

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2022



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FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Mayor
And the Board of Commissioners
Boiling Spring Lakes, North Carolina

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental 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, 2022, and the respective changes in financial position 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.

We did not audit the financial statements of the City of Boiling Spring Lakes ABC Board, which represent 100 percent, 100 percent, and 100 percent of the assets, net position, and revenues, respectively, of the aggregate discretely present component units, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Boiling Spring Lakes ABC Board, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Boiling Spring Lakes, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of City of Boiling Spring Lakes ABC Board were not audited in accordance with *Government Auditing Standards*.

Responsibility of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the 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 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

and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Boiling Spring Lakes, North Carolina. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2022 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Boiling Spring Lakes' 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.

W Greene, PLLC

Whiteville, North Carolina
September 23, 2022

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, 2022. 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

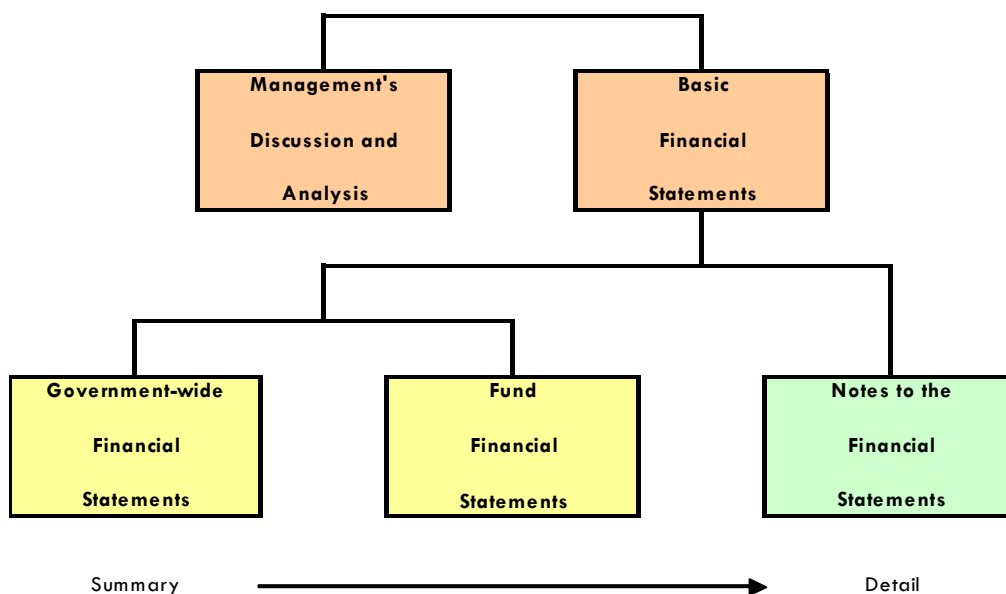
- The assets and deferred outflows of resources of the City of Boiling Spring Lakes exceeded its liabilities and deferred inflows at the close of the fiscal year by \$4,144,218 (net position).
- As of the close of the current fiscal year, the City of Boiling Spring Lakes' governmental funds reported combined ending fund balances of \$3,194,111 with a net increase of \$60,709 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,097,206 or 41 percent of total general fund expenditures for the fiscal year.
- The City's total long-term debt decreased by \$677,394. This is primarily due to decreases in pension obligations and other postemployment benefit liabilities.
- Sales tax revenues continue to increase 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.

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 (pages 18 through 21) 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 (pages 22 through 26) 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, **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 it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the 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 administration, streets and highways, public safety, and parks and recreation. Property taxes, State shared revenues and State and federal grant funds finance most of these activities. The City did 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 pages 18 through 21 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 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 government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The 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 about 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 the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The City does not maintain any proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27 through 61 of this report.

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. Required supplementary information can be found beginning on page 64 of this report.

Interdependence with Other Entities: The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Management's Discussion and Analysis (Continued)

Government-Wide Financial Analysis

City of Boiling Spring Lakes' Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 18,928,514	\$ 3,414,187	\$ -	\$ -	\$ 18,928,514	\$ 3,414,187
Capital assets	5,868,458	5,193,592	-	-	5,868,458	5,193,592
Deferred outflows of resources	918,327	903,188	-	-	918,327	903,188
Total assets and deferred outflows of resources	25,715,299	9,510,967	-	-	25,715,299	9,510,967
Long-term liabilities outstanding	2,456,523	5,364,335	-	-	2,456,523	5,364,335
Other liabilities	2,787,939	225,428	-	-	2,787,939	225,428
Deferred inflows of resources	16,326,619	413,961	-	-	16,326,619	413,961
Total liabilities and deferred inflows of resources	21,571,081	6,003,724	-	-	21,571,081	6,003,724
Net position:						
Net investment in capital assets	5,165,466	4,551,460	-	-	5,165,466	4,551,460
Restricted	1,637,667	1,583,670	-	-	1,637,667	1,583,670
Unrestricted	(2,658,915)	(2,627,887)	-	-	(2,658,915)	(2,627,887)
Total net position	\$ 4,144,218	\$ 3,507,243	\$ -	\$ -	\$ 4,144,218	\$ 3,507,243

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Boiling Spring Lakes exceeded liabilities and deferred inflows by \$4,144,218 as of June 30, 2022. The City's net position increased by \$636,975 for the fiscal year ended June 30, 2022. However, the largest portion (125%) reflects the City's net investment 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' net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Boiling Spring Lakes' net position, \$1,637,667, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(2,658,915) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.71%. The statewide average in fiscal year 2022 was 99.12%.

City of Boiling Spring Lakes Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 275,258	\$ 493,829	\$ -	\$ -	\$ 275,258	\$ 493,829
Operating grants and contributions	543,668	428,140	-	-	543,668	428,140
Capital grants and contributions	26,756	690	-	-	26,756	690
General Revenues						
Property taxes	1,795,951	1,296,610	-	-	1,795,951	1,296,610
Other taxes	2,785,054	2,934,431	-	-	2,785,054	2,934,431
Other	280,400	126,759	-	-	280,400	126,759
Total revenues	5,707,087	5,280,459	-	-	5,707,087	5,280,459
Expenses:						
General Government	1,416,257	2,223,087	-	-	1,416,257	2,223,087
Public Safety	1,714,758	1,729,553	-	-	1,714,758	1,729,553
Transportation	1,106,620	607,244	-	-	1,106,620	607,244
Health Sanitation and Welfare	3,022	410	-	-	3,022	410
Culture and Recreation	636,559	454,938	-	-	636,559	454,938
Economic and Physical Development	161,878	88,486	-	-	161,878	88,486
Interest on long-term debt	310,18	26,711	-	-	310,18	26,711
Total expenses	5,070,112	5,130,429	-	-	5,070,112	5,130,429
Increase(Decrease) in net position						
before transfers	636,975	150,030	-	-	636,975	150,030
Transfers	-	-	-	-	-	-
Change in net position	636,975	150,030	-	-	636,975	150,030
Net position, July 1 (consolidated)	3,507,243	3,357,213	-	-	3,507,243	3,357,213
Restatement	-	-	-	-	-	-
Net Position, July 1 - Restated	3,507,243	3,357,213	-	-	3,507,243	3,357,213
Net position, June 30	\$ 4,144,218	\$ 3,507,243	\$ -	\$ -	\$ 4,144,218	\$ 3,507,243

Governmental activities. Governmental activities increased the City's net position by \$636,975. Key element of this increase are as follows:

- Sales tax revenues continue to increase due to improving economic conditions in Brunswick County and the increasing population of the City.
- As new homes continue to be built in the City, property tax revenues also increased.
- Also overall expenditures declined from the previous year.

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.

The general fund is the chief operating fund of the City of Boiling Spring Lakes. At the end of the current fiscal year, City of Boiling Spring Lakes' fund balance available in the General fund was \$2,361,955, while total fund balance reached \$3,741,300. The City currently has an available fund balance of 47% of general fund expenditures, while the total balance represents 74% of the same amount.

At June 30, 2022, the governmental funds of City of Boiling Spring Lakes reported a combined fund balance of \$3,194,111 with a net increase in fund balance of \$60,709.

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 3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts primarily because of an increase in State shared revenues and taxes that the City originally had expected to receive. Total expenditures were held below budgeted amounts.

Capital Asset and Debt Administration

Capital assets. The City of Boiling Spring Lakes' investment in capital assets for its governmental activities as of June 30, 2022, totals \$5,705,119 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, park facilities, and equipment.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Vehicles, Equipment, Paving and Construction in Progress additions in Governmental Activities.

Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land & Nondepreciated Improvements	\$ 584,387	\$ 256,850	\$ -	\$ -	\$ 584,387	\$ 256,850
Construction in Progress	2,010,839	1,415,598	-	-	2,010,839	1,415,598
Buildings & Other Improvements	1,893,414	1,966,567	-	-	1,893,414	1,966,567
Infrastructure	872,226	1,001,207	-	-	872,226	1,001,207
Equipment, Furniture & Fixtures	316,979	451,130	-	-	-	451,130
Vehicles	27,274	102,240	-	-	27,274	102,240
Total	\$ 5,705,119	\$ 5,193,592	\$ -	\$ -	\$ 5,388,140	\$ 5,193,592

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

Long-term Debt. As of June 30, 2022, the City of Boiling Spring Lakes had total debt outstanding of \$4,686,940 Of this, \$0- is debt backed by the full faith and credit of the City of Boiling Spring Lakes.

City of Boiling Spring Lakes' Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Installment purchase debt	\$ 539,653	\$ 642,132	\$ -	\$ -	\$ 539,653	\$ 642,132
Note Payable	2,000,000	2,000,000	-	-	2,000,000	2,000,000
Lease Liability	166,691	-	-	-	166,691	-
Compensated absences	104,198	96,629	-	-	104,198	96,629
OPEB	1,238,336	1,542,024	-	-	1,238,336	1,542,024
Pension related debt	638,062	1,083,549	-	-	638,062	1,083,549
Total	\$ 4,686,940	\$ 5,364,334	\$ -	\$ -	\$ 4,686,940	\$ 5,364,334

City of Boiling Spring Lakes Outstanding Debt

The City of Boiling Spring Lakes' total debt decreased by \$677,394 during the fiscal year, primarily due to decreases in pension related debt.

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 City of Boiling Spring Lakes is \$50,031,505. The City of Boiling Spring Lakes does not have any authorized but un-issued debt at June 30, 2022.

Additional information regarding the City of Boiling Spring Lakes' long-term debt can be found beginning on page 57 in the Notes to the Financial Statements.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities: Budgeted expenditures in the General Fund are expected to increase. The tax rate is expected to remain the same in the upcoming year.

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 following:

Suzanne Tungate
Finance Director
City of Boiling Spring Lakes
9 East Boiling Spring Road
Boiling Spring Lakes, NC 28461
(910)363-0025
stungate@cityofbsl.org
www.cityofbsl.org

Basic Financial Statements

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Statement of Net Position

June 30, 2022

	Primary Government		Boiling Spring Lakes ABC Board
	Governmental Activities	Total	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,290,785	\$ 3,290,785	\$ 142,556
Receivables (net):			
Ad Valorem Taxes	41,241	41,241	-
Interest	5,736	5,736	-
Accounts	1,162,037	1,162,037	-
Lease Receivable	31,824	31,824	-
Due from Component Unit	6,250	6,250	-
Inventories	-	-	103,636
Prepaid Items	2,655	2,655	3,758
Restricted Cash and Cash Equivalents	14,286,045	14,286,045	-
Total Current Assets	18,826,573	18,826,573	249,950
Noncurrent Assets:			
Lease Receivable, non-current	101,941	101,941	-
Right to Use Leased Asset, net of amortization	163,339	163,339	-
Capital Assets			
Land, Nondepreciable Improvements, and Construction in Progress	2,595,226	2,595,226	-
Other Capital Assets, Net of Depreciation	3,109,893	3,109,893	137,603
Total Noncurrent Assets	5,970,399	5,970,399	137,603
Total Assets	24,796,972	24,796,972	387,553
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferrals	625,918	625,918	42,931
OPEB Deferrals	292,409	292,409	24,999
Total Deferred Outflows of Resources	\$ 918,327	\$ 918,327	67,930

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2022

	Primary Government		Boiling Spring Lakes ABC Board
	Governmental Activities	Total	
LIABILITIES			
Current Liabilities:			
Accounts Payable and			
Accrued Liabilities	\$ 555,609	\$ 555,609	152,402
Accrued Interest Payable	1,913	1,913	-
Due to Primary Government	-	-	6,250
Current Portion of Long-Term Liabilities	2,230,417	2,230,417	-
Total Current Liabilities	2,787,939	2,787,939	158,652
Long-Term Liabilities:			
Net Pension Liability	327,576	327,576	20,090
Total Pension Liability	310,486	310,486	-
Total OPEB Liability	1,238,336	1,238,336	119,494
Due in More Than One year	580,125	580,125	-
Total Liabilities	5,244,462	5,244,462	298,236
DEFERRED INFLOWS OF RESOURCES			
Pension Deferrals	548,341	548,341	28,703
OPEB Deferrals	646,460	646,460	2,485
Leases	129,993	129,993	-
Grants Refundable	15,001,825	15,001,825	-
Total Deferred Inflows of Resources	16,326,619	16,326,619	31,188
NET POSITION			
Net Investment in Capital Assets	5,165,466	5,165,466	137,603
Restricted for:			
Transportation	264,749	264,749	-
Stabilization by State Statute	1,372,918	1,372,918	
Capital	-	-	41,210
Unrestricted	(2,658,915)	(2,658,915)	(52,754)
Total Net Position	\$ 4,144,218	\$ 4,144,218	\$ 126,059

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,416,257	\$ 10,556	\$ -	\$ -
Public Safety	1,714,758	264,702	-	-
Transportation	1,106,620	-	335,668	-
Health and Welfare	3,022	-	-	-
Cultural and Recreation	636,559	-	208,000	26,756
Economic and Physical Development	161,878	-	-	-
Interest on long-term debt	31,018	-	-	-
Total Governmental Activities	5,070,112	275,258	543,668	26,756
Total Primary Government	\$ 5,070,112	\$ 275,258	\$ 543,668	\$ 26,756
Component Unit				
ABC Board	1,064,404	1,071,469	-	-
Total Component Unit	1,064,404	1,071,469	-	-

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Statement of Activities (Continued)

For the Year Ended June 30, 2022

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Totals	Boiling Spring Lakes ABC Board
Primary Government:			
Governmental Activities:			
General Government	\$ (1,405,701)	\$ (1,405,701)	\$ -
Public Safety	(1,450,056)	(1,450,056)	-
Transportation	(770,952)	(770,952)	-
Health and Welfare	(3,022)	(3,022)	-
Cultural and Recreation	(401,803)	(401,803)	-
Economic and Physical Development	(161,878)	(161,878)	-
Interest on long-term debt	(31,018)	(31,018)	-
Total Governmental Activities	(4,224,430)	(4,224,430)	-
Total Primary Government	(4,224,430)	(4,224,430)	-
Component Unit			
ABC Board	-	-	7,065
Total Component Unit	-	-	7,065
General Revenues:			
Property Taxes, Levied for General Purpose	1,795,951	1,795,951	-
Other Taxes and Licenses	2,785,054	2,785,054	-
Investment Earnings	27,221	27,221	-
Miscellaneous	253,179	253,179	63
Transfers	-	-	-
Total General Revenues and Transfers	4,861,405	4,861,405	63
Change in Net Position	636,975	636,975	7,128
Net Position - Beginning	3,507,243	3,507,243	118,931
Net Position - End of Year	\$ 4,144,218	\$ 4,144,218	\$ 126,059

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2022

	Major Funds						
	General Fund	MOTSU Railroad Culvert Project Fund	NCRS USDA Streambed Project Fund	Police Dept. Building Renovation Project Fund	American Rescue Plan Act Grant Project Fund	Dam Restoration Project Fund	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 3,290,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,290,785
Restricted Cash	264,749	-	-	-	-	14,021,296	14,286,045
Receivables (net):							
Ad Valorem Taxes	41,241	-	-	-	-	-	41,241
Other Receivables	1,135,281	-	26,756	-	-	-	1,162,037
Prepaid Expenses	2,655	-	-	-	-	-	2,655
Due from Other Funds	231,387	-	-	-	1,001,825	-	1,233,212
Due from Component Unit	6,250	-	-	-	-	-	6,250
Lease Receivable	133,765	-	-	-	-	-	133,765
Total Assets	5,106,113	-	26,756	-	1,001,825	14,021,296	20,155,990
LIABILITIES							
Accounts Payable and							
Accrued Liabilities	191,754	211,295	14,528	-	-	138,031	555,608
Due to Other Funds	1,001,825	181,649	12,228	-	-	37,510	1,233,212
Total Liabilities	1,193,579	392,944	26,756	-	-	175,541	1,788,820
DEFERRED INFLOWS OF RESOURCES							
Property Taxes Receivable	41,241	-	-	-	-	-	41,241
Leases	129,993	-	-	-	-	-	129,993
Grants Refundable	-	-	-	-	1,001,825	14,000,000	15,001,825
Total Deferred Inflows of Resources	171,234	-	-	-	1,001,825	14,000,000	15,173,059
FUND BALANCES							
Non Spendable							
Leases	3,772	-	-	-	-	-	3,772
Prepays	2,655	-	-	-	-	-	2,655
Restricted							
Stabilization by State Statute	1,372,918	-	-	-	-	-	1,372,918
Streets	264,749	-	-	-	-	-	264,749
Public Safety	-	-	-	-	-	-	-
Committed							
Capital Outlay	-	-	-	-	-	-	-
Assigned							
Subsequent Year's Expenditures:	-	-	-	-	-	-	-
Unassigned	2,097,206	(392,944)	-	-	-	(154,245)	1,550,017
Total Fund Balances	3,741,300	(392,944)	-	-	-	(154,245)	3,194,111
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,106,113	\$ -	\$ 26,756	\$ -	\$ 1,001,825	\$ 14,021,296	\$ 20,155,990

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2022

		Total Governmental Funds
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Governmental Fund Balance		\$ 3,194,111
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	9,890,075	
Accumulated depreciation	<u>(4,184,956)</u>	
		5,705,119
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical costs	211,661	
Accumulated amortization	<u>(48,322)</u>	
		163,339
Deferred outflows of resources related to pensions are not reported in the funds.	<u>625,918</u>	
		625,918
Deferred outflows of resources related to OPEB are not reported in the funds.	<u>292,409</u>	
		292,409
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and and therefore are deferred - Accrued interest	<u>5,736</u>	
		5,736
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	<u>41,241</u>	
		41,241
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term debt	(2,810,543)	
Total pension liability	(310,486)	
Net pension liability	(327,576)	
OPEB liability	<u>(1,238,336)</u>	
		(4,686,941)
Deferred inflows of resources related to pensions are not reported in the funds.		(548,341)
Deferred inflows of resources related to OPEB are not reported in the funds.		(646,460)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(1,913)
Net position of governmental activities		<u><u>\$ 4,144,218</u></u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	Major Funds						
	General Fund	MOTSU Railroad Culvert Project Fund	NCRS USDA Streambed Project Fund	Police Dept. Building Renovation Project Fund	American Rescue Plan Act Grant Project Fund	Dam Restoration Project Fund	Total Governmental Funds
Revenues							
Ad Valorem Taxes	\$ 1,806,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,806,096
Other Taxes and Licenses	745	-	-	-	-	-	745
Unrestricted Intergovernmental	3,023,103	-	-	-	-	-	3,023,103
Restricted Intergovernmental	543,668	-	26,756	-	-	-	570,424
Permits and Fees	264,702	-	-	-	-	-	264,702
Sales and Services	10,556	-	-	-	-	-	10,556
Investment Earnings	5,599	-	-	-	-	21,296	26,895
Miscellaneous	-	-	-	-	-	-	-
Total Revenues	5,654,469	-	26,756	-	-	21,296	5,702,521
Expenditures							
Current							
General Government	1,220,114	-	-	-	-	-	1,220,114
Public Safety	1,533,295	-	-	-	-	-	1,533,295
Transportation	935,877	-	-	-	-	-	935,877
Health and Welfare	3,022	-	-	-	-	-	3,022
Economic and Physical Development	157,177	-	-	-	-	-	157,177
Cultural and Recreation	576,028	-	-	-	-	-	576,028
Debt Service							
Principal	146,975	-	-	-	-	-	146,975
Interest and Other charges	31,018	-	-	-	-	-	31,018
Capital Outlay							
General Government	38,343	-	-	-	-	-	38,343
Public Safety	47,301	-	-	-	-	-	47,301
Transportation	242,739	-	-	-	-	-	242,739
Parks and Recreation	129,067	392,944	26,756	-	-	175,541	724,308
Total Expenditures	5,060,956	392,944	26,756	-	-	175,541	5,656,197
Excess (Deficiency) of Revenues Over Expenditures	593,513	(392,944)	-	-	-	(154,245)	46,324
Other Financing Sources (Uses)							
Transfers from Other Funds	-	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	-	-
Installment Purchase Obligations Issued	-	-	-	-	-	-	-
Sale of Capital Assets	14,385	-	-	-	-	-	14,385
Total Other Financing Sources (Uses)	14,385	-	-	-	-	-	14,385
Net Change in Fund Balance	607,898	(392,944)	-	-	-	(154,245)	60,709
Fund Balance - Beginning of Year	3,133,402	-	-	-	-	-	3,133,402
Fund Balance - End of Year	\$ 3,741,300	\$ (392,944)	\$ -	\$ -	\$ -	\$ (154,245)	\$ 3,194,111

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2022

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

Net changes in fund balances - total governmental funds		\$ 60,709
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay expenditures which were capitalized	1,052,691	
Depreciation expense	<u>(541,165)</u>	511,526
Right to use leased asset capital outlay expenditures which were capitalized	211,661	
Amortization expense for intangible assets	<u>(48,322)</u>	163,339
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		222,168
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Change in unavailable revenue for tax revenues	(5,536)	
Interest earned on ad valorem taxes	(4,609)	
Interest on lease	<u>326</u>	(9,819)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issuance	(166,691)	
Debt retirement	<u>102,479</u>	(64,212)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(474)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Pension Expense	(168,745)	
OPEB Expense	(69,949)	
Compensated absences	<u>(7,568)</u>	(246,262)
Total changes in net position of governmental activities		<u>\$ 636,975</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, 2022

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 1,690,060	\$ 1,688,810	\$ 1,806,096	\$ 117,286
Other Taxes and Licenses	-	1,250	745	(505)
Unrestricted Intergovernmental	2,681,000	2,876,350	3,023,103	146,753
Restricted Intergovernmental	48,950	324,000	543,668	219,668
Permits and Fees	208,000	190,300	264,702	74,402
Sales and Service	128,000	9,000	10,556	1,556
Investment Earnings	100	100	5,599	5,499
Miscellaneous	14,950	-	-	-
Total Revenues	4,771,060	5,089,810	5,654,469	564,659
Expenditures				
General Government	1,212,570	1,479,488	1,361,435	118,053
Public Safety	1,719,470	1,835,804	1,623,656	212,148
Transportation	906,150	1,646,398	1,266,307	380,091
Health and Welfare	5,900	5,900	3,022	2,878
Economic and Physical Development	147,825	168,575	157,177	11,398
Cultural and Recreation	609,385	823,196	649,359	173,837
Contingency	19,760	-	-	-
Total Expenditures	4,621,060	5,959,361	5,060,956	898,405
Revenues Over (Under) Expenditures	150,000	(869,551)	593,513	1,463,064
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(150,000)	(150,000)	-	150,000
Sale of Capital Assets	-	10,000	14,385	4,385
Installment Purchase Obligations Issued	-	-	-	-
Total Other Financing Sources (Uses)	(150,000)	(140,000)	14,385	154,385
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(1,009,551)	607,898	1,617,449
Appropriated Fund Balance		1,009,551	-	(1,009,551)
Net Change in Fund Balance	\$ -	\$ -	607,898	\$ 607,898
Fund Balance - Beginning of Year			3,133,402	
Fund Balance - End of Year			\$ 3,741,300	

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Boiling Spring Lakes 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.

City of Boiling Spring Lakes ABC Board

The Board, as provided by North Carolina Alcoholic Beverage Control Laws, operates one retail location in Boiling Spring Lakes. 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, North Carolina 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, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Fund Accounting (Continued)

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 services and parks and recreation.

Capital Project Funds. The City reports the following capital project funds to account for the various construction projects in the City – MOTSU Railroad Culvert Project, NCRS USDA Streambed Project, Police Department Building Renovation Project, American Rescue Plan Act Grant, and Dam Restoration Project.

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 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. Nonexchange 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 a 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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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. 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 Outflows/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.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

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 generally reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The 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 they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S.136-41.1 through 136-41.4. 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. Money in the NC State Revolving Loan Fund for temporary assistance to local governments is classified as restricted because its use is restricted for emergency use per Section 1.5(1) of North Carolina Session Law 2018-138.

City of Boiling Spring Lakes Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 264,749
Capital Outlay	-
Dam Restoration Project Fund	
Capital Outlay - Project	14,021,296
Total Governmental Activities	14,286,045
Total Restricted Cash	\$ 14,286,045

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Other Receivables

Other receivables include uncollected water and sewer assessments which were transferred to the General Fund upon the transfer of the Water and Sewer Fund to Brunswick County. The water and sewer assessments are considered fully collectible as liens have been filed 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. Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

8. 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.

9. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a \$5,000 cost and an estimated useful life in excess of one year. 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. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)****9. Capital Assets (Continued)**

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

Asset Class	Estimated Useful Lives (Years)
Infrastructure - Streets	20
Buildings & Improvements	40
Automobiles	3
Light Trucks	5
Heavy Vehicles & Machinery	10
Furniture & Equipment	10
Computer Equipment	4

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

Asset Class	Estimated Useful Lives (Years)
Buildings	39
Furniture & Equipment	3-10

10. Right to Use Assets

The City has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

11. 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 meets this criterion, pension deferrals and OPEB deferrals for the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – property taxes receivable, leases, and pension deferral and OPEB deferrals.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In 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.

13. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty (30) 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 does not have any 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.

14. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

14. Net Position/Fund Balances (Continued)

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 prepaids, which are not spendable resources.

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

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

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

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

Restricted for Capital Outlay – portion of fund balance that is 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 similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

14. Net Assets/Fund Balances (Continued)

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 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 City manager to modify the appropriation by resource or appropriation within departments up to \$20,000.

Unassigned fund balance – 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 classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Budget Officer has the authority to deviate from this policy if it is in the best interest of the City.

15. 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.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the City 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 the entities' 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 has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2022, the City's deposits had a carrying amount of \$2,968,154 and a bank balance of \$2,985,299. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits of the ABC Board was \$142,556 and the bank balance was \$127,601. All of the bank balance for the ABC Board was covered by federal depository insurance. At June 30, 2022, the City's petty cash funds totaled \$600 and the ABC Board's totaled \$1,000.

2. Investments

At June 30, 2022, the City had \$14,608,076 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's (S&P). The City has no policy regarding credit risk.

3. Lease Receivable

In July 2020, the City entered into a lease to rent space on the City's cell tower. Under the lease the cell company pays the City \$2,575 per month for another 40 months in exchange for rental space on the tower. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 4%. In fiscal year 2022, the City recognized \$29,999 of lease revenue and \$4,999 of interest revenue under the lease.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**4. Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2022 are net of the following allowances for doubtful accounts:

Fund	06/30/2022
General Fund:	
Taxes receivable	\$ 4,500
Total General Fund	4,500

5. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 256,850	\$ 327,537	\$ -	\$ 584,387
Construction in Progress	1,415,598	595,241	-	2,010,839
Total capital assets not being depreciated	1,672,448	922,778	-	2,595,226
Capital assets being depreciated:				
Buildings & Other Improvements	2,871,755	-	-	2,871,755
Equipment, Furniture & Fixtures	1,549,804	93,862	-	1,643,666
Vehicles	859,466	36,051	50,817	844,700
Infrastructure	1,934,728	-	-	1,934,728
Total capital assets being depreciated	7,215,753	129,913	50,817	7,294,849
Less accumulated depreciation for:				
Buildings & Other Improvements	905,188	73,153	-	978,341
Equipment, Furniture & Fixtures	1,098,674	228,013	-	1,326,687
Vehicles	757,225	111,018	50,817	817,426
Infrastructure	933,521	128,981	-	1,062,502
Total accumulated depreciation	3,694,608	541,165	50,817	4,184,956
Total capital assets being depreciated, net	3,521,144			3,109,893
Governmental activity capital assets, net	\$ 5,193,592			\$ 5,705,119

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

General Government	\$ 198,090
Public Safety	116,393
Transportation	166,071
Culture and Recreation	60,611
Total	<u>\$ 541,165</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**A. Assets (Continued)****5. Capital Assets (Continued)****Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
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	124,528	-	-	124,528
Equipment and Furniture	46,238	3,203	-	49,441
Total capital assets being depreciated	170,766	3,203	-	173,969
Less accumulated depreciation for:				
Buildings	31,553	3,603	-	35,156
Equipment and Furniture	12,001	4,209	-	16,210
Total accumulated depreciation	43,554	7,812	-	51,366
Total capital assets being depreciated, net	127,212			122,603
ABC Board capital assets, net	\$ 142,212			\$ 137,603

6. Right to Use Leased Assets

The City has recorded right to use leased assets. The assets are right to use assets for leased vehicles.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to Use Assets				
Leased Vehicles	\$ -	\$ 211,661	\$ -	\$ 211,661
Total Right to Use Assets	-	211,661	-	211,661
Less Accumulated Amortization for:				
Leased Vehicles	-	48,322	-	48,322
Total Accumulated Amortization	-	48,322	-	48,322
Right to Use Assets, Net	\$ -	\$ 163,339	\$ -	\$ 163,339

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental 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 State Superintendent, who serves as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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. City of Boiling Spring Lakes' contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.42% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Boiling Spring Lakes were \$222,168 for the year ended June 30, 2022.

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, 2022, the City reported a liability of \$327,576 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, 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, 2021 (measurement date), the City's proportion was 0.02136%, which was a decrease of 0.00050% from its proportion measured as of June 30, 2020.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

For the year ended June 30, 2022, the City recognized pension expense of \$127,532. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104,214	\$ -
Changes of assumptions	205,801	-
Net difference between projected and actual earnings on pension plan investments	-	468,008
Changes in proportion and differences between City contributions and proportionate share of contributions	-	21,647
City contributions subsequent to the measurement date	222,168	-
Total	<u>\$ 532,183</u>	<u>\$ 489,655</u>

\$222,168 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2023	\$ 19,992
2024	(20,211)
2025	(36,207)
2026	(143,214)
2027	-
Thereafter	-
	<u>\$ (179,640)</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2020 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	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 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.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 1,271,623	\$ 327,576	\$ (449,320)

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****b. Law Enforcement Officers Special Separation Allowance****1. Plan Description**

The City of Boiling Spring Lakes administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	-
Active plan members	<u>13</u>
Total	<u><u>13</u></u>

2. Summary of Significant Accounting Policies:

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures 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.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****b. Law Enforcement Officers Special Separation Allowance (Continued)****3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount Rate	2.25 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, 2020.

Mortality rates are based on the Pub-2010 Mortality tables with adjustments for mortality improvements projected from 2010 using generational improvement with Scale MP-2019

4. 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 \$-0- as benefits came due for the reporting period.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****b. Law Enforcement Officers Special Separation Allowance (Continued)****4. Contributions (Continued)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2022, the City reported a total pension liability of \$310,486. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$41,558.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,382	\$ 44,553
Changes of assumptions	88,353	14,133
City benefit payments and plan administrative expense subsequent to the measurement date	-	-
Total	<u>\$ 93,735</u>	<u>\$ 58,686</u>

\$-0- 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2023	\$ 8,404
2024	8,786
2025	8,290
2026	7,322
2027	6,625
Thereafter	(4,378)
	<u>\$ 35,049</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****b. Law Enforcement Officers Special Separation Allowance (Continued)****4. Contributions (Continued)*****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 2.25 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 (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total Pension Liability	\$ 342,885	\$ 310,486	\$ 281,483

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

	2022
Beginning balance	\$ 302,398
Service Cost	27,318
Interest on the total pension liability	5,836
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(15,080)
Changes of assumptions or other inputs	(9,986)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 310,486

The plan currently uses mortality tables that vary by age, 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, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)*****Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions***

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 127,532	\$ 41,558	\$ 169,090
Pension Liability	327,576	310,486	638,062
Proportionate share of the net pension liability	0.02136%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	104,214	5,382	109,596
Changes of assumptions	205,801	88,353	294,154
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	222,168	-	222,168
Deferred Inflows of Resources			
Differences between expected and actual experience	-	44,553	44,553
Changes of assumptions	-	14,133	14,133
Net difference between projected and actual earnings on plan investments	468,008	-	468,008
Changes in proportion and differences between contributions and proportionate share of contributions	21,647	-	21,647

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the 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 officer's salary. This required contribution, along with the City's elective contribution for other employees' salary, are contributed monthly and all amounts contributed are vested immediately. In addition, the law enforcement officers and other employees may make voluntary contributions to the plan. The City made contributions of \$95,141 for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefits (OPEB)

1. Healthcare Benefits

Plan Description. Under the terms of a September 1, 2009 resolution, the City administers a single employer defined 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 that 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.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****d. Other Post-Employment Benefits (OPEB)**

Membership of the HCB Plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Retirees receiving benefits	8
Active plan members	42
Total	<u>50</u>

Total OPEB Liability

The City's total OPEB liability of \$1,238,336 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 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 percent
Salary increases – General	3.25 – 8.41% percent, average, including wage inflation
Salary increases – Law Enforcement	3.25 – 7.90% percent, average, including wage inflation
Discount rate	2.16 percent
Healthcare cost trend rates	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031 – Pre-Medicare 5.125% for 2021 decreasing to an ultimate rate of 4.50% by 2024 – Medicare

The discount rate is based on the Bond Buyer Municipal Bond 20 Year High Grade Rate Bond Index published weekly by The Bond Buyer.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post-Employment Benefits (OPEB)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	\$ 1,542,024
Changes for the year	
Service Cost	106,885
Interest	35,846
Changes of benefit terms	-
Differences between expected and actual experience	(417,763)
Changes of assumptions or other inputs	25,487
Benefit payments	(54,143)
Net Changes	<u>(303,688)</u>
Balance at June 30, 2022	<u>\$ 1,238,336</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the PUB-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 1,520,734	\$ 1,238,336	\$ 1,025,823

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****d. Other Post-Employment Benefits (OPEB)**

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 calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare costs trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$998,881	\$1,238,336	\$1,570,559

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$80,675. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,025	\$ 518,152
Changes of assumptions	283,384	128,308
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 292,409</u>	<u>\$ 646,460</u>

\$-0- reported as deferred outflows of resources related to OPEB resulting from benefit payments made 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, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in healthcare costs as follows:

Year Ended June 30:	
2023	\$ (62,056)
2024	(62,056)
2025	(62,056)
2026	(62,056)
2027	(47,052)
Thereafter	(58,775)
	<u>\$ (354,051)</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****2. Other Employment Benefit**

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 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$	222,168
Benefit payments made and administrative expenses for LEOSA		-
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date		-
Differences between expected and actual experience		118,621
Changes of assumptions		577,538
Net difference between projected and actual		-
Changes in proportion and differences between employer contributions and proportionate share of contributions		-
Charge on refunding		-
Total	\$	<u>918,327</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)**

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

	Statement of Net Position	General Fund Balance Sheet	Capital Project Funds Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -	\$ -
Taxes Receivable (General Fund)	-	41,241	-
Lease Receivable (General Fund)	129,993	129,993	-
Grants Refundable	15,001,825	-	15,001,825
Changes in assumptions	142,441	-	-
Difference between expected and actual experience	562,705	-	-
Net difference between projected and actual earnings on pension plan investments	468,008	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-
	21,647	-	-
Total	\$ 16,326,619	\$ 171,234	\$15,001,825

4. Commitments

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. 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 a 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. The remaining employees that have access to funds are insured for \$5,000.

The 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; injuries to employees; and natural disasters. The ABC Board has property, general 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 from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

6. Claims, Judgements and Contingent Liabilities

At June 30, 2022, the City did not have any litigation pending.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****7. Long-Term Obligations****a. Leases**

The City has entered into agreements to lease vehicles. The lease agreements qualify as other than a short-term leases under GASB 87 and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreements were executed to lease vehicles and require 36 monthly payments of \$1,300 and 60 monthly payments of \$3,028. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4%. As a result of the lease, the Board has recorded a right to use asset with a net book value of \$163,339 at June 30, 2022.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 46,219	\$ 28,781	\$ 75,000
2024	36,725	38,275	75,000
2025	34,307	40,693	75,000
2026	28,540	46,460	75,000
2027	20,900	54,100	75,000
2028-2032	-	-	-
2033-2037	-	-	-
	\$ 166,691	\$ 208,309	\$ 375,000

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****7. Long-Term Obligations (Continued)****b. Installment Purchases**

On September 12, 2007, the City entered into a direct placement agreement to provide financing in the amount of \$1,600,000 for the construction of the new city hall. The property is pledged as collateral for the debt while the debt is outstanding. The 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. Maturity is March 12, 2029.

On September 1, 2015, the City has entered into a direct placement agreement to provide financing in the amount of \$149,017 for the acquisition of a new commercial truck and equipment. The property is pledged as collateral for the debt while the debt is outstanding. The contract is with LGFCU Financial Partners, LLC. The financing contract requires annual payments of \$23,472 at 2.50% fixed beginning December 1, 2015 for seven years. This loan was paid off during the current year.

Annual debt service payments of the installment purchases as of June 30, 2022 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2023	\$ 80,000	\$ 19,834
2024	80,000	16,706
2025	80,000	13,508
2026	80,000	10,378
2027	80,000	7,226
2028-2029	139,653	5,065
Total	<u>\$ 539,653</u>	<u>\$ 72,717</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****7. Long-Term Obligations (Continued)****c. State Revolving Loan**

On April 17, 2019, the City, in a direct placement, was awarded a loan from the North Carolina Office of Recovery and Resiliency for \$2,000,000. The purpose of this loan is to provide temporary cash assistance to cover expenses eligible for reimbursement by the Federal Emergency Management Agency (FEMA), National Flood Insurance Program (NFIP) or other federal reimbursement programs. These expenses arose as a result of Hurricane Florence in September 2018. This principal only loan does not carry interest charges or administrative fees. This note is to be repaid from reimbursements received from the federal government. The agreement shall terminate in three years or upon the full repayment of the loan proceeds, whichever comes first. Management estimates that this note will be repaid as follows:

Year Ending June 30	Principal
2023	\$ 2,000,000
Total	\$ 2,000,000

d. Changes in Long-Term Liabilities

Governmental activities:	Balance 07/01/21	Increases	Decrease	Balance 06/30/22	Current Portion of Balance
Installment purchases	\$ 642,132	\$ -	\$ 102,479	\$ 539,653	\$ 80,000
State Revolving Loan	2,000,000	-	-	2,000,000	2,000,000
Lease liability	-	211,187	44,496	166,691	46,219
Net pension liability (LGRS)	781,151	-	453,575	327,576	-
Total pension liability (LEO)	302,398	8,088	-	310,486	-
Total OPEB liability	1,542,024	-	303,688	1,238,336	-
Compensated absences	96,629	7,569	-	104,198	104,198
Governmental activity long-term liabilities	\$ 5,364,334	\$ 226,844	\$ 904,238	\$ 4,686,940	\$ 2,230,417

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

II. DETAIL NOTES ON ALL FUNDS (Continued)**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2022, consist of the following:

Due to the General Fund from the MOTSU Railroad Capital Project	\$ 181,649
Due to the General Fund from the NCRS USDA Streambed Project	12,228
Due to the General Fund from the Dam Reconstruction Project	37,510
Due to the ARPA Project from the General Fund	1,001,825
Total	<u>\$ 1,233,212</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

D. Net Investment in Capital Assets

	Governmental
Capital Assets	\$ 5,705,119
less: long-term debt	539,653
Add: unexpended debt proceeds	-
	-
Net Investment in Capital Assets	<u>\$ 5,165,466</u>

E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 3,741,300
Less:	
Stabilization by State Statute	1,372,918
Streets	264,749
Leases	3,772
Prepays	2,655
Public Safety	-
Capital Outlay	-
Appropriated Fund Balance in 2022-2023 budget	-
Remaining Fund Balance	2,097,206

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2022

III. 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 \$1,596 to the council during the fiscal year ended June 30, 2022.

IV. 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.

V. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 23, 2022, which is the date the financial statements were available to be issued.



***Required Supplementary
Financial Data***

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Proportionate Share of Net Pension Liability (Asset)

Required Supplementary Information

Last Nine Fiscal Years*

	Local Government Employees' Retirement System								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Boiling Spring Lakes' proportion of the net pension liability (asset) (%)	0.02136%	0.02186%	0.02449%	0.02340%	0.02277%	0.02438%	0.02321%	0.02252%	0.01820%
Boiling Spring Lakes' proportion of the net pension liability (asset) (\$)	\$ 327,576	\$ 781,151	\$ 668,803	\$ 558,449	\$ 347,863	\$ 517,427	\$ 104,165	\$ (132,811)	\$ 219,380
Boiling Spring Lakes' covered-employee payroll	\$ 1,617,743	\$ 1,587,123	\$ 1,467,304	\$ 1,386,297	\$ 1,251,314	\$ 1,317,613	\$ 1,192,061	\$ 1,105,732	\$ 1,003,162
Boiling Spring Lakes' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	20.25%	49.22%	45.58%	40.28%	27.80%	39.27%	8.74%	(12.01%)	21.86%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

City of Boiling Spring Lakes' Contributions

Required Supplementary Information

Last Nine Fiscal Years

	Local Government Employees' Retirement System									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Contractually required contribution	\$ 222,168	\$ 168,749	\$ 146,464	\$ 117,881	\$ 108,274	\$ 94,665	\$ 90,437	\$ 85,833	\$ 79,026	
Contributions in relation to the contractually required contribution	222,168	168,749	146,464	117,881	108,274	94,665	90,437	85,833	79,026	
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Boiling Spring Lakes' covered employee payroll	\$ 1,910,715	\$ 1,617,743	\$ 1,587,123	\$ 1,467,304	\$ 1,386,297	\$ 1,251,314	\$ 1,317,613	\$ 1,192,061	\$ 1,105,732	
Contributions as a percentage of covered-employee payroll	11.63%	10.43%	9.23%	8.03%	7.81%	7.57%	6.86%	7.20%	7.15%	

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
June 30, 2022

Law Enforcement Officers' Special Separation Allowance						
	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 302,398	\$ 191,346	\$ 186,521	\$ 163,488	\$ 134,225	\$ 120,831
Service cost	27,318	15,461	15,611	16,280	12,314	13,674
Interest on the total pension liability	5,836	6,238	6,789	5,166	5,181	4,314
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(15,080)	(23,700)	(24,798)	11,806	(1,378)	-
Changes of assumptions or other inputs	(9,986)	113,053	7,223	(10,219)	13,146	(4,594)
Benefit payments	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	\$ 310,486	\$ 302,398	\$ 191,346	\$ 186,521	\$ 163,488	\$ 134,225

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
June 30, 2022

Law Enforcement Officers' Special Separation Allowance						
	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 310,486	\$ 302,398	\$ 191,346	\$ 186,521	\$ 163,488	\$ 134,225
Covered payroll	635,546	590,684	594,500	569,161	514,153	532,555
Total pension liability as a percentage of covered payroll	48.85%	51.19%	32.19%	32.77%	31.80%	25.20%

Notes to the schedules:

The City of Boiling Spring Lakes has no assets accumulated in a trust 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, 2022

Total OPEB Liability	2022	2021	2020	2019	2018
Service Cost	\$ 106,885	\$ 68,051	\$ 70,006	\$ 74,887	\$ 85,992
Interest	35,846	41,298	50,213	46,116	40,760
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(417,763)	8,349	(227,152)	4,578	(2,219)
Changes of assumptions	25,487	337,196	(21,899)	(84,638)	(147,657)
Benefit payments	(54,143)	(49,102)	(51,018)	(40,130)	(31,289)
Net changes in Total OPEB Liability	(303,688)	405,792	(179,850)	813	(54,413)
Total OPEB Liability - Beginning	1,542,024	1,136,232	1,316,082	1,315,269	1,369,682
Total OPEB Liability - Ending	\$ 1,238,336	\$ 1,542,024	\$ 1,136,232	\$ 1,316,082	\$ 1,315,269
Covered Payroll	\$ 1,329,907	\$ 1,625,355	\$ 1,625,355	\$ 1,111,300	\$ 1,111,300
Total OPEB Liability as a percentage of covered payroll	93.11%	94.87%	69.91%	118.43%	118.35%

Notes to 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 discount rates used in each period:

Fiscal Year	Rate
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Major Governmental Funds

General Fund

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 1,785,234	
Penalties and Interest		20,862	
Total Ad Valorem Taxes	\$ 1,688,810	1,806,096	\$ 117,286
Other Taxes and Licenses			
Dog Tax & Animal Control Fees		745	
Total Other Taxes and Licenses	1,250	745	(505)
Unrestricted Intergovernmental			
Local Option Sales Tax		2,494,183	
Utility Sales Tax		266,218	
ABC Profit Distribution		25,000	
Beer and Wine Tax		23,908	
Miscellaneous		213,794	
Total Unrestricted Intergovernmental	2,876,350	3,023,103	146,753
Restricted Intergovernmental			
Powell Bill Allocation		325,668	
State and Local Grants		218,000	
Total Restricted Intergovernmental	324,000	543,668	219,668
Permits and Fees			
Building Permits		224,732	
Inspection Fees		5,470	
Zoning Permits		32,298	
Miscellaneous		2,202	
Total Permits and Fees	190,300	264,702	74,402
Sales and Service			
Miscellaneous		10,556	
Total Sales and Service	9,000	10,556	1,556
Investment Earnings			
General		5,599	
Total Investment Earnings	100	5,599	5,499
Miscellaneous			
Other		-	
Total Miscellaneous	-	-	-
Total Revenues	5,089,810	5,654,469	564,659

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Governing Body			
Salaries and Employee Benefits		8,000	
Other Expenditures		163,557	
Total Governing Body	175,830	171,557	4,273
Administration			
Salaries and Employee Benefits		374,165	
Other Expenditures		430,039	
Capital Outlay		25,730	
Total Administration	879,517	829,934	49,583
Public Buildings			
Salaries and Employee Benefits		131,354	
Other Expenditures		112,999	
Capital Outlay		12,613	
Total Public Buildings	321,141	256,966	64,175
Police Department			
Salaries and Employee Benefits		733,046	
Other Expenditures		548,616	
Capital Outlay		47,301	
Total Police	1,461,534	1,328,963	132,571
Animal Control			
Salaries and Employee Benefits		-	
Other Expenditures		9,062	
Capital Outlay		-	
Total Animal Control	13,600	9,062	4,538
Inspections			
Salaries and Employee Benefits		115,687	
Other Expenditures		59,571	
Total Inspections	206,550	175,258	31,292
Code Enforcement			
Salaries and Employee Benefits		39,257	
Other Expenditures		28,056	
Total Code Enforcement	109,370	67,313	42,057
Street Department			
Salaries and Employee Benefits		295,122	
Other Expenditures		234,358	
Other Expenditures - Powell Bill		406,397	
Capital Outlay		75,421	
Capital Outlay - Powell Bill		167,318	
Total Street Department	1,614,398	1,178,616	435,782

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Public Health			
Other Expenditures		3,022	
Total Public Health	5,900	3,022	2,878
Planning and Development			
Salaries and Employee Benefits		94,397	
Other Expenditures		62,780	
Capital Outlay		-	
Total Planning and Development	168,575	157,177	11,398
Parks and Recreation			
Salaries and Employee Benefits		254,866	
Other Expenditures		269,201	
Capital Outlay		120,849	
Total Parks and Recreation	679,546	644,916	34,630
Library			
Other Expenditures		1,997	
Total Library	3,000	1,997	1,003
Dams and Lakes			
Salaries and Employee Benefits		-	
Other Expenditures		47,518	
Capital Outlay		8,218	
Total Dams and Lakes	132,400	55,736	76,664
Special Events			
Other Expenditures		2,446	
Capital Outlay		-	
Total Special Events	8,250	2,446	5,804
Debt Service			
Principal Retirement		146,975	
Interest and Other Charges		31,018	
Total Debt Service	179,750	177,993	1,757
Total Expenditures	5,959,361	5,060,956	898,405
Excess (Deficiency) of Revenues Over (Under) Expenditures	(869,551)	593,513	1,463,064

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Transfers In:			
Capital Reserve Fund	-	-	-
Transfers Out:			
Capital Project Funds	(150,000)	-	150,000
Sale of Capital Assets	10,000	14,385	4,385
Installment Purchase Obligations Issued	-	-	-
Total Other Financing Sources (Uses)	(140,000)	14,385	154,385
Fund Balance Appropriated	1,009,551	-	(1,009,551)
Net Change in Fund Balance	\$ -	607,898	\$ 607,898
Fund Balance - Beginning of Year		3,133,402	
Fund Balance - End of Year		\$ 3,741,300	



Major Governmental Funds

Capital Project Funds

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
MOTSU Railroad Culvert Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2022

	Actual		Totals	Variance
Project	Prior	Current	to	Positive
Authorization	Year	Year	Date	(Negative)
Revenues				
Investment Earnings	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Administration				
Other Expenditures	-	-	-	-
Dams/Lakes				
Engineering	40,600	-	4,800	35,800
Construction	739,082	-	388,144	350,938
Total Expenditures	779,682	-	392,944	386,738
Excess (Deficiency) of Revenues				
Over Expenditures	(779,682)	-	(392,944)	386,738
Other Financing Sources (Uses)				
Transfers in:				
General Fund	779,682	-	-	(779,682)
Total Other Financing				
Sources (Uses)	779,682	-	-	(779,682)
Net Change in Fund Balance	\$ -	\$ -	(392,944)	\$ (392,944)
Fund Balance - Beginning			-	
Fund Balance - Ending			\$ (392,944)	

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
NCRS USDA Streambed Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2022

	Actual		Totals	Variance
Project	Prior	Current	to	Positive
Authorization	Year	Year	Date	(Negative)
Revenues				
Grant Revenue	\$ 2,285,181	\$ -	\$ 26,756	\$ (2,258,425)
Investment Earnings	-	-	-	-
Total Revenues	2,285,181	-	26,756	(2,258,425)
Expenditures				
Administration				
Other Expenditures	-	-	-	-
Dams/Lakes				
Engineering	282,604	-	20,436	262,168
Contract Services	5,000	-	2,340	2,660
Construction	1,997,577	-	3,980	1,993,597
Total Expenditures	2,285,181	-	26,756	2,258,425
Excess (Deficiency) of Revenues				
Over Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers in:				
General Fund	-	-	-	-
Total Other Financing				
Sources (Uses)	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance - Beginning			-	
Fund Balance - Ending		\$ -		

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
Police Department Building Renovation Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2022

	Actual		Totals to Date	Variance Positive (Negative)
Project Authorization	Prior Year	Current Year		
Revenues				
Investment Earnings	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Administration				
Other Expenditures	-	-	-	-
Police				
Professional Service	82,000	-	-	82,000
Building Purchase	300,000	-	-	300,000
Equipment Purchase	80,000	-	-	80,000
Construction	1,228,036	-	-	1,228,036
Interest	47,500	-	-	47,500
Contingency	162,464	-	-	162,464
Total Expenditures	1,900,000	-	-	1,900,000
Excess (Deficiency) of Revenues Over Expenditures	(1,900,000)	-	-	1,900,000
Other Financing Sources (Uses)				
Loan Proceeds	1,900,000	-	-	(1,900,000)
Transfers in:				
General Fund	-	-	-	-
Total Other Financing Sources (Uses)	1,900,000	-	-	(1,900,000)
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance - Beginning			-	
Fund Balance - Ending		\$ -		

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

American Rescue Plan Act Grant Project

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

From Inception and for the Year Ended June 30, 2022

	Actual		Totals to Date		Variance Positive (Negative)
	Project Authorization	Prior Year	Current Year		
Revenues					
Grant Funds	\$ 2,003,650	\$ -	\$ -	\$ -	\$ (2,003,650)
Total Revenues	<u>2,003,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,003,650)</u>
Expenditures					
Administration					
Other Expenditures	-	-	-	-	-
Dams/Lakes					
Professional Services	2,003,650	-	-	-	2,003,650
Total Expenditures	<u>2,003,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,003,650</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in:					
General Fund	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance - Beginning					
Fund Balance - Ending			<u>\$ -</u>		

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Dam Restoration Project

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

From Inception and for the Year Ended June 30, 2022

			Actual			
	Project	Prior	Current	Totals	Variance	
	Authorization	Year	Year	to	Positive	
				Date	(Negative)	
Revenues						
Investment Earnings	\$ -	\$ -	\$ 21,296	\$ 21,296	\$ 21,296	
Grant Funds	41,712,994	-	-	-	(41,712,994)	
Total Revenues	41,712,994	-	21,296	21,296	(41,691,698)	
Expenditures						
Administration						
Other Expenditures	-	-	-	-	-	
Dams/Lakes						
Professional Services	77,500		4,211	4,211	73,289	
Engineering	7,419,090		171,330	171,330	7,247,760	
Utility Relocation	750,000		-	-	750,000	
Construction	29,407,979		-	-	29,407,979	
Interest	1,320,000		-	-	1,320,000	
Contingency	2,738,425		-	-	2,738,425	
Total Expenditures	41,712,994	-	175,541	175,541	41,537,453	
Excess (Deficiency) of Revenues Over Expenditures	-	-	(154,245)	(154,245)	(154,245)	
Other Financing Sources (Uses)						
Transfers in:						
General Fund	-	-	-	-	-	
Total Other Financing Sources (Uses)	-	-	-	-	-	
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(154,245)</u>	<u>\$ (154,245)</u>	<u>\$ (154,245)</u>	
Fund Balance - Beginning			-			
Fund Balance - Ending			<u>\$ (154,245)</u>			

Other Schedules

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2022

Fiscal Year	Uncollected Balance 7-1-21	Additions and Adjustments	Collections and Credits	Uncollected Balance 6-30-22
2021-22	\$ -	\$ 1,765,457	\$ 1,742,743	\$ 22,714
2020-21	22,083	-	15,840	6,243
2019-20	11,784	-	7,121	4,663
2018-19	6,534	-	3,964	2,570
2017-18	4,735	-	2,950	1,785
2016-17	4,316	-	2,583	1,733
2015-16	3,662	-	2,240	1,422
2014-15	4,935	-	3,161	1,774
2013-14	2,986	-	1,683	1,303
2012-13	3,876	-	2,342	1,534
2011-12	1,997	-	1,997	-
	<u>\$ 66,908</u>	<u>\$ 1,765,457</u>	<u>\$ 1,786,624</u>	45,741

Less: Allowance for Uncollectible Accounts:

General Fund

4,500

Ad Valorem Taxes Receivable - Net

\$ 41,241Reconcilement with Revenues

Ad Valorem Taxes - General Fund

1,806,096

Reconciling Items:

Interest and Penalties Collected

(20,862)

Taxes Written Off

1,390

Total Collections and Credits

\$ 1,786,624

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Analysis of Current Tax Levy

City-Wide Levy

June 30, 2022

	City-Wide		Total Levy		
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate Per \$100	Amount of Levy		
Original Levy:					
Property Taxed at					
Current Year's Rate	\$ 625,749,277	0.282	\$ 1,764,613	\$ 1,422,667	\$ 341,946
Penalties	-		1,846	410	1,436
	<u>625,749,277</u>		<u>1,766,459</u>	<u>1,423,077</u>	<u>343,382</u>
Discoveries:					
Current Year Taxes	944,298	0.282	2,663	2,663	-
Penalties	-		-	-	-
	<u>944,298</u>		<u>2,663</u>	<u>2,663</u>	<u>-</u>
Abatements:					
Property Taxes -					
Current Year's Rate	(1,299,766)	0.282	\$ (3,665)	(3,665)	-
Total Property Valuations	<u>\$ 625,393,809</u>				
Net Levy			1,765,457	1,422,075	343,382
Uncollected Taxes at June 30, 2022			<u>22,714</u>	<u>22,452</u>	<u>262</u>
Current Year's Taxes Collected			<u>\$ 1,742,743</u>	<u>\$ 1,399,623</u>	<u>\$ 343,120</u>
Current Levy Collection Percentage			<u>98.71%</u>	<u>98.42%</u>	<u>99.92%</u>



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 Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2022, and the related notes to the financial statements, which collectively comprises the City of Boiling Spring Lakes' basic financial statements, and have issued our report thereon dated September 23, 2022. Our report includes a reference to other auditors who audited the financial statements of the City of Boiling Spring Lakes ABC Board, as described in our report on the City of Boiling Spring Lakes' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Boiling Spring Lakes ABC Board were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Boiling Spring Lakes' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Boiling Spring Lakes' internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control 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 consider material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Boiling Spring Lakes' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

W Greene PLLC

Whiteville, North Carolina
September 23, 2022

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the City of Boiling Spring Lakes, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Boiling Spring Lakes' major state programs for the year ended June 30, 2022. The City of Boiling Spring Lakes' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Boiling Spring Lakes complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the City of Boiling Spring Lakes and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the City of Boiling Spring Lakes' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Boiling Spring Lakes' State programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a

State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

W Greene, PLLC

Whiteville, North Carolina
September 23, 2022

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2022

SECTION I. SUMMARY OF AUDITOR'S RESULTS
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Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
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Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u> Yes	<u> X </u> None
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Noncompliance material to financial statements noted	<u> </u> Yes	<u> X </u> No
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CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2022

SECTION I. SUMMARY OF AUDITOR'S RESULTS (Continued)
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State Awards

Internal control over major state programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(s) identified that are
not considered to be material weaknesses _____ Yes X None

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

Any audit findings disclosed that are required to be reported in
accordance with the State Single Audit Implementation Act _____ Yes X No

Identification of major state programs:

Program Name

Powell Bill

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2022

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2022

There are no prior audit findings in the prior two years.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantors Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
Emergency Watershed Protection Program	10.923	-	\$ 20,067	\$ 6,689	\$ -
Total U.S. Department of Agriculture			<u>20,067</u>	<u>6,689</u>	<u>-</u>
Total Federal Awards			<u>20,067</u>	<u>6,689</u>	<u>-</u>
State Awards:					
Cash Assistance					
<u>N.C. Department of Natural and Cultural Resources</u>					
North Carolina Parks and Recreation Trust Fund (PARTF)				208,000	208,000
<u>N.C. Department of Transportation</u>					
Powell Bill	-	DOT-4	-	596,795	-
ROAP/EDTAP	-	-	-	10,000	
Total State Awards			<u>-</u>	<u>814,795</u>	<u>208,000</u>
Total Federal and State Awards			<u>\$ 20,067</u>	<u>\$ 821,484</u>	<u>\$ 208,000</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to Schedule of Expenditures of Federal and State Financial Awards
For the Year Ended June 30, 2022

I. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Boiling Spring Lakes, North Carolina under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the City of Boiling Spring Lakes, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Boiling Spring Lakes, North Carolina.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND INDIRECT COST RATE

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Boiling Spring Lakes, North Carolina has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.