5,894		32,913
Furniture, fixtures and office equipment	6,343	2,115		8,458
Total accumulated depreciation	33,362	8,009	-	41,371
Total capital assets being depreciated, net	131,883	(5,534)	-	126,349
ABC capital assets, net	146,883	(5,534)	-	141,349

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Government Employees' Retirement System

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

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Boiling Spring Lakes employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Boiling Spring Lakes' contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 City of Boiling Spring Lakes were \$86,715 for the year ended June 30, 2015.

Refunds of Contributions – City 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.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

At June 30, 2015, the City reported an asset of \$132,811 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.02252%, which was an increase of 0.00432% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$16,784. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between actual and expected experience		14,512
Net difference between projected and actual earnings on pension plan investments		309,181
Changes in proportion and differences between City contributions and proportionate share of contributions	33,744	
City contributions subsequent to the measurement date	<u>86,715</u>	
Total	<u><u>120,459</u></u>	<u><u>323,693</u></u>

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

\$86,715 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	(72,475)
2017	(72,475)
2018	(72,475)
2019	(72,524)
2020	-
Thereafter	-
	<hr/>
	(289,949)
	<hr/>

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

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	450,817	(132,811)	(624,207)

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

b. Law Enforcement Officers' Special Separation Allowance

(1) Plan Description

The City of Boiling Spring Lakes administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers for the City are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>12</u>
Total	12

A separate report was not issued for the plan.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

(2) Summary of Significant Accounting Policies

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

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

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

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

(3) Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the fiscal current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases.

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

Employer annual required contribution	15,261
Interest on net pension obligation	654
Adjustment to annual required contribution	(1,105)
Annual pension cost	<u>14,810</u>
Contributions made	<u>7,667</u>
Increase (decrease) in net pension obligation	<u>7,143</u>
Net pension obligation beginning of year	<u>13,084</u>
Net pension obligation end of year	<u><u>20,227</u></u>

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

Three Year Trend Information

For Year Ended <u>June 30</u>	Annual Pension Cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension Obligation <u>End of Year</u>
2013	16,126	95.09%	15,027
2014	13,391	114.51%	13,084
2015	14,810	51.77%	20,227

(4) Funded Status and Funding Progress.

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$68,789. The covered payroll (annual payroll of active employees covered by the plan) was \$465,526, and the ratio of the UAAL to the covered payroll was 14.78 percent.

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

c. Supplemental Retirement Income Plan

Plan Description - The City 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 enforcements officers employed by the City. The City has elected to provide the same benefits to all employees of the City. 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919)981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each law officer's salary. This required contribution, along with the City's elective contribution for other employees' salary, are contributed monthly and are vested immediately. In addition, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$77,916, which consisted of \$59,045 from the City, \$5,456 from the law enforcement officers and \$13,415 from the other employees.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

d. Other Postemployment Benefits – Healthcare Benefits

Plan Description. Under the terms of a September 1, 2009 resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The HCB Plan provides postretirement health insurance for medical coverage only to retirees of the City until such time as the retiree becomes eligible for Medicare, at a cost not to exceed that of a current full time employee, provided they have a minimum of ten years in the North Carolina Local Governmental Employees Retirement System (“NCLGERS”), and if hired before July 1, 2009, a minimum of five years’ service to the City. If hired after June 30, 2009, with a consecutive twenty five years’ of service to the City, the retiree may continue health insurance for medical coverage only with the City until such time as the retiree becomes eligible for Medicare, at a cost not to exceed that of a current full time employee. When retirees become eligible for Medicare, the City shall pay for a Medicare supplement for medical coverage only, at a cost not to exceed that of a current full time employee. Dental and vision coverage shall be offered to the retiree, the cost of which shall be paid by the retiree.

The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership in the HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

Law enforcement officers	12
General Employees	18
Retirees	<u>6</u>
Total	<u>36</u>

Funding Policy. The City has chosen to fund the healthcare benefits on a pay as you go basis. The current annual required contribution (ARC) is 7.90% of covered payroll. For the current year, the City contributed \$26,209 or 2.18%. The City’s obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the fund from which a retiree is retired. Currently all retirees are from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB Cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	95,017
Interest on OPEB obligation	19,624
Adjustment to annual required contribution	(16,252)
Annual OPEB cost (expense)	98,389
Contributions made	26,209
Increase (decrease) in OPEB obligation	72,180
Net OPEB obligation, beginning of year	490,596
Net OPEB obligation, end of year	562,776

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 were as follows:

<u>For Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2015	98,384	26.6%	562,776
2014	95,777	31.8%	490,596
2013	113,720	18.6%	425,310

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$880,116. The covered payroll (annual payroll of active employees covered by the plan) was \$1,209,980, and the ratio of the UAAL to the covered payroll was 73.2 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost tend increase of 5.00 to 7.50 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2013, was 30 years.

e. Other Employment Benefits

The City 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 twelve highest months' salary in a row during the twenty-four months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City 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 City considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contribution to pension plan in current fiscal year	86,715
Pension deferrals	<u>33,744</u>
	<u>120,459</u>

Deferred inflows of resources at year-end are composed of the following:

Taxes receivable (General Fund)	133,817
Pension deferrals	323,693

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

3. Commitments

The City has various continuing contracts as part of normal operations. These are funded from current operations.

4. Risk Management

The City 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 City maintains insurance through commercial companies that provide the following types of major coverage for the amounts of retained risk noted: general liability, public official and law enforcement liability (\$1,000,000 per occurrence with \$3,000,000 aggregate); auto liability (\$1,000,000 per person with \$3,000,000 total); property (\$3,704,421 blanket coverage with limits for each property); workers' compensation (\$1,000,000 coverage each occurrence); wind and hail (policy amounts for each property). Employee health coverage is provided with commercial company. 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.

The City is not required to purchase flood insurance, and accordingly has elected not to carry it. In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000 and the tax collector is bonded for \$10,000. The remaining employees that have access to funds are insured for \$5,000.

The Town of Boiling Spring Lakes ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has commercial property, general liability, auto liability, and workers' compensation coverage. The ABC Board also has liquor legal liability coverage and each Board Member and staff is bonded. 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.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2015, the City was a defendant to three items of litigation. In the opinion of the City's management the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. Installment Purchase Contracts

On September 12, 2007, the City entered into an agreement to provide financing in the amount of \$1,600,000 for the construction of the new city hall. This contract is currently held by New Bridge Bank. The financing contract requires payments of interest only at 3.94% payable monthly and beginning April 12, 2009 principal payments of \$6,667 per month for twenty years. This loan will be fully repaid March 12, 2029.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

Annual debt service payments of the installment purchase as of June 30, 2015, including \$299,814 of interest are as follows:

Governmental Activities		
Year Ending June 30	<u>Principal</u>	<u>Interest</u>
2016	80,000	41,961
2017	80,000	38,686
2018	80,000	35,594
2019	80,000	32,442
2020-2024	400,000	114,957
2025-2029	379,653	36,174
Total	<u>1,099,653</u>	<u>299,814</u>

b. Changes in General Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Government activities:					
Installment purchases	1,179,653		80,000	1,099,653	80,000
Compensated absences	57,357	47,615	47,491	57,481	47,976
Net pension obligation (LGERS)	219,380		219,380	-	-
Net pension obligation (LEO)	13,084	14,810	7,667	20,227	7,667
Other postemployment benefits	490,596	98,389	26,209	562,776	26,209
Government activity long-term liabilities	<u>1,960,070</u>	<u>160,814</u>	<u>380,747</u>	<u>1,740,137</u>	<u>161,852</u>

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

c. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2015 consists of the following:

Capital assets	3,463,399
Less: Long-term debt	<u>1,099,653</u>
Net investment in capital assets	<u><u>2,363,746</u></u>

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

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	3,086,513
Less:	
Stabilization by State Statutes	574,227
Streets - Powell Bill	134,193
Capital outlay	113,615
Appropriated Fund Balance in 2016 budget	<u>95,405</u>
Remaining fund balance	<u>2,169,073</u>

e. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2015 consist of a transfer from the Capital Reserve Fund to the General Fund in the amount of \$8,440 for capital outlay purposes and from the closing of the Water Fund \$364,946.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

	<u>General Fund</u>	<u>Non-Major Funds</u>
Encumbrances	None	None

IV. JOINTLY GOVERNED ORGANIZATIONS

The City, in conjunction with four counties and thirty two other municipalities established the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$1,325 to the Council during the fiscal year ended June 30, 2015.

V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The City 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

VI. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS.

There were no significant effects between the year end and the audit issuance date.

VII. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental decreased by \$140,354.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles.

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.

Schedule of Funding Progress for the Other Postemployment Benefits.

Schedule of Employer Contributions for the Other Postemployment Benefits.

Schedule of Proportionate Share of Net Pension Liability (Asset) of Local Government Employee's Retirement System.

Schedule of Contributions to Local Government Employee's Retirement System

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
12/31/2004	0	45,305	0%	45,305	227,386	19.92%
12/31/2005	0	33,014	0%	33,014	206,614	15.98%
12/31/2006	0	40,710	0%	40,710	320,759	12.69%
12/31/2007	0	50,112	0%	50,112	288,272	17.38%
12/31/2008	0	114,604	0%	114,604	297,862	38.48%
12/31/2009	0	127,118	0%	127,118	300,290	42.33%
12/31/2010	0	135,006	0%	135,006	330,569	40.84%
12/31/2011	0	133,609	0%	133,609	369,180	36.19%
12/31/2012	0	107,402	0%	107,402	323,692	33.18%
12/31/2013	0	79,541	0%	79,541	479,226	16.60%
12/31/2014	0	68,789	0%	68,789	465,526	14.78%

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	4,508	0.00%
2005	5,341	0.00%
2006	6,751	0.00%
2007	5,343	0.00%
2008	6,916	102.33%
2009	6,774	226.37%
2010	11,481	133.56%
2011	12,787	121.51%
2012	14,981	102.36%
2013	16,126	95.09%
2014	13,391	114.51%
2015	15,261	50.23%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25 - 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 OTHER POSTEMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
12/31/2009	0	964,038	0%	964,038	1,136,517	84.82%
12/31/2013	0	880,116	0%	880,116	1,202,980	73.20%

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	134,847	21.23%
2011	135,431	12.22%
2012	128,320	16.10%
2013	113,720	18.61%
2014	95,017	32.09%
2015	95,017	27.58%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	7.75%-5.00%
Post-Medicare trend rate	5.75%-5.00%
Year of Ultimate trend rate	2019
*Includes inflation at	3.00%

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
CITY OF BOILING SPRING LAKES' PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS

EXHIBIT A-5

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	2015	2014
City of Boiling Spring Lakes' proportion of the net pension liability (asset) (%)	0.02252%	0.01820%
City of Boiling Spring Lakes' proportion of the net pension liability (asset) (\$)	(132,811)	219,380
City of Boiling Spring Lakes' covered-employee payroll	1,105,732	1,003,162
City of Boiling Spring Lakes' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(12.01%)	21.86%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA
CITY OF BOILING SPRING LAKES' CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS**

EXHIBIT A-6

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	<u>2015</u>	<u>2014</u>
Contractually required Contribution	85,833	79,026
Contributions in relation to the contractually required contribution	<u>85,833</u>	<u>79,026</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>
City of Boiling Spring Lakes' covered-employee payroll	1,192,061	1,105,732
Contributions as a percentage of covered-employee payroll	7.20%	7.15%

SUPPLEMENTARY STATEMENTS

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND - BUDGETARY BASIS
COMPARATIVE BALANCE SHEET
June 30, 2015 and 2014

EXHIBIT B-1

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	2,357,129	2,224,651
Receivables (net):		
Taxes	133,817	113,500
Accounts	214,164	-
Due from other governments	346,916	323,813
Due from component unit	13,147	3,980
Restricted cash and cash equivalents	<u>216,923</u>	<u>162,922</u>
Total assets	<u><u>3,282,096</u></u>	<u><u>2,828,866</u></u>
LIABILITIES		
Accounts payable	92,651	105,415
Accounts payable from restricted assets	<u>82,730</u>	<u>706</u>
Total liabilities	<u>175,381</u>	<u>106,121</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenues	<u>133,817</u>	<u>113,500</u>
Total deferred inflows of resources	<u>133,817</u>	<u>113,500</u>
FUND BALANCES		
Restricted		
Stabilization by State Statute	574,227	327,793
Streets	134,193	162,922
Assigned		
Subsequent year's expenditure	95,405	-
Unassigned	<u>2,169,073</u>	<u>2,118,530</u>
Total fund balances	<u>2,972,898</u>	<u>2,609,245</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>3,282,096</u></u>	<u><u>2,828,866</u></u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

EXHIBIT B-2
Page 1 of 9

	2015			2014
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
<u>Revenues</u>				
Ad valorem				
Current year	834,436	813,033	(21,403)	703,679
Prior year	20,000	41,909	21,909	35,531
Penalties and interest	4,000	11,132	7,132	8,497
Total	<u>858,436</u>	<u>866,074</u>	<u>7,638</u>	<u>747,707</u>
Other taxes				
Privilege licenses	5,500	150	(5,350)	5,261
Dog tax	<u>2,000</u>	<u>1,910</u>	<u>(90)</u>	<u>1,780</u>
Total	<u>7,500</u>	<u>2,060</u>	<u>(5,440)</u>	<u>7,041</u>
Unrestricted intergovernmental revenues				
Local option sales tax	1,288,341	1,399,261	110,920	1,250,485
Franchise tax	280,000	165,319	(114,681)	136,381
Telecommunications sales tax	250	72,352	72,102	73,847
Video programing sales tax	-	70,454	70,454	67,338
Beer and wine excise tax	23,400	28,034	4,634	24,907
ABC profit distribution	<u>15,000</u>	<u>36,118</u>	<u>21,118</u>	<u>18,938</u>
Total	<u>1,606,991</u>	<u>1,771,538</u>	<u>164,547</u>	<u>1,571,896</u>
Restricted intergovernmental revenues				
Grant revenue	15,000	14,896	(104)	62,194
Governor Highway Grant	23,459	23,514	55	
"State Street-aid" allocation	302,233	303,559	1,326	299,053
NC DOT Right of Way	4,324	4,324	-	4,324
Police equipment grant	-	1,077	1,077	1,512
ABC revenue for law enforcement	<u>200</u>	<u>887</u>	<u>687</u>	<u>161</u>
Total	<u>345,216</u>	<u>348,257</u>	<u>3,041</u>	<u>367,244</u>
Permits and fees				
Building permits and inspection fees	45,825	50,136	4,311	42,507
Street license fees	<u>22,500</u>	<u>23,250</u>	<u>750</u>	<u>21,000</u>
Total	<u>68,325</u>	<u>73,386</u>	<u>5,061</u>	<u>63,507</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

EXHIBIT B-2
Page 2 of 9

	2015			2014
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Sales and services				
Rents and concessions	13,680	14,450	770	14,029
Assessment-Tax lien	23,000	17,963	(5,037)	-
Community center revenue				
Programs and rentals	74,720	94,840	20,120	82,213
Memberships	17,500	17,686	186	17,204
Gifts and donations	4,536	4,620	84	7,638
Total	<u>133,436</u>	<u>149,559</u>	<u>16,123</u>	<u>121,084</u>
Investment earnings				
Investment earnings - other	-	11	11	6
Total	<u>-</u>	<u>11</u>	<u>11</u>	<u>6</u>
Miscellaneous revenue				
Sales and gas tax refunds	9,000	11,559	2,559	11,918
Sale of fixed assets	1,000	3,609	2,609	50
Xpress pay income	-	381	381	128
Advertising fees	-	83	83	23
Bike runs	884	884	-	731
Brunswick Senior Resource Donation	-	138	138	285
Small fry fishing tournament	1,800	2,724	924	3,367
Fitness on demand	10,945	3,469	(7,476)	-
Contributions	-	2,795	2,795	4,320
Miscellaneous	5,004	6,873	1,869	6,728
Total	<u>28,633</u>	<u>32,515</u>	<u>3,882</u>	<u>27,550</u>
Total revenues	<u>3,048,537</u>	<u>3,243,400</u>	<u>194,863</u>	<u>2,906,035</u>
<u>Expenditures</u>				
General government				
Governing body				
Salaries	8,000	6,000		8,000
Payroll taxes	612	459		612
Professional fees - attorney	121,806	121,806		5,035
Professional fees - audit	22,500	22,500		20,500
Contracted servuces	-	1,086		-
Per diem/travel	140	140		1,275

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

EXHIBIT B-2

Page 3 of 9

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2015

With Comparative Actual Amounts for Year Ended June 30, 2014

	2015			2014
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Ordinance codification	3,120	3,730		1,004
Collection fees (taxes)	6,028	5,899		5,197
Collection fees (vehicles)	2,600	2,415		-
Noncapital purchases	1,102	552		3,068
Scholarship fund expenses	-	1,180		-
Miscellaneous	3,000	2,459	-	3,120
Total	<u>168,908</u>	<u>168,226</u>	<u>682</u>	<u>47,811</u>
Administration				
Salaries	216,883	219,520		215,312
Professional services	2,680	2,680		-
Payroll taxes	16,592	16,419		16,212
Employees' group insurance	28,043	27,697		27,738
Retirement	25,043	26,317		24,323
Other fringe benefits	3,450	3,203		23,522
Telephone and postage	8,579	8,503		6,540
Volunteer appreciation	750	574		737
Utility - water	11,690	12,012		10,866
Travel and training	7,438	8,183		5,562
Office equipment maintenance	6,440	6,305		6,498
Legal advertising	3,300	3,422		2,497
Office supplies	3,500	3,415		3,038
Gas, oil and tires	800	815		799
Emergency response	3,750	3,750		-
Fire Department contingency	-	-		5,500
Contracted services	27,007	27,335		17,081
Dues and subscriptions	9,151	9,129		8,700
Insurance - general	42,889	42,889		53,874
Workmen's compensation insurance	68,637	68,637		49,386
Water assessments refunded	20,000	782		-
Miscellaneous expense	6,590	6,293		6,391
Bank service charges	3,600	3,847		3,766
Express fees	400	312		26
Noncapital purchases	2,914	2,914	-	980
Total	<u>520,126</u>	<u>504,953</u>	<u>15,173</u>	<u>489,348</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

EXHIBIT B-2
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	2015			2014
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Public buildings				
Salaries	95,603	97,883		87,003
Seasonal help	6,800	4,543		2,151
Payroll taxes	7,834	7,501		6,684
Group insurance	23,054	22,891		20,932
Retirement	10,798	11,232		10,452
Telephone	2,376	1,967		1,776
Travel and training	600	-		30
Repairs and maintenance	15,860	11,653		9,625
Lawn care	8,000	5,231		7,457
Landscaping	3,500	3,196		3,035
Park repairs and maintenance	5,000	4,209		4,122
Fuel, oil and tires	7,500	4,849		6,823
Office supplies	400	-		132
Janitor supplies	3,500	2,957		3,431
Uniform allowance	390	390		175
Contracted services	6,032	5,921		1,972
Tool purchases and maintenance	5,000	3,151		4,732
Miscellaneous	500	40		97
Capital outlay	-	-	-	83,873
Total	<u>202,747</u>	<u>187,614</u>	<u>15,133</u>	<u>254,502</u>
<u>Total general government</u>	<u>891,781</u>	<u>860,793</u>	<u>30,988</u>	<u>791,661</u>
Public safety				
Police				
Salaries - G. H. S. P.	39,355	44,616		40,943
Salaries	455,062	422,676		402,297
Salaries - part-time	-	-		2,599
Separation allowance	8,257	8,257		15,334
Professional fees	12,412	12,572		1,730

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

EXHIBIT B-2
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	2015			2014
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Payroll taxes	38,264	35,538		33,870
Retirement	61,122	56,143		53,468
Employee group insurance	86,570	86,570		74,613
Retiree group insurance	13,865	13,633		12,375
Training and travel	7,000	6,494		6,543
Telephone and postage	9,000	10,280		6,433
Electricity and water	6,600	5,504		5,962
Vehicle maintenance	9,000	8,397		6,891
Governor's Highway Safety grant	-	-		280
Police office equipment maintenance	2,000	506		122
Gas, oil and tires	40,200	37,482		46,299
Police office supplies	1,500	1,477		1,425
Uniform allowance	11,600	11,615		12,176
Small fry fishing tournament	4,420	4,417		3,570
Contracted services	32,838	37,189		18,907
Special investigations	1,600	903		776
Miscellaneous expense	1,500	1,594		786
GCC Block Grant	20,000	20,001		10,000
Grants& Donations - Interview room	-	-		8,336
Non-capital outlay	4,300	11,310		2,944
Capital outlay	<u>143,278</u>	<u>135,342</u>	-	-
Total	<u>1,009,743</u>	<u>972,516</u>	<u>37,227</u>	<u>768,679</u>
Animal control				
Salaries	24,845	24,809		-
Payroll taxes	2,751	1,852		-
Retirement	3,963	3,000		-
Employee group insurance	5,512	3,408		-
Telephone	480	280		-
Vehicle maintenance	750	-		-
Gas, tires, oil	4,200	2,072		-
Office supplies	80	-		-
Supplies	520	424		-
Uniform allowance	1,000	820		-
Contracted services	330	217		-
Miscellaneous	1,210	1,210		1,383
Capital outlay	-	-	-	20,232
Total	<u>45,641</u>	<u>38,092</u>	<u>7,549</u>	<u>21,615</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

EXHIBIT B-2
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	2015			2014
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Inspections				
Salaries	85,190	85,910		87,382
Payroll taxes	6,358	6,558		6,656
Retirement	10,132	10,369		10,614
Employee group insurance	14,621	11,628		6,788
Telephone and postage	1,392	1,305		700
Training and travel	1,312	1,362		2,260
Vehicle maintenance	1,545	1,540		197
Gas, oil and tires	1,000	926		1,009
Office supplies	403	289		355
Office equipment	-	-		475
Departmental supplies	-	-		133
Contracted services	5,894	5,283		3,106
Uniform allowance	290	252		135
Miscellaneous expense	-	-		72
Non-capital outlay	-	-	-	167
Total	<u>128,137</u>	<u>125,422</u>	<u>2,715</u>	<u>120,049</u>
<u>Total public safety</u>	<u>1,183,521</u>	<u>1,136,030</u>	<u>47,491</u>	<u>910,343</u>
Transportation				
Streets				
Salaries	224,557	216,757		197,967
Payroll taxes	17,179	15,866		14,734
Employee group insurance	38,988	37,428		33,893
Retirement	27,374	26,029		24,009
Retiree supplemental insurance	9,350	9,116		8,472
Street lights	20,500	19,891		21,138
Telephone	4,872	5,067		4,351
Propane	3,000	2,536		5,091
Electricity	4,680	4,863		3,947
Travel and training	3,716	3,820		764
Street surfacing and maintenance	80,033	71,769		60,801
Resurfacing/Paving project	196,000	195,792		143,767
Maintenance - other equipment	33,630	35,301		26,198
Office supplies	300	291		189
Shop supplies	2,393	2,557		2,097
Fuel, oil and tires - grader	21,300	21,818		30,715
Street department supplies	1,900	2,055		1,786

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

EXHIBIT B-2
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	2015			2014
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Safety supplies	100	-		560
Safety sign replacement	5,050	4,230		5,903
Uniforms	1,000	818		726
Contracted services	10,184	10,278		2,833
NCDOT Right of Way	-	-		2,715
Dues and subscriptions	50	-		-
Professional services	1,500	1,500		-
Miscellaneous expense	1,700	1,793		1,175
Non-capital outlay - streets	5,765	7,936		-
Powell Bill survey	6,500	6,500		-
Capital outlay	13,999	13,999	-	-
<u>Total transportation</u>	<u>735,620</u>	<u>718,010</u>	<u>17,610</u>	<u>593,831</u>
Environmental protection				
Sanitation				
Electricity	1,510	1,482		1,243
Debris removal	736	736		-
Contractual services	-	-	-	27,830
<u>Total environmental protection</u>	<u>2,246</u>	<u>2,218</u>	<u>28</u>	<u>29,073</u>
Health and welfare				
Mosquito control				
Travel and training	1,040	990		140
Fuel, oil - equipment	540	560		356
Vehicle supplies	45	41		-
Miscellaneous	-	-		10
Chemical supplies	5,439	5,439		722
NPDES Permit fees	100	100	-	100
<u>Total health and welfare</u>	<u>7,164</u>	<u>7,130</u>	<u>34</u>	<u>1,328</u>
Culture and recreation				
Parks and recreation				
Bike runs	2,084	2,084		3,023
Community fun day	1,548	1,548		1,077
Christmas tree lighting	617	617		-
Battle of the bands	1,666	943		737
Haunted hay ride	761	757		406
Storage unit	594	594		240
Miscellaneous	400	1,093	-	2,406
<u>Total</u>	<u>7,670</u>	<u>7,636</u>	<u>34</u>	<u>7,889</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

EXHIBIT B-2
Page 8 of 9

	2015			2014
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Community appearance				
Community appearance	-	-		2,880
Miscellaneous	200	175	-	156
Total	<u>200</u>	<u>175</u>	<u>25</u>	<u>3,036</u>
Dams and lakes				
Contracted services	41,791	41,791		34,750
Repairs and maintenance	-	-		2,743
Operating expenses	2,864	2,625		16,460
Water testing	3,000	2,925		1,830
Non-capital outlay	3,208	3,208	-	-
Total	<u>50,863</u>	<u>50,549</u>	<u>314</u>	<u>55,783</u>
Community Center				
Salaries	103,735	107,342		102,490
Part-time and temporary help	52,879	47,748		40,526
Payroll taxes	11,990	11,470		10,572
Retirement	12,646	12,669		12,166
Employees group insurance	23,154	23,021		21,082
Telephone and postage	4,092	3,956		4,169
Electricity, water and oil	8,500	8,097		8,140
Travel and training	1,500	1,208		1,668
Repairs and maintenance - other	4,450	4,488		7,358
Advertising	565	560		668
Gas, oil, tires	5,900	5,491		5,072
Cleaning supplies	1,950	1,840		1,769
Office supplies	1,850	1,859		1,814
Uniform allowance	385	312		1,287
Contracted services	29,111	31,283		17,665
Grants and donations	4,536	4,363		7,456
Dues and subscriptions	1,025	1,017		1,606
Programs	43,005	41,934		32,574
Van rental	8,500	3,653		6,805
Miscellaneous expense	750	750		727
Non-capital outlay	7,468	11,465		1,841
Capital outlay	17,655	21,026	-	36,866
Total	<u>345,646</u>	<u>345,552</u>	<u>94</u>	<u>324,321</u>
<u>Total culture and recreation</u>	<u>404,379</u>	<u>403,912</u>	<u>467</u>	<u>391,029</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

EXHIBIT B-2
Page 9 of 9

	2015			2014
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Debt service				
Principal retirement	80,001	80,000	1	80,002
Interest	<u>45,050</u>	<u>45,040</u>	<u>10</u>	<u>48,201</u>
Total	<u>125,051</u>	<u>125,040</u>	<u>11</u>	<u>128,203</u>
 <u>Total expenditures</u>	 <u>3,349,762</u>	 <u>3,253,133</u>	 <u>96,629</u>	 <u>2,845,468</u>
Revenues over (under) expenditures	<u>(301,225)</u>	<u>(9,733)</u>	<u>291,492</u>	<u>60,567</u>
Other financing sources (uses)				
Transfer from Capital Reserve Fund	-	8,440	8,440	27,945
Transfer from Water Fund	<u>171,000</u>	<u>364,946</u>	<u>193,946</u>	<u>-</u>
Total other financing sources (uses)	<u>171,000</u>	<u>373,386</u>	<u>202,386</u>	<u>27,945</u>
Appropriated fund balance	130,225	-	(130,225)	-
Net change in fund balance	<u>-</u>	363,653	<u>363,653</u>	88,512
Fund balance, beginning		<u>2,609,245</u>		<u>2,520,733</u>
Fund balance, ending		<u>2,972,898</u>		<u>2,609,245</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
CAPITAL RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

EXHIBIT B-3

	2015			2014
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
<u>Revenues</u>				
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Expenditures</u>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Fund balance appropriated	8,440	-	(8,440)	-
Transfer from General Fund	-	-	-	-
Transfer to General Fund	<u>(8,440)</u>	<u>(8,440)</u>	<u>-</u>	<u>(27,945)</u>
Total other financing sources (uses)	<u>-</u>	<u>(8,440)</u>	<u>(8,440)</u>	<u>(27,945)</u>
Net change in fund balance	<u>-</u>	<u>(8,440)</u>	<u>(8,440)</u>	<u>(27,945)</u>
Fund balance, beginning		<u>122,055</u>		<u>150,000</u>
Fund balance, ending		<u>113,615</u>		<u>122,055</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 SPILLWAY CAPITAL PROJECT FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2015

EXHIBIT B-4

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue					
Restricted intergovernmental					
NCDNER Grant	<u>59,248</u>	<u>70,904</u>	<u>-</u>	<u>70,904</u>	<u>11,656</u>
Miscellaneous revenue					
Refunds	<u>9,024</u>	<u>9,024</u>	<u>-</u>	<u>9,024</u>	<u>-</u>
Total Revenue	<u>68,272</u>	<u>79,928</u>	<u>-</u>	<u>79,928</u>	<u>11,656</u>
Expenditures					
Cultural and recreation					
Capital Outlay	<u>159,347</u>	<u>157,379</u>	<u>1,242</u>	<u>158,621</u>	<u>726</u>
Total Expenditures	<u>159,347</u>	<u>157,379</u>	<u>1,242</u>	<u>158,621</u>	<u>726</u>
Revenues over (under) expenditures	<u>(91,075)</u>	<u>(77,451)</u>	<u>(1,242)</u>	<u>(78,693)</u>	<u>12,382</u>
Other financing sources (uses):					
Transfer from General Fund	<u>91,075</u>	<u>91,075</u>	<u>-</u>	<u>91,075</u>	<u>-</u>
Total other financing sources (uses)	<u>91,075</u>	<u>91,075</u>	<u>-</u>	<u>91,075</u>	<u>-</u>
Excess (deficit) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>13,624</u>	<u>(1,242)</u>	<u>12,382</u>	<u>12,382</u>
Fund Balance, beginning			<u>13,624</u>		
Fund Balance, ending			<u>12,382</u>		

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

EXHIBIT C-1
Page 1 of 2

	2015		Variance	2014
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues				
Miscellaneous	-	-	-	1,374
Recovery of doubtful accounts - water charges	-	-	-	1,178
Total operating revenues	-	-	-	2,552
Investment earnings				
Interest income	-	-	-	-
Other revenues				
Water assessments collected	-	-	-	12,367
Assessment lien interest	-	-	-	-
Total other revenues	-	-	-	12,367
Total revenues	-	-	-	14,919
Expenditures				
Water distribution expenses				
Assessments refunded	-	-	-	-
Miscellaneous expense	-	-	-	16
Total water distribution expenses	-	-	-	16
Total expenditures	-	-	-	16
Revenues over(under) expenditures	-	-	-	14,903
Other financing sources (uses):				
Appropriated fund balance	171,000	-	(171,000)	-
Transfers out	(171,000)	(147,642)	23,358	-
Total other financial sources	-	(147,642)	(147,642)	-

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (NON-GAAP)
For the Year Ended June 30, 2015
With Comparative Actual Amounts for Year Ended June 30, 2014

EXHIBIT C-1
Page 2 of 2

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues and other sources over (under) expenditures	<u>-</u>	<u>(147,642)</u>	<u>(147,642)</u>	<u>14,903</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues and other sources (under) expenditures and other uses		(147,642)		
Reconciling items:				
Assessment recognized in prior year on accrual basis		<u>(217,304)</u>		
Total reconciling items		<u>(217,304)</u>		
Change in net assets		<u>(364,946)</u>		

OTHER SCHEDULES

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2015

EXHIBIT D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015		877,603	813,033	64,570
2013-2014	39,121		19,156	19,965
2012-2013	27,701		9,252	18,449
2011-2012	17,489		6,001	11,488
2010-2011	11,042		2,679	8,363
2009-2010	10,529		2,008	8,521
2008-2009	8,269		1,869	6,400
2007-2008	12,748		603	12,145
2006-2007	6,715		331	6,384
2005-2006	4,610		362	4,248
2004-2005	3,186		3,186	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>141,410</u>	<u>877,603</u>	<u>858,480</u>	<u>160,533</u>
Less allowance for doubtful accounts:				
General Fund				<u>26,716</u>
Ad valorem taxes receivable - net				<u>133,817</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund			866,074	
Reconciling items:				
Interest collected			(11,132)	
Amounts written off for tax				
year 2004-2005 per statute				
of limitations			2,807	
Tax releases/adjustments			<u>731</u>	
Total collections and credits			<u>858,480</u>	

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 2015

EXHIBIT D-2

	City-Wide			Total Levy	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property excl Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	474,356,653	0.17	806,406	806,406	-
Motor vehicles taxed at current year's rate	42,021,835	0.17	71,437	-	71,437
Penalties	<u>-</u>		<u>182</u>	<u>182</u>	<u>-</u>
 Total property valuation	516,378,488		878,025	806,588	71,437
 Releases					
Current year rate	<u>(248,383)</u>		<u>(422)</u>	<u>(422)</u>	<u>-</u>
 Net levy	<u>516,130,105</u>		877,603	806,166	71,437
 Uncollected at June 30, 2015			<u>64,570</u>	<u>64,570</u>	<u>-</u>
 Current year's taxes collected			<u>813,033</u>	<u>741,596</u>	<u>71,437</u>
 Current levy collection percentage			92.6%	92.0%	100.0%

COMPLIANCE SECTION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Honorable Mayor and the
Board of Commissioners
City of Boiling Spring Lakes
Boiling Spring Lakes, NC 28461

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina, as of and for the year ended June 30, 2015, which collectively comprises the City of Boiling Spring Lakes' basic financial statements, and have issued our report thereon, dated November 30, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Town of Boiling Spring Lakes Board of Alcoholic Control were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the City of Boiling Spring Lakes is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Boiling Spring Lakes' internal control over financial reporting as a basis for designing our auditing procedures 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 City of Boiling Spring Lakes' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Boiling Spring Lakes' 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the City of Boiling Spring Lakes in a separate letter dated November 30, 2015.

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


Certified Public Accountants

Southport, North Carolina
November 30, 2015

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2015

Finding 2013-1: Corrected