

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS

June 30, 2018

Board of Commissioners

**Craig Caster, Mayor
Steve Barger, Mayor Pro Tem
Guy Auger
Mark Stewart
Dana Witt**

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, 2018, 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, 2018, 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 Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on Exhibits A-1 through A-5, 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 purposed 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 December 28, 2018 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 + Chandler, PLLC
Certified Public Accountants

Southport, North Carolina
December 28, 2018

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, 2018. 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

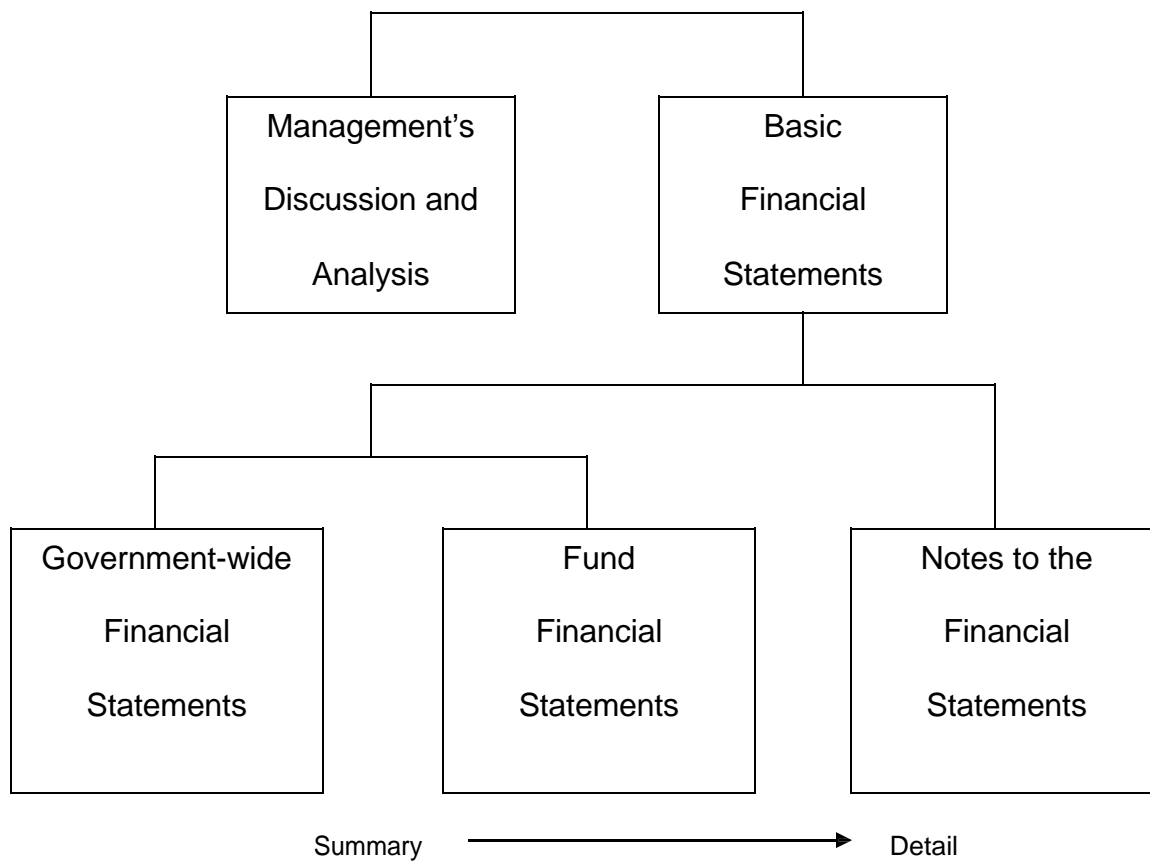
- *The assets of the City of Boiling Spring Lakes exceeded its liabilities at the close of the fiscal year by \$ 4,439,147 (net positions).*
- *As of the close of the current fiscal year, the City of Boiling Spring Lakes' governmental funds reported combined ending fund balances of \$ 2,417,407 a decrease of \$ 280,203 from the fiscal year ending June 30, 2018*
- *At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,630,266 or 45% of the General Fund expenditures (\$ 3,644,383) for the fiscal year ending June 30, 2018.*
- The City's total long-term debt decreased by \$ 282,061 to \$ 2,853,241 as of June 30, 2018.

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 position and how they have changed. Net position is the difference between the City's total assets and total liabilities. Measuring net position 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 shares revenues, property taxes and state and federal grant funds finance most of these activities. At June 30, 2018, the City does not operate any business-type activities. 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 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 is installing a sewer line in certain sections of Fifty Lakes Drive which upon completion will be funded by a special assessment of the affected properties. The capital improvement will be transferred to Brunswick County to be included in their water and sewer operation.

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.

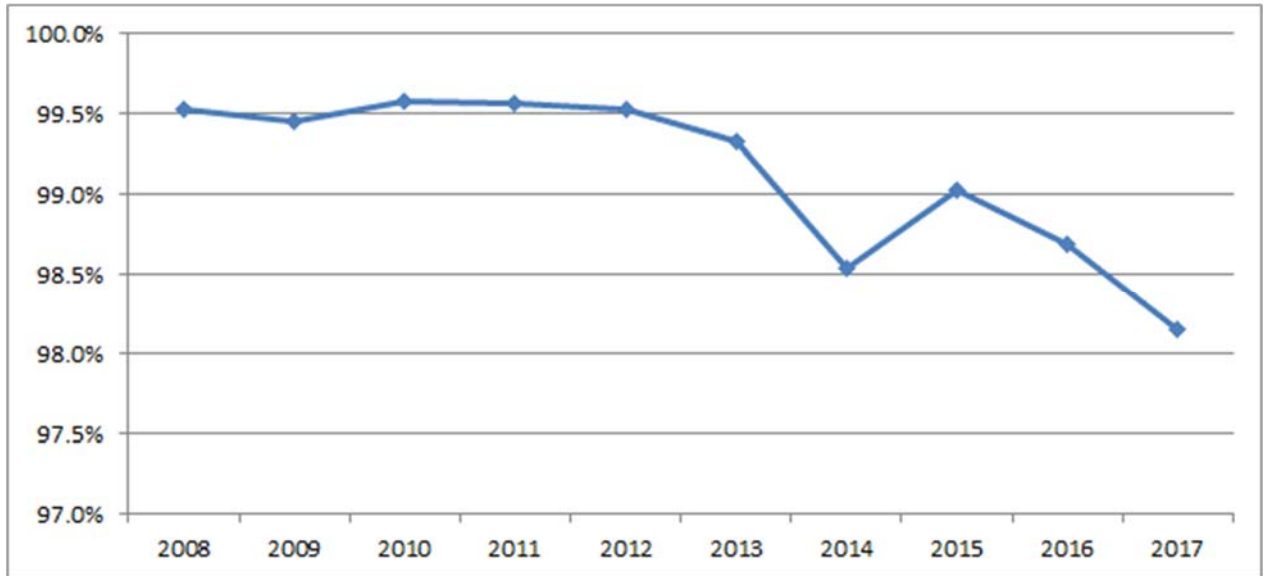
Government-Wide Financial Analysis

City of Boiling Spring Lakes' Net Position
Figure 2

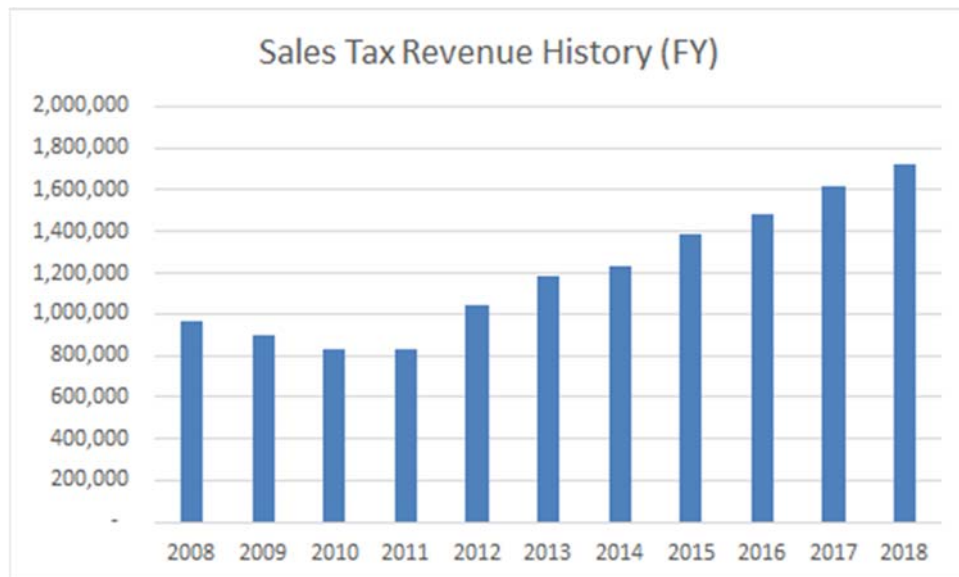
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	2,581,424	2,959,308	324,220	-	4,318,086	2,959,308
Capital assets	4,267,306	4,296,282	50,780	-	4,318,086	4,296,282
Deferred outflows of revenue	321,208	442,897	-	-	321,208	442,897
Total assets and deferred outflows of resources	7,169,938	7,698,487	375,000	-	8,957,380	7,698,487
Long-term liabilities outstanding	2,853,241	2,473,269	-	-	2,853,241	2,473,269
Other liabilities	81,686	152,342	-	-	81,686	152,342
Deferred inflows of resources	170,864	28,161	-	-	170,864	28,161
Total liabilities and deferred inflows of resources	3,105,791	2,653,772	-	-	3,105,791	2,653,772
Net Position						
Investment in capital assets	3,320,974	3,249,585	50,780	-	3,371,754	3,249,585
Restricted	746,190	644,623	324,220	-	1,070,410	644,623
Unrestricted	(3,017)	1,150,507	-	-	(3,017)	1,150,507
Total Net Position	4,064,147	5,044,715	375,000	-	4,439,147	5,044,715

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 \$4,439,147 as of June 30, 2018. The City's net position decreased by \$ 605,568 for the fiscal year ended June 30, 2018. This net decrease resulted from a increase of \$ 425,787 in restricted net assets, a decrease in unrestricted net assets of \$ 1,153,524, and an increase of \$ 122,168 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 on how they may be used. 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 (2008-2017) of 99.4%, 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.
- Increase in other Postemployment Benefits based on actuarial valuation.

**City of Boiling Spring Lakes Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for Services	252,653	216,011	-	-	252,653	216,011
Operating grants and contributions	317,062	372,077	-	-	317,062	372,077
Capital grants and contributions	1,460	1,059	-	-	1,460	1,059
General revenues	-	-	-	-	-	-
Property taxes	967,029	947,681	-	-	967,029	947,681
Other taxes	2,106,453	1,997,288	-	-	2,106,453	1,997,288
Unrestricted investment earnings	845	281	-	-	845	281
Other	68,094	146,559	-	-	68,094	146,559
Total revenues	<u>3,713,596</u>	<u>3,680,956</u>	<u>-</u>	<u>-</u>	<u>3,713,596</u>	<u>3,680,956</u>
Expenses						
General government	1,108,851	1,094,022	-	-	1,108,851	1,094,022
Public safety	1,414,299	1,311,314	-	-	1,414,299	1,311,314
Transportation	654,920	696,398	-	-	654,920	696,398
Health Sanitation and welfare	4,281	4,351	-	-	4,281	4,351
Culture and Recreation	464,043	429,302	-	-	464,043	429,302
Environmental protection	-	-	-	-	-	-
Interest on long-term debt	42,326	41,855	-	-	42,326	41,855
Total expenses	<u>3,688,720</u>	<u>3,577,242</u>	<u>-</u>	<u>-</u>	<u>3,688,720</u>	<u>3,577,242</u>
Change in net assets before transfers	24,876	103,714	-	-	24,876	103,714
Transfers	<u>(375,000)</u>	<u>-</u>	<u>375,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(350,124)	103,714	(375,000)	-	24,876	103,714
Net position, beginning	5,044,715	5,027,944	-	-	5,044,715	5,027,944
Restatement	<u>(630,444)</u>	<u>(86,943)</u>	<u>-</u>	<u>-</u>	<u>(630,444)</u>	<u>(86,943)</u>
Netr Position, June 30	<u>4,064,147</u>	<u>5,044,715</u>	<u>(375,000)</u>	<u>-</u>	<u>4,439,147</u>	<u>5,044,715</u>

Governmental activities: Governmental activities increased the City's net position by \$24,876. 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

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 unassigned fund balance available in the General Fund was \$1,630,266, while the total fund balance was \$ 2,417,407. The unassigned fund balance represents 45% of general fund expenditures, while total fund balance represents 66% of the same amount

At June 30, 2018, the governmental funds of City of Boiling Spring Lakes reported a combined fund balance of \$ 2,417,407, which is a decrease in fund balance of \$280,203 from the fiscal year ending June 30, 2017.

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.

Capital Asset and Debt Administration

Capital assets. The City of Boiling Spring Lakes' investment in capital assets for its governmental funds as of June 30, 2018, totals \$ 4,267,306 (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	
	2018	2017	2018	2017	2018	2017
Land and improvements		-				
not being depreciated	196,255	196,255	-	-	196,255	196,255
Construction in Progress	309,944	309,944	50,780	-	360,724	309,944
Building and Other Improvements	1,810,080	1,819,723	-	-	1,810,080	1,819,723
Infrastructure	1,288,721	1,288,367	-	-	1,288,721	1,288,367
Machinery, Furniture and Fixtures	503,195	559,007	-	-	503,195	559,007
Vehicles	159,111	122,986	-	-	159,111	122,986
	<u>4,267,306</u>	<u>4,296,282</u>	<u>50,780</u>	<u>-</u>	<u>4,318,086</u>	<u>4,296,282</u>
Total						

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 \$ 282,061 to \$ 2,853,241 as of June 30, 2018.

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 the year ending June 30, 2018 for the City of Boiling Spring Lakes is \$ 32,479,858.

**Outstanding Debt
Figure 5**

City of Boiling Spring Lakes Outstanding Debt

	Governmental Activities	
	2018	2017
Note payable	946,332	1,046,697
Compensated absences	80,289	66,971
OPEB	1,315,269	1,369,682
Pension related debt	511,351	651,952
Total	2,853,241	3,135,302

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

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, 2018. 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.

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 Manager, 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, 2018

EXHIBIT 1

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Current assets:				
Cash and equivalents	1,720,760	324,220	2,044,980	95,259
Taxes receivable (net)	69,223	-	69,223	-
Other receivables	160,955	-	160,955	129
Accrued interest receivable on taxes	15,529	-	15,529	-
Due from other governmental agencies	432,712	-	432,712	-
Due from component unit	6,250	-	6,250	-
Inventories	-	-	-	64,053
Prepaid expenses	-	-	-	3,640
Restricted cash and cash equivalents	175,995	-	175,995	-
Total current assets	<u>2,581,424</u>	<u>324,220</u>	<u>2,905,644</u>	<u>163,081</u>
Non-current assets:				
Capital assets				
Land and improvements not being depreciated	196,255	-	196,255	15,000
Construction in progress	309,944	50,780	360,724	-
Other capital assets, net of depreciation	3,761,107	-	3,761,107	108,426
Total capital assets	<u>4,267,306</u>	<u>50,780</u>	<u>4,318,086</u>	<u>123,426</u>
Total non-current assets	<u>4,267,306</u>	<u>50,780</u>	<u>4,318,086</u>	<u>123,426</u>
Total assets	<u>6,848,730</u>	<u>375,000</u>	<u>7,223,730</u>	<u>286,507</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	282,570	-	282,570	7,113
OPEB deferrals	38,638	-	38,638	8,149
Total deferred outflows of resources	<u>321,208</u>	<u>-</u>	<u>321,208</u>	<u>15,262</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	78,659	-	78,659	61,778
Due to primary government	-	-	-	6,250
Accrued interest	3,027	-	3,027	-
Accounts payable from restricted assets	-	-	-	-
Current portion of long-term liabilities	169,444	-	169,444	-
Total current liabilities	<u>251,130</u>	<u>-</u>	<u>251,130</u>	<u>68,028</u>
Long-term liabilities				
Net pension liability	347,863	-	347,863	5,500
Total pension liability	163,488	-	163,488	-
Total OPEB liability	1,315,269	-	1,315,269	101,362
Due in more than one year	857,177	-	857,177	-
Total liabilities	<u>2,934,927</u>	<u>-</u>	<u>2,934,927</u>	<u>174,890</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	606	-	606	-
Pension deferrals	36,870	-	36,870	207
OPEB deferrals	133,388	-	133,388	7,487
Total deferred inflows of resources	<u>170,864</u>	<u>-</u>	<u>170,864</u>	<u>7,694</u>
NET POSITION				
Net investment in capital assets	3,320,974	50,780	3,371,754	123,426
Restricted for:				
Stabilization by State Statute	599,917	-	599,917	-
Streets - Powell Bill	146,273	-	146,273	-
Capital outlay	-	324,220	324,220	24,532
Unrestricted	(3,017)	-	(3,017)	(28,773)
Total net position	<u>4,064,147</u>	<u>375,000</u>	<u>4,439,147</u>	<u>119,185</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, 2018

EXHIBIT 2

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General Government	1,108,851	1,847	-	-	(1,107,004)	-	(1,107,004)	
Public Safety	1,414,299	113,118	914	-	(1,300,267)	-	(1,300,267)	
Transportation	654,920	-	315,049	-	(339,871)	-	(339,871)	
Health Sanitation and Welfare	4,281	-	787	-	(3,494)	-	(3,494)	
Culture and Recreation	464,043	137,688	312	1,460	(324,583)	-	(324,583)	
Interest on Long-term debt	42,326	-	-	-	(42,326)	-	(42,326)	
Total governmental activities	<u>3,688,720</u>	<u>252,653</u>	<u>317,062</u>	<u>1,460</u>	<u>(3,117,545)</u>		<u>(3,117,545)</u>	
Business-type activities								
Water and Sewer Operations	-	-	-	-	-	-	-	
Total primary government	<u>3,688,720</u>	<u>252,653</u>	<u>317,062</u>	<u>1,460</u>	<u>(3,117,545)</u>	<u>-</u>	<u>(3,117,545)</u>	
Component Units								
Boiling Spring Lakes ABC Board	628,307	637,887	-	-				9,580
Total component units	<u>628,307</u>	<u>637,887</u>	<u>-</u>	<u>-</u>				<u>9,580</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					967,029	-	967,029	-
Other taxes					2,106,453	-	2,106,453	-
Unrestricted investment earnings					845	-	845	-
Miscellaneous					68,094	-	68,094	-
Transfers					(375,000)	375,000	-	-
Total general revenues and transfers					<u>2,767,421</u>	<u>375,000</u>	<u>3,142,421</u>	<u>-</u>
Change in net position					<u>(350,124)</u>	<u>375,000</u>	<u>24,876</u>	<u>9,580</u>
Net position - beginning					5,044,715	-	5,044,715	213,581
Restatement					(630,444)	-	(630,444)	(103,976)
Net position - beginning, restated					4,414,271	-	4,414,271	128,765
Net position - ending					<u>4,064,147</u>	<u>375,000</u>	<u>4,439,147</u>	<u>119,185</u>

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

EXHIBIT 3
Page 1 of 2

	<u>Major Fund</u>	<u>Total Nonmajor Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Spillway Capital Project Fund</u>		
ASSETS				
Cash and cash equivalents	1,710,848	9,912		1,720,760
Investments	-	-		-
Taxes receivable, net	69,223	-		69,223
Due from other funds	-	-		-
Receivable from other governments	432,712	-		432,712
Receivable from other component unit	6,250	-		6,250
Other receivables	160,955	-		160,955
Restricted assets:				
Cash and cash equivalents	175,995	-		175,995
Total assets	2,555,983	9,912		2,565,895
LIABILITIES				
Accounts payable	78,659	-		78,659
Total liabilities	78,659	-		78,659
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	69,223	-		69,223
Prepaid taxes	606	-		606
Total deferred inflows of resources	69,829	-		69,829
FUND BALANCES				
Restricted				
Stabilization by State Statute	599,917	-		599,917
Streets	146,273	-		146,273
Committed				
Capital outlay	31,039	9,912		40,951
Unassigned	1,630,266	-		1,630,266
Total fund balances	2,407,495	9,912		2,417,407
Total liabilities, deferred inflows of resources and fund balances	2,555,983	9,912		2,565,895

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, 2018**

EXHIBIT 3
Page 2 of 2

Total fund balance, governmental funds		2,417,407
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	7,299,636	
Accumulated depreciation	<u>(3,032,330)</u>	4,267,306
Deferred outflows of resources related to pensions are not reported in the funds		282,570
Deferred outflows of resources related to OPEB are not reported in the funds		38,638
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.		15,529
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		69,223
Long-term liabilities used in governmental activities are not financial uses and therefore, not reported in the funds		
Gross long-term debt	(1,026,621)	
Net pension liability	(347,863)	
Total pension liability	(163,488)	
Total OPEB liability	<u>(1,315,269)</u>	(2,853,241)
Deferred inflows of resources related to pensions are not reported in the funds		(36,870)
Deferred inflows of resources related to OPEB are not reported in the funds		(133,388)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(3,027)
Net position of governmental funds		<u><u>4,064,147</u></u>

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, 2018

EXHIBIT 4
Page 1 of 2

	Major Fund	Total Non-Major Funds	Total Governmental Funds
	General Fund	Spillway Capital Project Fund	
REVENUES			
Property taxes	992,613	-	992,613
Other taxes	3,631	-	3,631
Unrestricted intergovernmental revenues	2,102,822	-	2,102,822
Restricted intergovernmental revenues	316,747	-	316,747
Licenses and permits	112,659	-	112,659
Sales and services	148,613	-	148,613
Investment earnings	845	-	845
Miscellaneous	61,250	-	61,250
Total revenues	3,739,180	-	3,739,180
EXPENDITURES			
Current:			
General government	1,011,914	-	1,011,914
Public safety	1,308,744	-	1,308,744
Transportation	659,272	-	659,272
Health and welfare	4,281	-	4,281
Culture and recreation	521,547	-	521,547
Debt Service:			
Principal	100,365	-	100,365
Interest and other charges	38,260	-	38,260
Total expenditures	3,644,383	-	3,644,383
Excess (deficiency) of revenues over expenditures	94,797	-	94,797
OTHER FINANCING SOURCES (USES)			
Transfers out	(375,000)	-	(375,000)
Total other financing sources and uses	(375,000)	-	(375,000)
Net change in fund balances	(280,203)	-	(280,203)
Fund balances - beginning	2,687,698	9,912	2,697,610
Fund balances - ending	2,407,495	9,912	2,417,407

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, 2018**

Net change in fund balances - total governmental funds: (280,203)

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	325,697
Depreciation expense for governmental assets	(354,673)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	108,274
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Benefit payments paid and administrative expense for the LEOWSA are not included on the Statement of Activities	684
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OPEB Benefit payments paid and administrative expense for the current ifscal year are not included on the Statement of Activities	38,638
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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	(25,584)
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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	100,365
Accrued interest	212

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	(13,318)
Pension expense	(121,003)
Net pension obligation	(18,949)
OPEB plan expense	(110,264)

Total changes in net position of governmental activities	(350,124)
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CITY OF BOILING SPRING LAKES, NORTH CAROLINA

EXHIBIT 5

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	949,134	949,134	992,613	43,479
Other taxes	500	500	3,631	3,131
Unrestricted intergovernmental revenues	2,068,672	2,068,672	2,102,822	34,150
Restricted intergovernmental revenues	338,545	338,545	316,747	(21,798)
Licenses and permits	91,600	91,600	112,659	21,059
Sales and services	132,276	140,776	148,613	7,837
Investment earnings	100	100	845	745
Miscellaneous	48,430	49,039	61,250	12,211
Total revenues	<u>3,629,257</u>	<u>3,638,366</u>	<u>3,739,180</u>	<u>100,814</u>
EXPENDITURES				
Current:				
General government	976,473	1,059,057	1,011,914	47,143
Public Safety	1,334,340	1,389,194	1,308,744	80,450
Transportation	740,533	799,482	659,272	140,210
Environmental protection	-	-	-	-
Health and welfare	6,500	6,500	4,281	2,219
Culture and recreation	519,501	567,016	521,547	45,469
Debt Service:				
Principal	100,366	100,367	100,365	2
Interest and other charges	38,270	38,270	38,260	10
Contingency	138,530	-	-	-
Total expenditures	<u>3,854,513</u>	<u>3,959,886</u>	<u>3,644,383</u>	<u>315,503</u>
Excess (deficiency) of revenues over expenditures	<u>(225,256)</u>	<u>(321,520)</u>	<u>94,797</u>	<u>416,317</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from installment financing	160,000	160,000	-	160,000
Transfers in	27,615	29,595	-	29,595
Transfers out	-	(376,980)	(376,980)	-
Total other financing sources and uses	<u>187,615</u>	<u>(187,385)</u>	<u>(376,980)</u>	<u>189,595</u>
Fund balance appropriated	<u>37,641</u>	<u>508,905</u>	<u>-</u>	<u>(508,905)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(282,183)</u>	<u>(282,183)</u>
Fund balances - beginning			<u>2,658,639</u>	
Fund balances - ending			<u>2,376,456</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Transfer From General Fund			1,980	
Fund balance, beginning			<u>29,059</u>	
Fund balance, ending (Exhibit 4)			<u>2,407,495</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, 2018

EXHIBIT 6

	Major Enterprise Funds	
	<u>Fifty Lakes Drive</u>	<u>Total</u>
	<u>Capital Project</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and cash equivalents	324,220	324,220
Total current assets	324,220	324,220
Capital assets:		
Construction in progress	50,780	50,780
Total non-current assets	50,780	50,780
Total assets	375,000	375,000
LIABILITIES		
Total liabilities	-	-
NET POSITION		
Net investment in capital assets	50,780	50,780
Restricted for capital projects	324,220	324,220
Total net position	375,000	375,000
 Total net assets per Government-Wide financial statements		\$ 375,000

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, 2018

EXHIBIT 7

	Majpr Enterprise Funds	
	Fifty Lakes Drive Capital Project	Total
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	-	-
Capital contributions	-	-
Transfers in	375,000	375,000
Change in net position	375,000	375,000
Total net position - beginning	-	-
Total net position - ending	375,000	375,000
Change in net assets, per above		375,000
Change in Business-Type Activities in Net Assets per Government-Wide Financial Statements		375,000

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, 2018

EXHIBIT 8

	Major Enterprise Funds	
	Fifty Lakes Drive Capital Project	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash provided (used) by operating activities	-	-
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from other funds	375,000	375,000
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net cash provided (used) by capital and related financing activities	(50,780)	(50,780)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on assessments	-	-
Net increase (decrease) in cash and cash equivalents	324,220	324,220
Cash and cash equivalents, beginning	-	-
Cash and cash equivalents, ending	324,220	324,220
 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.

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 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. A statement for the one fund category – governmental - is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, results 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. A grant has been approved for completion.

The City reports the following major enterprise fund – Water and Sewer Fund.

Fifty Lakes Drive Capital Project Fund. This fund is for installing a sewer line on certain sections of Fifty Lakes Drive which upon completion will be funded by a special assessment of the affected property. The capital improvement will be transferred to Brunswick County to be included in their Water and sewer operations.

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 financial statements are reported using the economic resources measurement focus. The government-wide 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.

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.

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 Assessments 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 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 positions 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.

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. 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 \$20,000. 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

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.

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, 2017.

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 consists 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.

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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. 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 2017 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 pension deferrals.

10. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental 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 financial statements is 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.

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 Statue – portion of fund balance that is restricted by State Statue [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 \$20,000.

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. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The 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, 2018, the City's deposits had a carrying amount of \$2,144,728 and a bank balance of \$2,173,973. The carrying amount of deposits of the ABC Board was \$94,269 and the bank balance was \$85,094. Of the bank balance \$85,094 of the ABC Board and \$250,000 of the City was covered by federal depository insurance. At June 30, 2018, the City's petty cash funds totaled \$500 and the ABC Board totaled \$600.

At June 30, 2018, the City had \$75,647 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.

2. Restricted Assets

Restricted assets presented in the Balance Sheet and Statement of Net Position at June 30, 2018 are as follows:

Restricted Cash:

Governmental Activities

General Fund

Streets

144,956

Capital Outlay

31,039

Total Governmental Activities

175,995

Total Restricted Cash

175,995

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, 2018 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	21,820
Utility billings receivable	<u>28,770</u>
 Total	 <u><u>50,590</u></u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018 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	196,255	-		196,255
Construction in progress	309,944	-	-	309,944
Total capital assets not being depreciated	<u>506,199</u>		-	<u>506,199</u>
Capital assets being depreciated:				
Buildings	2,383,675	51,350		2,435,025
Other improvements	76,738	-		76,738
Machinery equipment, furniture and fixtures	1,348,287	55,116	-	1,403,403
Vehicles	858,746	123,654	38,857	943,543
Infrastructure	1,839,151	95,577		1,934,728
Total capital assets being depreciated	<u>6,506,597</u>	<u>325,697</u>	<u>38,857</u>	<u>6,793,437</u>
Less accumulated depreciation for:				
Buildings	622,993	59,529		682,522
Other improvements	17,697	1,464		19,161
Machinery equipment, furniture and fixtures	789,280	110,928	-	900,208
Vehicles	735,760	87,529	38,857	784,432
Infrastructure	550,784	95,223		646,007
Total accumulated depreciation	<u>2,716,514</u>	<u>354,673</u>	<u>38,857</u>	<u>3,032,330</u>
Total capital assets being depreciated, net	<u>3,790,083</u>			<u>3,761,107</u>
Governmental activities capital assets, net	<u><u>4,296,282</u></u>			<u><u>4,267,306</u></u>

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

General government	162,598
Public safety	73,269
Transportation	77,879
Culture and recreation	40,927
Total depreciation expense	<u>354,673</u>

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Business-type Activities				
Fifty Lakes Drive Capital Project				
Capital assets not being depreciated:				
Construction in progress	-	50,780	-	50,780
Total capital assets not being depreciated	-	50,780	-	50,780
Business-type activities capital assets, net	<u>-</u>	<u>50,780</u>	<u>-</u>	<u>50,780</u>

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2018, 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	20,973	-		20,973
Total capital assets being depreciated	167,720	-	-	167,720
Less accumulated depreciation for:				
Buildings	41,154	3,893		45,047
Furniture, fixtures and office equipment	12,687	1,560		14,247
Total accumulated depreciation	53,841	5,453	-	59,294
Total capital assets being depreciated, net	113,879	(5,453)	-	108,426
ABC capital assets, net	<u>128,879</u>	<u>(5,453)</u>	<u>-</u>	<u>123,426</u>

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.

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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$108,274 for the year ended June 30, 2018.

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.

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

At June 30, 2018, the City reported a liability of \$347,863 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability 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, 2017, the City's proportion was 0.02277%, which was a decrease of 0.00161% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$121,003. At June 30, 2018, 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 Inflows of Resources</u>
Differences between actual and expected experience	20,040	9,847
Changes of assumptions	49,680	
Net difference between projected and actual earnings on pension plan investments	84,462	
Changes in proportion and differences between City contributions and proportionate share of contributions	8,372	22,478
City contributions subsequent to the measurement date	<u>108,274</u>	<u> </u>
Total	<u><u>270,828</u></u>	<u><u>32,325</u></u>

\$108,274 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	20,775
2020	94,918
2021	45,416
2022	(30,880)
2023	-
Thereafter	-
	130,229
	130,229

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability (asset)	1,044,291	347,863	(233,436)

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

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>11</u>
 Total	 <u><u>11</u></u>

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 are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

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

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 Percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.13 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

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

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$342 as benefits came due for the reporting period.

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

At June 30, 2018, the City reported a total pension liability of \$163,488. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$18,949.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	-	1,195
Changes of assumptions	11,400	3,350
City benefit payments and plan administrative expense made subsequent to measurement date	<u>342</u>	<u>-</u>
Total	<u><u>11,742</u></u>	<u><u>4,545</u></u>

\$342 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2019	941
2020	941
2021	941
2022	941
2023	941
Thereafter	<u>2,150</u>
Total	<u><u>6,855</u></u>

No benefits came due and \$342 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.16 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	182,939	163,488	145,919

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Allowance**

	<u>2017</u>
Beginning balance	134,225
Service cost	12,314
Interest on the total pension liability	5,181
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(1,378)
Changes of assumptions or other inputs	13,146
Benefit payments	-
Other changes	-
	<u> </u>
Ending balance of the total pension liability.	<u><u>163,488</u></u>

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	121,003	18,949	139,952
Pension liability	347,863	163,488	511,351
Proportionate share of the net pension liability	0.02277%	n/a	
Deferred Outflows of Resources			
Difference between expected and actual experience	20,040		20,040
Changes of assumptions	49,680	11,400	61,080
Net differences between projected and actual earnings on plan investments	84,462	-	84,462
Changes in proportion and differences between contributions and proportionate share of contributions	8,372	-	8,372
Benefit payments and administrative costs paid subsequent to the measurement date	108,274	342	108,616
Total	<u>270,828</u>	<u>11,742</u>	<u>282,570</u>
Deferred Inflows of Resources			
Difference between expected and actual experience	9,847	1,195	11,042
Changes of assumptions	-	3,350	3,350
Net differences between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	22,478	-	22,478
Total	<u>32,325</u>	<u>4,545</u>	<u>36,870</u>

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 enforcement 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, 2018 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.

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 City Board has the authority to establish and amend the benefit terms and financial requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. 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 June 30, 2017, the date of the latest actuarial valuation:

Inactive members currently receiving benefits	6
Inactive members entitled to but not yet receiving benefits	0
Active Members	<u>27</u>
Total	<u>33</u>

Total OPEB Liability

The City’s total OPEB liability of \$1,315,269 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases including wage inflation	
General employees	3.50% - 7.75%
Law enforcement officers	3.50% - 7.35%
Discount rate	3.56%
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2016	1,369,682
Changes for the year:	
Service cost	85,992
Interest	40,760
Changes on benefit terms	-
Difference between expected and actual experience	(2,219)
Changes of assumptions or other inputs	(147,657)
Benefit payments	<u>(31,289)</u>
Net Changes	<u>(54,413)</u>
total OPEB Liability as of June 30, 2017	<u><u>1,315,269</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the discount rate:

	<u>2.56%</u> <u>1% Decrease</u>	<u>3.56%</u> <u>Discount Rate</u>	<u>4.56%</u> <u>1% Increase</u>
Total OPEB Liability	1,601,603	1,315,269	1,096,583

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

	<u>1%</u> <u>Decrease</u>	<u>Current</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability	1,067,693	1,315,269	1,651,225

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$110,264. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	-	1,975
Changes of assumptions	-	131,413
Benefit payments and administrative costs made subsequent to the measurement date	38,638	
Total	38,638	133,388

\$38,638 reported as deferred outflows of resources related to pensions resulting from benefit payments mad and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in healthcare costs as follows:

Year Ended June 30:

2018	16,488
2019	16,488
2020	16,488
2021	16,488
2022	16,488
Thereafter	<u>50,948</u>
Total	<u><u>133,388</u></u>

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:

	<u>Deferred Outflows of Resources</u>
Differences between actual and expected experience	9,722
Changes of assumptions	35,439
Net difference between projected and actual earnings on pension plan investments	286,071
Changes in proportion and differences between City contributions and proportionate share of contributions	16,829
Administrative expense payment for LEOSA	171
City contributions subsequent to the measurement date	<u>94,665</u>
Total	<u><u>442,897</u></u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	2,259	2,259
Taxes receivable, less penalties (General Fund)	-	88,858
Change in assumptions	3,972	
Differences between actual and expected experience	18,131	
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>3,799</u>	<u>-</u>
Total	<u><u>28,161</u></u>	<u><u>91,117</u></u>

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 (\$4,114,252 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, 2018 the City was a defendant to one item 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 First National Bank. The financing contract requires payments of interest 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.

On September 1, 2015, the City entered into an agreement to provide financing in the amount of \$149,017 for the acquisition a new commercial truck and equipment. This contract is with LGFCU Financial Partners, LLC. The financing contract requires annual payments of \$23,471.70 at 2.50% fixed beginning December 1, 2015 for seven years. This loan will be fully repaid December 1, 2021.

Annual debt service payments of the installment purchase as of June 30, 2018, including \$227,330 of interest are as follows:

Governmental Activities		
Year Ending June 30	Principal	Interest
2019	100,875	34,609
2020	101,396	30,979
2021	101,928	27,210
2022	102,480	23,548
20.23	80,000	19,834
2024-2028	400,000	51,892
2029	59,653	-
Total	946,332	188,072

b. Changes in General Long-Term Liabilities

Government activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Installment purchases	1,046,697	-	100,365	946,332	100,875
Compensated absences	66,971	68,569	55,251	80,289	68,569
Net pension obligation (LGERS)	517,727		169,864	347,863	-
Net pension obligation (LEO)	134,225	29,263	-	163,488	-
Other postemployment benefits	1,369,682		54,413	1,315,269	-
Government activity long-term liabilities	3,135,302	97,832	379,893	2,853,241	169,444

c. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2018 consists of the following:

	Governmental Activities	Business-type Activities
Capital assets	4,267,306	50,780
Less: Long-term debt	946,332	-
Net investment in capital assets	3,320,974	50,780

d. Fund Balance

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

Total fund balance-General Fund	2,407,495
Less:	
Stabilization by State Statutes	599,917
Streets - Powell Bill	146,273
Capital outlay	31,039
Appropriated Fund Balance in 2019 budget	-
Remaining fund balance	1,630,266

e. Interfund Balances and Activity

Transfer for capital outlay from General Fund to: Fifty Lakes Capital Outlay	\$375,000.
Capital Reserve Fund	1,980
	\$376,980

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 \$1,433 to the Council during the fiscal year ended June 30, 2018.

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.

On September 9, 2018, the City experienced the effects of Hurricane Florence and is included in a federally declared disaster zone. The City suffered extensive damage to its infrastructure of roads, Dams and Lakes. Applications have been submitted to federal and state agencies for assistance.

VII. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning total OPRB liability and the effects on net position of benefit payments and administrative expenses paid by the City related to OPEB during the measurement period (fiscal year ending December 31, 25017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$630,444.

**REQUIRED
SUPPLEMENTAL FINANCIAL DATA**

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

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

Schedule of Contributions - Local Government Employee's Retirement System

Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance

Schedule of Total Pension Liability as a Percent of Covered Payroll - Law Enforcement Officers' Special Separation Allowance.

Schedule of Changes in the Total OPEB Liability and Related Ratios

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

EXHIBIT A-1

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	2018	2017	2016	2015	2014
City of Boiling Spring Lakes' proportion of the net pension liability (asset) (%)	0.02277%	0.02438%	0.02321%	0.02252%	0.01820%
City of Boiling Spring Lakes' proportion of the net pension liability (asset) (\$)	347,863	517,427	104,165	(132,811)	219,380
City of Boiling Spring Lakes' covered-employee payroll	1,251,314	1,317,613	1,192,061	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	27.80%	39.27%	8.74%	(12.01%)	21.86%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 SCHEDULE OF CONTRIBUTIONS
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST FIVE FISCAL YEARS

EXHIBIT A-2

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required Contribution	108,274	94,665	90,437	85,833	79,026
Contributions in relation to the contractually required contribution	<u>108,274</u>	<u>94,665</u>	<u>90,437</u>	<u>85,833</u>	<u>79,026</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City of Boiling Spring Lakes' covered-employee payroll	1,386,297	1,251,314	1,317,613	1,192,061	1,105,732
Contributions as a percentage of covered-employee payroll	7.81%	7.57%	6.86%	7.20%	7.15%

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SEPARATION ALLOWANCE
June 30, 2018**

EXHIBIT A-3

	<u>2018</u>	<u>2017</u>
Beginning balance	134,225	120,831
Service Cost	12,314	13,674
Interest on the total pension liability	5,181	4,314
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(1,378)	-
Changes of assumptions or other inputs	13,146	(4,594)
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	<u><u>163,488</u></u>	<u><u>134,225</u></u>

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA EXHIBIT A-4
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SEPARATION ALLOWANCE
June 30, 2018

	<u>2018</u>	<u>2017</u>
Total pension liability	163,488	134,225
Covered payroll	514,153	532,555
Total pension liability as a percentage of covered payroll	31.80%	25.20%

Notes to the schedules:

The City of Boiling Spring Lakes has no assets accumulated in a trust fund that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
June 30, 2018

EXHIBIT A-5

	2017
Service Cost	85,992
Interest	40,760
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,219)
Changes of assumptions or other inputs	(147,657)
Benefit payments	(31,289)
Other changes	-
Net Change in the Total OPEB Liability	(54,413)
Total OPEB Liability - beginning	1,369,682
Total OPEB Liability - ending	1,315,269
Covered-employee payroll	1,111,300
Total OPEB Liability as a percentage of covered-employee payroll	118.35%

Notes to the Schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rate used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%

SUPPLEMENTARY STATEMENTS

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND - BUDGETARY BASIS
COMPARATIVE BALANCE SHEET
June 30, 2018 and 2017**

EXHIBIT B-1

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	1,710,848	2,163,941
Receivables (net):		
Taxes	69,223	88,858
Accounts	160,955	171,730
Due from other governments	432,712	386,482
Due from component unit	6,250	9,130
Restricted cash and cash equivalents	<u>144,956</u>	<u>78,718</u>
Total assets	<u><u>2,524,944</u></u>	<u><u>2,898,859</u></u>
LIABILITIES		
Accounts payable	78,659	147,666
Accounts payable from restricted assets	<u>0</u>	<u>1,437</u>
Total liabilities	<u>78,659</u>	<u>149,103</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenues	69,223	88,858
Prepaid taxes	<u>606.00</u>	<u>2,259</u>
Total deferred inflows of resources	<u>69,829</u>	<u>91,117</u>
FUND BALANCES		
Restricted		
Stabilization by State Statute	599,917	567,342
Streets	146,273	77,281
Assigned		
Subsequent year's expenditure	-	103,383
Unassigned	<u>1,630,266</u>	<u>1,910,633</u>
Total fund balances	<u>2,376,456</u>	<u>2,658,639</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>2,524,944</u></u>	<u><u>2,898,859</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, 2018

EXHIBIT B-2
Page 1 of 9

With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<u>Revenues</u>				
<u>Ad valorem</u>				
Current year	892,734	937,364	44,630	909,282
Prior year	46,400	34,037	(12,363)	50,466
Penalties and interest	10,000	21,212	11,212	13,544
Total	<u>949,134</u>	<u>992,613</u>	<u>43,479</u>	<u>973,292</u>
<u>Other taxes</u>				
Privilege licenses	-	2,771	2,771	-
Dog tax	500	860	360	895
Total	<u>500</u>	<u>3,631</u>	<u>3,131</u>	<u>895</u>
<u>Unrestricted intergovernmental revenues</u>				
Local option sales tax	1,703,672	1,747,190	43,518	1,628,759
Franchise tax	312,000	302,062	(9,938)	171,077
Telecommunications sales tax	-	4	4	62,400
Video programing sales tax	-	-	-	71,318
Beer and wine excise tax	28,000	28,566	566	28,776
ABC profit distribution	25,000	25,000	-	34,063
Total	<u>2,068,672</u>	<u>2,102,822</u>	<u>34,150</u>	<u>1,996,393</u>
<u>Restricted intergovernmental revenues</u>				
Grant revenue	25,700	1,014	(24,686)	21,081
FEMA Reimbursement	-	-	-	34,952
"State Street-aid" allocation	307,492	310,479	2,987	307,491
NC DOT Right of Way	4,506	4,570	64	4,507
Police equipment grant	305	305	-	2,043
ABC revenue for law enforcement	542	379	(163)	604
Total	<u>338,545</u>	<u>316,747</u>	<u>(21,798)</u>	<u>370,678</u>
<u>Permits and fees</u>				
Building permits and inspection fees	49,850	104,939	55,089	65,218
Street license fees	33,750	0	(33,750)	27,750
Planning and zoning feed	7,000	7,720	720	-
Board of adjustment fees	1,000	-	(1,000)	-
Total	<u>91,600</u>	<u>112,659</u>	<u>21,059</u>	<u>92,968</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

EXHIBIT B-2
Page 2 of 9

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018

With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Sales and services				
Rents and concessions	19,776	20,285	509	19,632
Planning fees	-	80	80	-
Assessment-Tax lien	-	3,000	3,000	4,167
Water assessment interest	9,000	8,348	(652)	7,691
Community center revenue				
Programs and rentals	83,000	88,623	5,623	81,965
Memberships	14,500	17,714	3,214	15,111
Gifts and donations	14,500	10,563	(3,937)	2,961
Total	<u>140,776</u>	<u>148,613</u>	<u>7,837</u>	<u>131,527</u>
Investment earnings				
Investment earnings - other	100	845	745	281
Total	<u>100</u>	<u>845</u>	<u>745</u>	<u>281</u>
Miscellaneous revenue				
Sales and gas tax refunds	23,100	15,886	(7,214)	26,957
Sale of fixed assets	15,000	13,025	(1,975)	85,877
Xpress pay income	420	1,818	1,398	667
Advertising fees	60	29	(31)	75
Bike runs	609	609	-	576
Brunswick Senior Resource Donation	-	-	-	22
Small fry fishing tournament	2,000	3,110	1,110	3,778
Fitness on demand	1,200	503	(697)	2,028
Contributions	1,400	1,545	145	2,097
Miscellaneous	5,250	24,725	19,475	18,456
Total	<u>49,039</u>	<u>61,250</u>	<u>12,211</u>	<u>140,533</u>
Total revenues	<u>3,638,366</u>	<u>3,739,180</u>	<u>100,814</u>	<u>3,706,567</u>
Expenditures				
General government				
Governing body				
Salaries	8,000	7,625		8,000
Payroll taxes	612	583		612
Professional fees - attorney	44,000	43,783		36,412
Professional fees - audit	24,800	24,800		24,300
Contracted servuces	-	1,085		3,496
Per diem/travel	300	120		85

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, 2018

EXHIBIT B-2
Page 3 of 9

With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Ordinance codification	1,500	1,526		1,523
Collection fees (taxes)	6,464	6,222		6,463
Collection fees (vehicles)	2,600	1,745		3,071
Noncapital purchases	-	-		-
Scholarship fund expenses	-	-		2,360
Miscellaneous	4,500	4,233		86
Capital outlay	-	-	-	-
Total	<u>92,776</u>	<u>91,722</u>	<u>1,054</u>	<u>86,408</u>
Administration				
Salaries	269,067	259,431		239,354
Professional services	9,100	8,927		30,493
Payroll taxes	20,389	19,639		17,926
Employees' group insurance	27,192	20,700		25,124
Retirement	31,314	30,079		27,970
Other fringe benefits	3,450	3,247		3,387
Telephone and postage	9,620	8,508		8,200
Volunteer appreciation	1,900	1,614		1,599
Utility - water	11,700	10,964		10,458
Travel and training	10,000	10,122		9,065
Office equipment maintenance	6,800	6,519		8,140
Legal advertising	5,600	8,659		2,931
Office supplies	4,450	4,396		3,482
Gas, oil and tires	1,100	941		1,478
Emergency response	3,750	3,750		3,750
Fire Department contingency	25,000	25,000		25,000
Contracted services	26,065	27,062		40,902
Dues and subscriptions	14,500	12,311		11,295
Insurance - general	54,014	54,114		51,290
Workmen's compensation insurance	67,655	67,617		78,421
Miscellaneous expense	5,999	5,865		4,808
Bank service charges	450	363		286
FEMA Reimbursement	-	-		192
Express fees	2,090	2,214		963
Planning	18,400	18,629		18,901
Capital outlay - office equipment	28,873	28,872	-	-
Total	<u>658,478</u>	<u>639,543</u>	<u>18,935</u>	<u>625,415</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, 2018

EXHIBIT B-2
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With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Public buildings				
Salaries	122,593	118,057		113,977
Seasonal help	9,360	7,632		2,664
Payroll taxes	10,761	9,518		8,776
Group insurance	22,252	22,220		20,379
Retirement	14,523	13,998		13,415
Telephone	1,980	2,001		2,190
Travel and training	600	120		-
Electricity	3,000	1,195		-
Repairs and maintenance	22,250	19,397		14,935
Lawn care	8,000	6,600		2,553
Landscaping	6,000	4,027		4,649
Park repairs and maintenance	13,000	10,900		3,190
Specific projects	5,393	5,393		-
Fuel, oil and tires	7,500	4,860		4,468
Office supplies	400	-		-
Janitor supplies	4,500	4,195		3,015
Uniform allowance	600	583		234
Contracted services	9,820	5,954		10,134
Tool purchases and maintenance	6,999	6,327		3,854
Miscellaneous	400	160		-
Capital outlay	37,872	37,512	-	-
Total	<u>307,803</u>	<u>280,649</u>	<u>27,154</u>	<u>208,433</u>
<u>Total general government</u>	<u>1,059,057</u>	<u>1,011,914</u>	<u>47,143</u>	<u>920,256</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, 2018

EXHIBIT B-2
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With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Public safety				
Police				
Salaries	638,090	615,616		557,247
Salaries - part-time	7,725	5,427		7,293
Professional fees	29,361	27,780		-
Payroll taxes	48,410	46,646		42,345
Retirement	89,594	84,022		68,399
Employee group insurance	110,181	102,599		95,131
Retiree group insurance	20,137	20,136		19,532
Training and travel	11,000	9,066		10,293
Telephone and postage	11,520	11,840		10,795
Electricity and water	7,275	7,009		5,595
Vehicle maintenance	19,983	20,565		8,913
Police office equipment maintenance	1,295	1,137		725
Gas, oil and tires	35,500	37,862		27,936
Police office supplies	2,305	1,725		2,324
Uniform allowance	9,574	9,574		9,978
Small fry fishing tournament	5,041	5,041		4,020
Contracted services	41,350	43,358		41,240
Special investigations	819	490		1,268
Dues and subscriptions	1,000	971		-
Miscellaneous expense	3,451	3,404		3,669
GCC Block Grant	24,500	-		22,017
Non-capital outlay	9,714	10,533		5,335
Capital outlay	51,075	50,253	-	226,807
Total	<u>1,178,900</u>	<u>1,115,054</u>	<u>63,846</u>	<u>1,170,862</u>
Animal control				
Training	1,458	1,358		
Telephone	480	424		475
Vehicle maintenance	400	-		-
Gas, tires, oil	2,436	2,539		2,124
Office supplies	200	-		-
Supplies	900	525		375
Uniform allowance	450	298		295
Contracted services	750	-		40
Miscellaneous	455	220		175
Non-capital outlay	3,106	3,106	-	4,900
Capital outlay	-	-	-	-
Total	<u>10,635</u>	<u>8,470</u>	<u>2,165</u>	<u>8,384</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, 2018

EXHIBIT B-2
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With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Inspections				
Salaries	108,281	103,270		87,645
Salaries - part-time	21,520	21,258		-
Payroll taxes	9,897	9,514		6,671
Retirement	13,602	12,971		11,050
Employee group insurance	9,750	9,637		7,439
Retiree supplemental insurance	-	-		365
Telephone and postage	1,900	1,888		1,422
Training and travel	2,450	1,767		2,231
Vehicle maintenance	500	160		-
Gas, oil and tires	1,250	1,053		316
Office supplies	1,350	1,323		420
Office equipment	-	-		17
Departmental supplies	550	493		195
Contracted services	7,797	8,394		18,595
Dues and subscriptions	500	410		-
Uniform allowance	300	217		-
Miscellaneous expense	-	-		141
Non-capital outlay	-	-	-	2,850
Capital outlay	20,012	12,865	-	-
Total	<u>199,659</u>	<u>185,220</u>	<u>14,439</u>	<u>139,357</u>
<u>Total public safety</u>	<u>1,389,194</u>	<u>1,308,744</u>	<u>80,450</u>	<u>1,318,603</u>
Transportation				
Streets				
Salaries	175,074	168,553		162,774
Seasonal employee	14,872	15,067		11,235
Payroll taxes	14,033	13,432		12,992
Employee group insurance	30,612	30,326		28,040
Retirement	21,917	21,142		20,123
Retiree supplemental insurance	13,700	12,874		11,757
Street lights	20,000	16,482		16,742
Telephone	4,000	3,013		3,243
Propane	2,500	2,115		942
Electricity	4,800	4,799		4,336
Travel and training	823	803		610
Street surfacing and maintenance	119,919	65,678		123,056
Resurfacing/Paving project	51,532	22,640		-
Maintenance - other equipment	30,000	23,041		23,668
Office supplies	150	126		34
Shop supplies	3,850	3,605		3,165
Fuel, oil and tires - grader	19,511	19,325		20,370
Street culverts	11,500	9,123		6,888
Sandbags, cement, materials	-	-		-
Street department supplies	2,500	2,047		2,898

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, 2018

EXHIBIT B-2
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With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Safety supplies	600	32		145
Debris removal	750	633		578
Safety sign replacement	1,000	918		1,376
Uniforms	5,700	5,578		5,626
Contracted services	7,185	7,687		8,327
NCDOT Right of Way	3,016	3,017		3,267
Dues and subscriptions	-	-		50
Professional services	19,100	7,135		35,884
Miscellaneous expense	2,487	2,234		2,272
Street licenses	51,750	53,250		-
Non-capital outlay - streets	-	2,570		12,894
Powell Bill survey	600	300		-
Capital outlay - vehicle	74,001	71,576		110,017
Capital outlay	<u>92,000</u>	<u>70,151</u>	-	<u>503,576</u>
<u>Total transportation</u>	<u>799,482</u>	<u>659,272</u>	<u>140,210</u>	<u>1,136,885</u>
Health and welfare				
Mosquito control				
Travel and training	1,300	120		210
Fuel, oil - equipment	500	136		188
Maintenance - equipment	500	-		30
Vehicle supplies	100	-		-
Chemical supplies	4,000	3,925		3,823
Dues and subscriptions	<u>100</u>	<u>100</u>	-	<u>100</u>
Chemical storage shed	-	-		-
NPDES Permit fees	<u>-</u>	<u>-</u>	-	<u>-</u>
<u>Total health and welfare</u>	<u>6,500</u>	<u>4,281</u>	<u>2,219</u>	<u>4,351</u>
Culture and recreation				
Parks and recreation				
Bike runs	2,570	2,495		1,763
Community fun day	732	732		1,225
Christmas tree lighting	442	442		613
Battle of the bands	2,601	1,384		-
Haunted hay ride	1,077	1,076		922
Mitch Prince hoops and heros	16	16		2,053
Office supplies	100	51		62
Storage unit	286	286		594
Miscellaneous	1,400	878	-	143
Non-capital outlay	4,279	4,278		-
Capital outlay	<u>-</u>	<u>-</u>	-	<u>-</u>
<u>Total</u>	<u>13,503</u>	<u>11,638</u>	<u>1,865</u>	<u>7,375</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, 2018

EXHIBIT B-2
Page 8 of 9

With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Community committees				
Library committee	2,000	1,959		1,685
Community appearance	400	164	-	196
Total	<u>2,400</u>	<u>2,123</u>	<u>277</u>	<u>1,881</u>
Dams and lakes				
Contracted services	49,400	49,450		100,032
Equipment maintenance	2,806	2,854		2,297
Repairs and maintenance	-	-		8,104
Storm debris - lakes	1,700	-		1,935
Electricity	1,500	1,500		1,229
Operating expenses	2,000	1,238		4,625
Water testing	3,000	2,600		2,300
Non-capital outlay	-	-	-	1,112
Capital outlay - boat	-	-	-	<u>16,480</u>
Portable pumps	-	-	-	-
Total	<u>60,406</u>	<u>57,642</u>	<u>2,764</u>	<u>138,114</u>
Community Center				
Salaries	156,432	147,379		112,250
Part-time and temporary help	62,912	53,712		61,367
Payroll taxes	16,435	15,521		12,738
Retirement	19,931	18,666		14,130
Employees group insurance	26,952	26,927		20,779
Professional services	9,950	9,950		3,000
Telephone and postage	4,356	3,847		4,380
Electricity, water and oil	8,900	7,393		7,799
Travel and training	3,500	3,309		2,504
Repairs and maintenance - other	6,040	4,839		16,823
Advertising	3,150	3,044		2,768
Gas, oil, tires	4,900	5,319		3,490
Cleaning supplies	2,500	2,518		2,256
Office supplies	3,000	2,868		2,529
Uniform allowance	3,000	2,781		620
Contracted services	34,000	29,591		29,217
Grants and donations	6,000	1,963		2,996
Dues and subscriptions	2,000	2,211		1,075
Programs	48,715	47,469		45,625
Van rental	1,224	1,129		-
Miscellaneous expense	1,050	1,035		833
Non-capital outlay	4,745	3,985		5,416
Capital outlay	61,015	54,688	-	<u>44,049</u>
Total	<u>490,707</u>	<u>450,144</u>	<u>40,563</u>	<u>396,644</u>
<u>Total culture and recreation</u>	<u>567,016</u>	<u>521,547</u>	<u>45,469</u>	<u>544,014</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, 2018

EXHIBIT B-2
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With Comparative Actual Amounts for Year Ended June 30, 2017

	2018		Variance Positive (Negative)	2017
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Debt service				
Principal retirement	100,367	100,365	2	99,860
Interest	<u>38,270</u>	<u>38,260</u>	<u>10</u>	<u>41,918</u>
Total	<u>138,637</u>	<u>138,625</u>	<u>12</u>	<u>141,778</u>
Contingency	-	-	-	-
<u>Total expenditures</u>	<u>3,959,886</u>	<u>3,644,383</u>	<u>315,503</u>	<u>4,065,887</u>
Revenues over (under) expenditures	<u>(321,520)</u>	<u>94,797</u>	<u>416,317</u>	<u>(359,320)</u>
Other financing sources (uses)				
Proceeds from loan	160,000	-	(160,000)	-
Transfer from Capital Reserve Fund	27,615	-	(27,615)	18,000
Transfer to Capital Improvement Project	(375,000)	(375,000)	-	-
Transfer to Capital Reserve Fund	-	(1,980)	(1,980)	-
Total other financing sources (uses)	<u>(187,385)</u>	<u>(376,980)</u>	<u>(189,595)</u>	<u>18,000</u>
Appropriated fund balance	<u>508,905</u>	-	<u>(508,905)</u>	-
Net change in fund balance	<u>-</u>	(282,183)	<u>(282,183)</u>	(341,320)
Fund balance, beginning		<u>2,658,639</u>		<u>2,999,959</u>
Fund balance, ending		<u>2,376,456</u>		<u>2,658,639</u>

City of Boiling Spring Lakes, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

EXHIBIT B-3

	<u>Spillway Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS		
Cash and cash equivalents	9,912	9,912
Total assets	9,912	9,912
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	-	-
Total liabilities	-	-
Fund balances:		
Assigned		
Cultural and recreation	9,912	9,912
Total fund balances	9,912	9,912
Total liabilities and fund balances	9,912	9,912

City of Boiling Spring Lakes, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

EXHIBIT B-4

	<u>Stormwater</u> <u>Capital Project</u>	<u>Spillway Capital</u> <u>Project Fund</u>	<u>Total Nonmajor</u> <u>Governmental</u> <u>Funds</u>
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	-	-	-
Fees and fines	-	-	-
Licenses and permits	-	-	-
Restricted intergovernmental	-	-	-
Charges for services	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public Safety	-	-	-
Highways and roads	-	-	-
Environmental protection	-	-	-
Culture and recreation	-	-	-
Education	-	-	-
Economic and physical development	-	-	-
Other expenditure 2	-	-	-
Debt Service			
Principal	-	-	-
Interest and other charges	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net	-	-	-
Proceeds from capital leases	-	-	-
Other source	-	-	-
Other use	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM			
Proceeds from sale of land	-	-	-
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>9,912</u>	<u>9,912</u>
Fund balances - ending	<u><u>-</u></u>	<u><u>9,912</u></u>	<u><u>9,912</u></u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 FIFTY LAKES DRIVE SEWER 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, 2018

EXHIBIT C-1

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenue					
Miscellaneous revenue					
Special assessments	375,000	-	-	-	(375,000)
Total Revenue	375,000	-	-	-	(375,000)
Expenditures					
Engineering and administrative	69,000		35,523	35,523	33,477
Survey	20,000		15,257	15,257	4,743
Construction	265,000		-	-	265,000
Contingency	21,000	-	-	-	21,000
Total Expenditures	375,000	-	50,780	50,780	324,220
Revenues over (under) expenditures	-	-	(50,780)	(50,780)	(50,780)
 Other financing sources (uses):					
Transfer from General Fund	375,000		375,000	375,000	-
Transfer to General Fund	(375,000)	-	-	-	375,000
Total other financing sources (uses)	-	-	375,000	375,000	375,000
Excess (deficit) of revenues and other sources over expenditures and other uses	-	-	324,220	324,220	324,220
Fund Balance, beginning			-		
Fund Balance, ending			324,220		

OTHER SCHEDULES

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2018

EXHIBIT D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018		958,190	936,926	21,264
2016-2017	29,262		16,198	13,064
2015-2016	14,254		4,260	9,994
2014-2015	17,590		3,488	14,102
2013-2014	9,524		4,014	5,510
2012-2013	9,345		3,687	5,658
2011-2012	5,925		342	5,583
2010-2011	5,086		395	4,691
2009-2010	6,065		669	5,396
2008-2009	5,300		574	4,726
2007-2008	9,741		8,686	1,055
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>112,092</u>	<u>958,190</u>	<u>979,239</u>	91,043
Less allowance for doubtful accounts: General Fund				<u>23,234</u>
Ad valorem taxes receivable - net				<u>67,809</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	992,613
Reconciling items:	
Interest collected	(21,212)
Amounts written off for tax year 2007-2008 per statute of limitations	7,347
Tax releases/adjustments	<u>491</u>
Total collections and credits	<u>979,239</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 For the Fiscal Year Ended June 30, 2018

EXHIBIT D-2

	City-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excl Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	402,870,686	0.21	846,028	846,028	-
Motor vehicles taxed at current year's rate	53,359,524	0.21	112,055	-	112,055
Penalties	-		107	107	-
 Total property valuation	 456,230,210				
 Net levy			958,190	846,135	112,055
 Uncollected at June 30, 2017			21,264	21,264	-
 Current year's taxes collected			936,926	824,871	112,055
 Current levy collection percentage			97.8%	97.5%	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, 2018, which collectively comprises the City of Boiling Spring Lakes' basic financial statements, and have issued our report thereon, dated December 28, 2018. 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*.

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.

Berry Budgett + Chandler, PLLC
Certified Public Accountants

Southport, North Carolina
December 28, 2018