

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS

June 30, 2021

Board of Commissioners

**Jeff Winecoff, Mayor
Tom Guzulaitis, Mayor Pro Tem
Teagan Perry Hall
David Mammay
Kimberly Sherwood**

Administrative and Financial Staff

**David Andrews, City Manager
Nancy Sims, City Clerk
Suzanne Tungate, Finance Director**

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FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on Exhibits A-1 through A-5, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

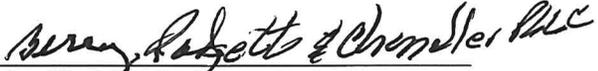
Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021 on our consideration of City of Boiling Spring Lakes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Boiling Spring Lakes' internal control over financial reporting and compliance.


Susan R. Roberts & Chandler, PLLC
Certified Public Accountants

Southport, North Carolina
December 16, 2021

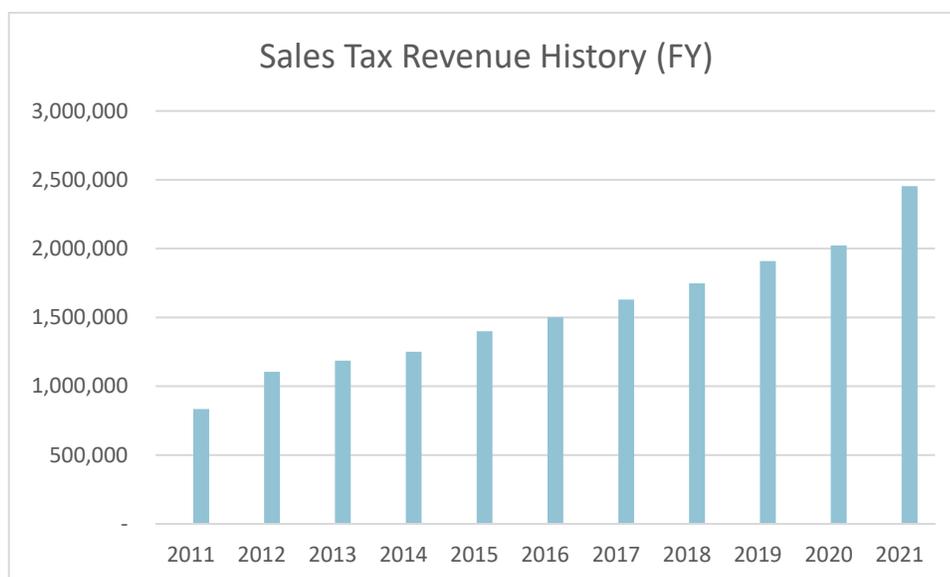
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Boiling Spring Lakes, we offer readers of the City of Boiling Spring Lakes' financial statements this narrative overview and analysis of the financial activities of the City of Boiling Spring Lakes for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Boiling Spring Lakes exceeded its liabilities at the close of the fiscal year by \$3,507,243 (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 \$3,133,402, a decrease of \$767,966 for the fiscal year ending June 30, 2021.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,432,010 or 23% of the General Fund expenditures (\$6,102,094) for the fiscal year ending June 30, 2021.
- The City's total long-term debt increased by \$537,685 to \$5,364,335 as of June 30, 2021. This is primarily due to increases 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.

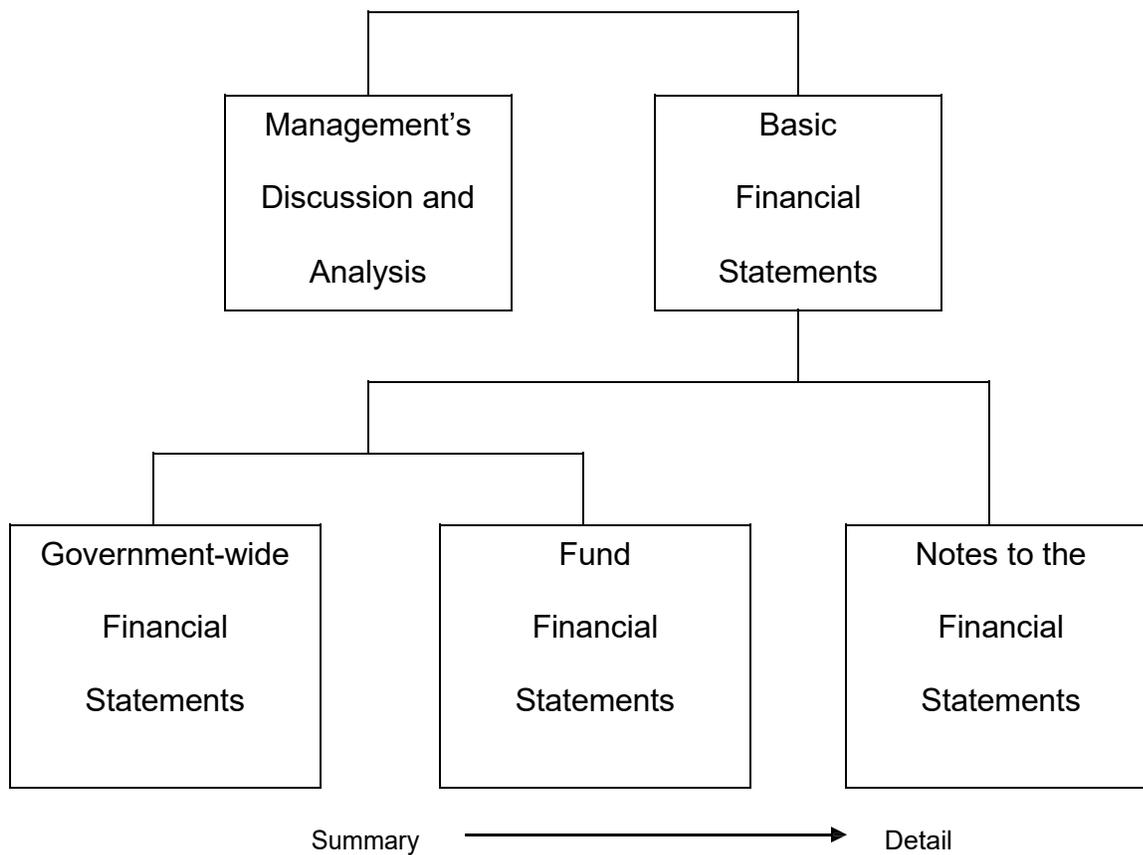


Overview of the Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. State shared revenues, property taxes and state and federal grant funds finance most of these activities. At June 30, 2021, the City does not operate any business-type activities. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City.

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

Fund Financial Statements

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

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

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

Proprietary Funds – The City does not maintain a water and sewer operation.

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

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

Government-Wide Financial Analysis

City of Boiling Spring Lakes' Net Position

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|-------------|--------------------------|------|-------------|-------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and other assets | 3,414,187 | 4,223,467 | - | - | 3,414,187 | 4,223,467 |
| Capital assets | 5,193,592 | 4,191,660 | - | - | 5,193,592 | 4,191,660 |
| Deferred outflow s of revenue | 903,188 | 458,646 | - | - | 903,188 | 458,646 |
| Total assets and deferred outflow s of resources | 9,510,967 | 8,873,773 | - | - | 9,510,967 | 8,873,773 |
| Long-term liabilities outstanding | 5,364,335 | 4,826,650 | - | - | 5,364,335 | 4,826,650 |
| Other liabilities | 225,428 | 258,123 | - | - | 225,428 | 258,123 |
| Deferred inflow s of resources | 413,961 | 431,787 | - | - | 413,961 | 431,787 |
| Total liabilities and deferred inflow s of resources | 6,003,724 | 5,516,560 | - | - | 6,003,724 | 5,516,560 |
| Net Position | | | | | | |
| Investment in capital assets | 4,551,460 | 3,447,600 | - | - | 4,551,460 | 3,447,600 |
| Restricted | 1,583,670 | 2,634,995 | - | - | 1,583,670 | 2,634,995 |
| Unrestricted | (2,627,887) | (2,725,382) | - | - | (2,627,887) | (2,725,382) |
| Total Net Position | 3,507,243 | 3,357,213 | - | - | 3,507,243 | 3,357,213 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Boiling Spring Lakes exceeded liabilities by \$3,507,243 as of June 30, 2021. The City's net position increased by \$150,030 for the fiscal year ended June 30, 2021. This net increase resulted from a decrease of \$1,051,325 in restricted net assets, a decrease in unrestricted net assets of \$97,495, and an increase of \$1,103,860 invested in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Boiling Spring Lakes uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Boiling Spring Lakes' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Restricted net assets represent resources that are subject to external restrictions on how they may be used.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|-------------------------|------------------|--------------------------|----------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for Services | 493,829 | 272,747 | - | - | 493,829 | 272,747 |
| Operating grants and contributions | 428,140 | 1,276,774 | - | - | 428,140 | 1,276,774 |
| Capital grants and contributions | 690 | 11,788 | | 604,685 | 690 | 616,473 |
| General revenues | | | - | - | - | - |
| Property taxes | 1,296,610 | 1,246,134 | - | - | 1,296,610 | 1,246,134 |
| Other taxes | 2,934,431 | 2,503,219 | - | - | 2,934,431 | 2,503,219 |
| Unrestricted investment earnings | 96 | 1,837 | - | - | 96 | 1,837 |
| Other | 126,663 | 117,235 | - | - | 126,663 | 117,235 |
| Total revenues | <u>5,280,459</u> | <u>5,429,734</u> | <u>-</u> | <u>604,685</u> | <u>5,280,459</u> | <u>6,034,419</u> |
| Expenses | | | | | | |
| General government | 2,223,087 | 3,219,145 | - | - | 2,223,087 | 3,219,145 |
| Public safety | 1,729,553 | 1,466,966 | - | - | 1,729,553 | 1,466,966 |
| Transportation | 607,244 | 747,636 | - | - | 607,244 | 747,636 |
| Health Sanitation and welfare | 410 | 3,880 | - | - | 410 | 3,880 |
| Culture and Recreation | 454,938 | 655,160 | - | - | 454,938 | 655,160 |
| Interest on long-term debt | 26,711 | 30,504 | - | - | 26,711 | 30,504 |
| Economic and Physical Development | 88,486 | 150,296 | - | - | 88,486 | 150,296 |
| Total expenses | <u>5,130,429</u> | <u>6,273,587</u> | <u>-</u> | <u>-</u> | <u>5,130,429</u> | <u>6,273,587</u> |
| Change in net assets before transfers | 150,030 | (693,557) | - | 604,685 | 150,030 | (239,168) |
| Transfers | - | 375,000 | - | (979,685) | - | (604,685) |
| Change in net position | 150,030 | (318,557) | - | (375,000) | 150,030 | (843,853) |
| Net position, beginning | <u>3,357,213</u> | <u>3,826,066</u> | <u>-</u> | <u>375,000</u> | <u>3,357,213</u> | <u>4,201,066</u> |

Governmental activities: Governmental activities increased the City's net position by \$150,030. Key elements of the government activities increase are as follows:

- Increases in long-term liabilities: the City's total long-term debt increased by \$537,685. This is primarily due to increases 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.
- As new homes continue to be built in the City, property taxes revenues also increase.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Boiling Spring Lakes. At the end of the current fiscal year, the City's unassigned fund balance available in the General Fund was \$1,325,083, while the total fund balance was \$3,133,402. The unassigned fund balance represents 22% of general fund expenditures, while total fund balance represents 51% of the same amount. At June 30, 2021, the governmental funds of City of Boiling Spring Lakes reported a combined fund balance of \$3,133,402, which is a decrease in fund balance of \$767,966 from the fiscal year ending June 30, 2020.

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

Budget amendments were necessary because revenues were more than the budgeted amounts primarily because intergovernmental revenues were more than originally anticipated. Expenditures were increased to fund additional requirements.

Capital Asset and Debt Administration

Capital assets. The City of Boiling Spring Lakes' investment in capital assets for its governmental funds as of June 30, 2021, totals \$5,193,592 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|------------------|--------------------------|----------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land and improvements | | | | | | |
| not being depreciated | 256,850 | 256,850 | - | - | 256,850 | 256,850 |
| Construction in Progress | 1,415,598 | 157,877 | - | - | 1,415,598 | 157,877 |
| Building and Other Improvements | 1,966,567 | 2,006,553 | - | - | 1,966,567 | 2,006,553 |
| Infrastructure | 1,001,207 | 1,097,945 | - | - | 1,001,207 | 1,097,945 |
| Machinery, Furniture and Fixtures | 451,130 | 563,846 | - | - | 451,130 | 563,846 |
| Vehicles | 102,240 | 108,589 | - | - | 102,240 | 108,589 |
| Total | 5,193,592 | 4,191,660 | - | - | 5,193,592 | 4,191,660 |

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

Long-term Debt: The City's total long-term debt increased by \$537,685 to \$5,364,335 as of June 30, 2021. This includes the \$ 2,000,000 three year no interest loan from NCORR to assist in hurricane related expenses pending reimbursement from FEMA.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the year ending June 30, 2021 for the City of Boiling Spring Lakes is \$44,784,316.

Outstanding Debt Figure 5

City of Boiling Spring Lakes Outstanding Debt

| | Governmental Activities | |
|-----------------------|-------------------------|-----------|
| | 2021 | 2020 |
| Installment purchases | 642,133 | 744,061 |
| Note payable | 2,000,000 | 2,000,000 |
| Compensated absences | 96,629 | 86,208 |
| OPEB | 1,542,024 | 1,136,232 |
| Pension related debt | 1,083,549 | 860,149 |
| | 5,364,335 | 4,826,650 |

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

Governmental Activities: Due to the improving economic climate property taxes, sales taxes and revenues from permits and fees are expected to show an increase in budgeted revenue from June 30, 2021. The City administration will monitor the economic conditions in Brunswick County and remain poised to make adjustments to the budget as warranted. Budgeted expenditures in the General Fund will be reduced if required.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Suzanne Tungate, Finance Director, City of Boiling Spring Lakes, 9 East Boiling Spring Road, Boiling Spring Lakes, NC 28461 at (910) 363-0025 or stungate@cityofbsl.org. Copies of the audit and past three fiscal year audits are available on the city's website at www.cityofbsl.org.

BASIC FINANCIAL STATEMENTS

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2021

EXHIBIT 1

| | <u>Governmental Activities</u> | <u>Total</u> | <u>Boiling Spring Lakes ABC Board</u> |
|---|------------------------------------|--------------------|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash and equivalents | 1,655,999 | 1,655,999 | 96,089 |
| Taxes receivable (net) | 46,777 | 46,777 | - |
| Other receivables | 228,167 | 228,167 | 51,180 |
| Accrued interest receivable on taxes | 10,019 | 10,019 | |
| Due from other governmental agencies | 809,451 | 809,451 | - |
| Due from component unit | 48 | 48 | |
| Inventories | - | - | 82,478 |
| Prepaid expenses | - | - | 4,567 |
| Restricted cash and cash equivalents | 663,726 | 663,726 | |
| Total current assets | <u>3,414,187</u> | <u>3,414,187</u> | <u>234,314</u> |
| Non-current assets: | | | |
| Capital assets | | | |
| Land and improvements not being depreciated | 256,850 | 256,850 | 15,000 |
| Construction in progress | 1,415,598 | 1,415,598 | |
| Other capital assets, net of depreciation | 3,521,144 | 3,521,144 | 127,212 |
| Total capital assets | <u>5,193,592</u> | <u>5,193,592</u> | <u>142,212</u> |
| Total non-current assets | <u>5,193,592</u> | <u>5,193,592</u> | <u>142,212</u> |
| Total assets | <u>8,607,779</u> | <u>8,607,779</u> | <u>376,526</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension deferrals | 550,204 | 550,204 | 35,331 |
| OPEB deferrals | 352,984 | 352,984 | 13,353 |
| Total deferred outflows of resources | <u>903,188</u> | <u>903,188</u> | <u>48,684</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued expenses | 213,582 | 213,582 | 96,884 |
| Due to primary government | | | 48 |
| Accrued interest | 1,439 | 1,439 | |
| Accounts payable from restricted assets | 10,407 | 10,407 | |
| Current portion of long-term liabilities | 2,171,807 | 2,171,807 | 4,130 |
| Total current liabilities | <u>2,397,235</u> | <u>2,397,235</u> | <u>101,062</u> |
| Long-term liabilities | | | |
| Net pension liability | 781,151 | 781,151 | 41,452 |
| Total pension liability | 302,398 | 302,398 | |
| Total OPEB liability | 1,542,024 | 1,542,024 | 103,832 |
| Due in more than one year | 566,955 | 566,955 | - |
| Total liabilities | <u>5,589,763</u> | <u>5,589,763</u> | <u>246,346</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension deferrals | 80,563 | 80,563 | - |
| OPEB deferrals | 333,398 | 333,398 | 5,001 |
| Total deferred inflows of resources | <u>413,961</u> | <u>413,961</u> | <u>5,001</u> |
| NET POSITION | | | |
| Net investment in capital assets | 4,551,460 | 4,551,460 | 142,212 |
| Restricted for: | | | |
| Stabilization by State Statute | 1,282,043 | 1,282,043 | |
| Streets - Powell Bill | 408,554 | 408,554 | |
| Capital outlay | - | - | 37,926 |
| Unrestricted | <u>(2,734,814)</u> | <u>(2,734,814)</u> | <u>(6,275)</u> |
| Total net position | <u>3,507,243</u> | <u>3,507,243</u> | <u>173,863</u> |

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

EXHIBIT 2

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenue</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> | | <u>Boiling Spring Lakes ABC Board</u> |
|---|------------------|---------------------------------|---|---|--|--------------------|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Total</u> | |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| General Government | 2,223,087 | 6,943 | 2,007 | - | (2,214,137) | (2,214,137) | |
| Public Safety | 1,729,553 | 204,479 | 132,484 | - | (1,392,590) | (1,392,590) | |
| Transportation | 607,244 | 19,587 | 297,723 | - | (289,934) | (289,934) | |
| Health Sanitation and Welfare | 410 | - | 1,183 | - | 773 | 773 | |
| Culture and Recreation | 454,938 | 262,820 | (5,257) | 690 | (196,685) | (196,685) | |
| Interest on Long-term debt | 26,711 | - | - | - | (26,711) | (26,711) | |
| Economic and Physical Development | 88,486 | - | - | - | (88,486) | (88,486) | |
| Total governmental activities | 5,130,429 | 493,829 | 428,140 | 690 | (4,207,770) | (4,207,770) | |
| Total primary government | 5,130,429 | 493,829 | 428,140 | 690 | (4,207,770) | (4,207,770) | |
| Component Units | | | | | | | |
| Boiling Spring Lakes ABC Board | 945,490 | 986,073 | - | - | | | 40,583 |
| Total component units | 945,490 | 986,073 | - | - | | | 40,583 |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 1,296,610 | 1,296,610 | - |
| Other taxes | | | | | 2,934,431 | 2,934,431 | - |
| Unrestricted investment earnings | | | | | 96 | 96 | - |
| Miscellaneous | | | | | 126,663 | 126,663 | - |
| <i>Special item - theft loss</i> | | | | | | | (11,063) |
| Total general revenues and transfers | | | | | 4,357,800 | 4,357,800 | (11,063) |
| Change in net position | | | | | 150,030 | 150,030 | 29,520 |
| Net position - beginning | | | | | 3,357,213 | 3,357,213 | 144,343 |
| Net position - ending | | | | | 3,507,243 | 3,507,243 | 173,863 |

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

EXHIBIT 3
Page 1 of 2

| | Major Fund | Total Governmental Funds |
|---|---------------------|---|
| | General Fund | |
| ASSETS | | |
| Cash and cash equivalents | 1,655,999 | 1,655,999 |
| Taxes receivable, net | 46,777 | 46,777 |
| Receivable from other governments | 809,451 | 809,451 |
| Receivable from other component unit | 48 | 48 |
| Other receivables | 228,167 | 228,167 |
| Restricted assets: | | |
| Cash and cash equivalents | 663,726 | 663,726 |
| Total assets | 3,404,168 | 3,404,168 |
| LIABILITIES | | |
| Accounts payable | 213,582 | 213,582 |
| Accounts payable from restricted assets | 10,407 | 10,407 |
| Total liabilities | 223,989 | 223,989 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property taxes receivable | 46,777 | 46,777 |
| Total deferred inflows of resources | 46,777 | 46,777 |
| FUND BALANCES | | |
| Restricted | | |
| Stabilization by State Statute | 1,282,043 | 1,282,043 |
| Streets | 408,554 | 408,554 |
| Public safety | 77,545 | 77,545 |
| Committed | | |
| Capital outlay | 40,177 | 40,177 |
| Unassigned | 1,325,083 | 1,325,083 |
| Total fund balances | 3,133,402 | 3,133,402 |
| Total liabilities, deferred inflows of resources and fund balances | 3,404,168 | 3,404,168 |

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2021**

EXHIBIT 3
Page 2 of 2

| | | |
|--|--------------------|--------------------------------|
| Total fund balance, governmental funds | | 3,133,402 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | | |
| Gross capital assets at historical costs | 8,888,200 | |
| Accumulated depreciation | <u>(3,694,608)</u> | 5,193,592 |
| Deferred outflows of resources related to pensions are not reported in the funds | | 550,204 |
| Deferred outflows of resources related to OPEB are not reported in the funds | | 352,984 |
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds. | | 10,019 |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements. | | 46,777 |
| Long-term liabilities used in governmental activities are not financial uses and therefore, not reported in the funds | | |
| Gross long-term debt | (2,738,762) | |
| Net pension liability | (781,151) | |
| Total pension liability | (302,398) | |
| Total OPEB liability | <u>(1,542,024)</u> | (5,364,335) |
| Deferred inflows of resources related to pensions are not reported in the funds | | (80,563) |
| Deferred inflows of resources related to OPEB are not reported in the funds | | (333,398) |
| Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds. | | (1,439) |
| Net position of governmental funds | | <u><u>3,507,243</u></u> |

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

EXHIBIT 4
Page 1 of 2

| | Major Fund | Total |
|--|---------------------|---------------------|
| | General Fund | Governmental |
| | | Funds |
| REVENUES | | |
| Property taxes | 1,305,766 | 1,305,766 |
| Other taxes | 148,917 | 148,917 |
| Unrestricted intergovernmental revenues | 2,890,283 | 2,890,283 |
| Restricted intergovernmental revenues | 430,298 | 430,298 |
| Licenses and permits | 222,816 | 222,816 |
| Sales and services | 282,134 | 282,134 |
| Investment earnings | 96 | 96 |
| Miscellaneous | 53,818 | 53,818 |
| Total revenues | 5,334,128 | 5,334,128 |
| EXPENDITURES | | |
| Current: | | |
| General government | 3,041,103 | 3,041,103 |
| Public safety | 1,598,381 | 1,598,381 |
| Transportation | 516,655 | 516,655 |
| Health and welfare | 410 | 410 |
| Economic and physical development | 85,838 | 85,838 |
| Culture and recreation | 730,531 | 730,531 |
| Debt Service: | | |
| Principal | 101,928 | 101,928 |
| Interest and other charges | 27,248 | 27,248 |
| Total expenditures | 6,102,094 | 6,102,094 |
| Excess (deficiency) of revenues over expenditures | (767,966) | (767,966) |
| OTHER FINANCING SOURCES (USES) | | |
| Total other financing sources and uses | - | - |
| Net change in fund balances | (767,966) | (767,966) |
| Fund balances - beginning | 3,901,368 | 3,901,368 |
| Fund balances - ending | 3,133,402 | 3,133,402 |

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021**

Net change in fund balances - total governmental funds: (767,966)

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

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

| | |
|--|-----------|
| Capital outlay expenditures which were capitalized | 1,364,349 |
| Depreciation expense for governmental assets | (362,417) |

| | |
|--|---------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 168,749 |
|--|---------|

| | |
|---|--------|
| OPEB Benefit payments paid and administrative expense for the current fiscal year are not included on the Statement of Activities | 43,417 |
|---|--------|

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

| | |
|--|---------|
| Change in unavailable revenue for tax revenues | (9,156) |
|--|---------|

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

| | |
|--------------------------------------|---------|
| Principal payments on long-term debt | 101,928 |
| Accrued interest | 537 |

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

| | |
|--------------------------|-----------|
| Compensated absences | (10,421) |
| Pension expense - LGERS | (253,517) |
| Pension expense - LEOSSA | (33,551) |
| OPEB plan expense | (91,922) |

| | |
|---|-----------------------|
| Total changes in net position of governmental activities | <u>150,030</u> |
|---|-----------------------|

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

EXHIBIT 5

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year ended June 30, 2021

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|---|------------------|--------------------|------------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Ad valorem taxes | 1,249,056 | 1,280,056 | 1,305,766 | 25,710 |
| Other taxes | 132,875 | 132,875 | 148,917 | 16,042 |
| Unrestricted intergovernmental revenues | 2,177,403 | 2,446,403 | 2,890,283 | 443,880 |
| Restricted intergovernmental revenues | 289,587 | 734,337 | 430,298 | (304,039) |
| Licenses and permits | 196,825 | 196,825 | 222,816 | 25,991 |
| Sales and services | 305,350 | 316,350 | 282,134 | (34,216) |
| Investment earnings | 750 | 750 | 96 | (654) |
| Miscellaneous | 46,100 | 49,350 | 53,818 | 4,468 |
| Total revenues | <u>4,397,946</u> | <u>5,156,946</u> | <u>5,334,128</u> | <u>177,182</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,091,386 | 3,161,422 | 3,041,103 | 120,319 |
| Public Safety | 1,614,937 | 1,722,437 | 1,598,381 | 124,056 |
| Transportation | 559,235 | 907,192 | 516,655 | 390,537 |
| Health and welfare | 5,900 | 5,900 | 410 | 5,490 |
| Economic and physical development | 86,569 | 90,569 | 85,838 | 4,731 |
| Culture and recreation | 952,112 | 982,072 | 730,531 | 251,541 |
| Debt Service: | | | | |
| Principal | - | 101,930 | 101,928 | 2 |
| Interest and other charges | - | 27,251 | 27,248 | 3 |
| Contingency | 115,422 | 60,000 | - | 60,000 |
| Total expenditures | <u>4,425,561</u> | <u>7,058,773</u> | <u>6,102,094</u> | <u>956,679</u> |
| Excess (deficiency) of revenues over expenditures | <u>(27,615)</u> | <u>(1,901,827)</u> | <u>(767,966)</u> | <u>1,133,861</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 27,615 | 27,615 | - | 27,615 |
| Total other financing sources and uses | <u>27,615</u> | <u>27,615</u> | <u>-</u> | <u>27,615</u> |
| Fund balance appropriated | - | 1,874,212 | - | (1,874,212) |
| Net change in fund balances | <u>-</u> | <u>-</u> | <u>(767,966)</u> | <u>(767,966)</u> |
| Fund balances - beginning | | | 3,861,191 | |
| Fund balances - ending | | | 3,093,225 | |
| A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes: | | | | |
| Fund balance, beginning | | | 40,177 | |
| Fund balance, ending (Exhibit 4) | | | <u>3,133,402</u> | |

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Town of Boiling Spring Lakes ABC Board

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the City's funds. A statement for the one fund category – governmental - is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for administration, public safety, street maintenance and construction, sanitation, and parks and recreation. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

The City reports the following non-major governmental fund: None

The City reports the following major enterprise fund: None

C. Measurement Focus and Basis of Accounting

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are

registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources. Other receivables consist of Water and Sewer Assessments which were recognized as income in the Enterprise Water and Sewer Fund prior to the closing of the Water Fund and Sewer Fund and transfer to the General Fund. Therefore, the General Fund will not recognize income when assessments are collected. However, fund balance available for appropriation will increase as the assessments are collected.

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The City Budget Officer is authorized to transfer appropriations within departmental budgets up to \$20,000. All such transfers shall be reported to the Board of Commissioners at its next regular monthly meeting. Any other revisions that shall be made to any portion of the Budget must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- 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, they are 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 it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Money in the Capital Reserve Fund is classified as restricted assets because its use is restricted for future capital asset purchases per NC G.S. Chapter 159, Article 3, Part 2. 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. (See note IIIA2 for detail).

4. Ad Valorem Taxes Receivable

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

5. Other Receivables

Other receivables include uncollected and 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. Inventory and Prepaid Items

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

The inventory of the ABC Board consists of materials and supplies held for subsequent use. The costs of these inventories are recorded as an expense as the inventories are consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

8. Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. General infrastructure assets consist of road networks paved after July 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, contributions made to the pension plan in the 2021 fiscal year and pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflow of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – property taxes receivable and pension deferrals.

10. Long-Term Debt

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

the fund financial statements, governmental fund types the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

11. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. For the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded within the component unit as the leave is earned.

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

12. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is classified as invested in capital assets; restricted; and unrestricted. Restricted net position 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 classification designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State 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 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 non-spendable. 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 restricted for capital outlay [G.S. Chapter 159, Article 3, Part 2].

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

Assigned Fund Balance – portion of fund balance that City of Boiling Spring Lakes intends to use for specific purposes.

Subsequent year's expenditures - portion of the total fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the City manager to modify the appropriations by resource or appropriation within departments up to \$20,000.

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

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

13. Defined Benefit Cost-Sharing Plans

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Noncompliance with N.C. General Statutes

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

Contractual Obligations

LGC-205 (Contract to Audit Accounts) requires submission of the annual independent audit to the LGC staff within four months of year end. This time period was not met due to auditor staffing and the Covid pandemic. An amended contract will be submitted and necessary steps taken to prevent reoccurrences.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2021, the City's deposits had a carrying amount of \$1,735,204 and a bank balance of \$1,756,947. The carrying amount of deposits of the ABC Board was \$96,089 and the bank balance was \$92,138. Of the bank balance \$92,138 of the ABC Board and \$250,000 of the City was covered by federal depository insurance. At June 30, 2021, the City's petty cash funds totaled \$600 and the ABC Board totaled \$1,000.

At June 30, 2021, the City had \$583,921 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

2. Restricted Assets

Restricted assets presented in the Balance Sheet and Statement of Net Position at June 30, 2021 are as follows:

Restricted Cash:

Governmental Activities

General Fund

| | |
|-------------------------------|-----------------------|
| Streets | 546,004 |
| Capital Outlay | 40,177 |
| NCORR Loan for emergency | <u>77,544</u> |
| Total Governmental Activities | <u>663,725</u> |
| Total Restricted Cash | <u><u>663,725</u></u> |

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

General Fund:

| | |
|------------------|----------------------|
| Taxes receivable | <u>20,131</u> |
| Total | <u><u>20,131</u></u> |

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2021 was as follows:

| | Beginning <u>Balances</u> | <u>Increases</u> | <u>Decreases</u> | Ending <u>Balances</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital assets not being depreciated: | | | | |
| Land and improvements | 256,850 | - | | 256,850 |
| Construction in progress | 157,877 | 1,257,721 | - | 1,415,598 |
| Total capital assets not being depreciated | <u>414,727</u> | <u>1,257,721</u> | <u>-</u> | <u>1,672,448</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 2,717,683 | 25,200 | | 2,742,883 |
| Other improvements | 120,905 | 7,967 | | 128,872 |
| Machinery equipment, furniture and fixtures | 1,604,248 | 5,270 | 59,714 | 1,549,804 |
| Vehicles | 904,218 | 68,191 | 112,944 | 859,465 |
| Infrastructure | 1,934,728 | - | - | 1,934,728 |
| Total capital assets being depreciated | <u>7,281,782</u> | <u>106,628</u> | <u>172,658</u> | <u>7,215,752</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 805,114 | 64,257 | | 869,371 |
| Other improvements | 26,921 | 8,896 | | 35,817 |
| Machinery equipment, furniture and fixtures | 1,040,402 | 117,986 | 59,714 | 1,098,674 |
| Vehicles | 795,629 | 74,540 | 112,944 | 757,225 |
| Infrastructure | 836,783 | 96,738 | - | 933,521 |
| Total accumulated depreciation | <u>3,504,849</u> | <u>362,417</u> | <u>172,658</u> | <u>3,694,608</u> |
| Total capital assets being depreciated, net | <u>3,776,933</u> | | | <u>3,521,144</u> |
| Governmental activities capital assets, net | <u>4,191,660</u> | | | <u>5,193,592</u> |

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

| | |
|----------------------------|----------------|
| General government | 169,521 |
| Public safety | 68,083 |
| Transportation | 98,272 |
| Culture and recreation | 26,541 |
| Total depreciation expense | <u>362,417</u> |

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

| | Beginning | | | Ending |
|---|-----------------------|------------------|------------------|-----------------------|
| | <u>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balances</u> |
| Capital assets not being depreciated: | | | | |
| Land | 15,000 | - | - | 15,000 |
| Total capital assets not being depreciated | <u>15,000</u> | <u>-</u> | <u>-</u> | <u>15,000</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 128,810 | - | 4,282 | 124,528 |
| Furniture, fixtures and office equipment | 42,166 | 5,789 | 1,717 | 46,238 |
| Total capital assets being depreciated | <u>170,976</u> | <u>5,789</u> | <u>5,999</u> | <u>170,766</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 32,232 | 3,603 | 4,282 | 31,553 |
| Furniture, fixtures and office equipment | 9,879 | 3,839 | 1,717 | 12,001 |
| Total accumulated depreciation | <u>42,111</u> | <u>7,442</u> | <u>5,999</u> | <u>43,554</u> |
| Total capital assets being depreciated, net | <u>128,865</u> | | | <u>127,212</u> |
| ABC capital assets, net | <u><u>143,865</u></u> | | | <u><u>142,212</u></u> |

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Government Employees' Retirement System

Plan Description. The City of Boiling Spring Lakes is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and the State School Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Boiling Spring Lakes employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Boiling Spring Lakes' contractually required contribution rate for the year ended June 30, 2021, was 10.90% of compensation for law enforcement officers and 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Boiling Spring Lakes were \$168,749 for the year ended June 30, 2021.

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, 2021, the City reported a liability of \$781,151 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The 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, 2020, the City's proportion was 0.02186%, which was a decrease of 0.00263% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$253,518. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between actual and expected experience | 98,646 | - |
| Changes of assumptions | 58,133 | |
| Net difference between projected and actual earnings on pension plan investments | 109,926 | |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | 34,332 |
| City contributions subsequent to the measurement date | 168,749 | |
| Total | 435,454 | 34,332 |

\$168,749 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|---------------------|------------|----------------|
| Year ended June 30: | 2022 | 60,432 |
| | 2023 | 90,279 |
| | 2024 | 49,129 |
| | 2025 | 32,533 |
| | 2026 | - |
| | Thereafter | - |
| | | <u>232,373</u> |

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

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Fixed Income | 0.29 | 0.014 |
| Global Equity | 0.42 | 0.053 |
| Real Estate | 0.08 | 0.043 |
| Alternatives | 0.08 | 0.089 |
| Credit | 0.07 | 0.06 |
| Inflation Protection | 0.06 | 0.04 |
| Total | 1.0000 | |

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

| | 0.01 Decrease <u>(6.00%)</u> | Discount Rate <u>(7.00%)</u> | 0.01 Increase <u>(8.00%)</u> |
|---|------------------------------------|------------------------------------|------------------------------------|
| City's proportionate share of the net pension liability (asset) | 1,584,870 | 781,151 | 113,204 |

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

b. Law Enforcement Officers' Special Separation Allowance

Plan Description. The City of Boiling Spring Lakes administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance.
At December 31, 2019 the valuation date, the Separation Allowance's membership consisted of:

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

Total

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 2.5 Percent |
| Salary Increases | 3.50 to 7.75 percent, including inflation and productivity factor |
| Discount rate | 1.93 percent |

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

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

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 made no payments for the reporting period.

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

At June 30, 2021, the City reported a total pension liability of \$302,398. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$33,551.

| | <u>Deferred Outflows of</u> | <u>Deferred Inflows of</u> |
|--|---------------------------------|--------------------------------|
| Differences between expected and actual experience | 6,988 | 38,698 |
| Changes of assumptions | 107,762 | 7,533 |
| City benefit payments and plan administrative expense made subsequent to measurement date | <u>-</u> | <u>-</u> |
| Total | <u>114,750</u> | <u>46,231</u> |

There were no payments 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2022
2023
2024
2025
2026
Thereafter

Total

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

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

| | 1% Decrease <u>(0.93%</u> | Discount Rate <u>(1.93%)</u> | 1% Increase <u>(2.93%)</u> |
|-------------------------|------------------------------|---------------------------------|-------------------------------|
| Total pension liability | 329,741 | 302,398 | 277,805 |

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

| | <u>2021</u> |
|--|-----------------------|
| Beginning balance | 191,346 |
| Service cost | 15,461 |
| Interest on the total pension liability | 6,238 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | (23,700) |
| Changes of assumptions or other inputs | 113,053 |
| Benefit payments | - |
| Other changes | - |
| | <hr/> |
| Ending balance of the total pension liability. | <u><u>302,398</u></u> |

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

| | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|-----------------------|-----------------------|-----------------------|
| Pension expense | 253,518 | 33,551 | 287,069 |
| Pension liability | 781,151 | 302,398 | 1,083,549 |
| Proportionate share of the net pension liability | 0 | n/a | |
| Deferred Outflows of Resources | | | |
| Difference between expected and actual experience | 98,646 | 6,988 | 105,634 |
| Changes of assumptions | 58,133 | 107,762 | 165,895 |
| Net differences between projected and actual earnings on plan investments | 109,926 | - | 109,926 |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - | - |
| Benefit payments and administrative costs paid subsequent to the measurement date | <u>168,749</u> | <u>-</u> | <u>168,749</u> |
| Total | <u><u>435,454</u></u> | <u><u>114,750</u></u> | <u><u>550,204</u></u> |
| Deferred Inflows of Resources | | | |
| Difference between expected and actual experience | - | 38,698 | 38,698 |
| Changes of assumptions | - | 7,533 | 7,533 |
| Net differences between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | <u>34,332</u> | <u>-</u> | <u>34,332</u> |
| Total | <u><u>34,332</u></u> | <u><u>46,231</u></u> | <u><u>80,563</u></u> |

c. Supplemental Retirement Income Plan

Plan Description - The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. The City has elected to provide the same benefits to all employees of the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the 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 law officer's salary. This required contribution, along with the City's elective contribution for other employees' salary, are contributed monthly and are vested immediately. In addition, the law enforcement officers and other employees may make voluntary contributions to the plan. The City made contributions of \$81,066 for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefits – Healthcare Benefits

Plan Description. Under the terms of a September 1, 2009 resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City Board has the authority to establish and amend the benefit terms and financial requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The HCB Plan provides postretirement health insurance for medical coverage only to retirees of the City until such time as the retiree becomes eligible for Medicare, at a cost not to exceed that of a current full-time employee, provided they have a minimum of ten years in the North Carolina Local Governmental Employees Retirement System ("NCLGERS"), and if hired before July 1, 2009, a minimum of five years' service to the City. If hired after June 30, 2009, with a consecutive twenty-five years of service to the City, the retiree may continue health insurance for medical coverage only with the City until such time as the retiree becomes eligible for Medicare, at a cost not to exceed that of a current full-time employee. When retirees become eligible for Medicare, the City shall pay for a Medicare supplement for medical coverage only, at a cost not to exceed that of a current full-time employee. Dental and vision coverage shall be offered to the retiree, the cost of which shall be paid by the retiree. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership in the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

| | |
|---|---------------|
| Inactive members currently receiving benefits | 7 |
| Inactive members entitled to but not yet receiving benefits | 0 |
| Active Members | <u>36</u> |
| Total | <u>43</u> |

Total OPEB Liability

The City's total OPEB liability of \$1,542,024 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|---|--|
| Inflation | 2.50% |
| Salary increases including wage inflation | |
| General employees | 3.50% - 7.75% |
| Law enforcement officers | 3.50% - 7.35% |
| Discount rate | 2.21% |
| Healthcare cost trend rates | |
| Pre-Medicare | 7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026 |
| Medicare | 5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021 |

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

Changes in the Total OPEB Liability

| | |
|---|-------------------------|
| Total OPEB Liability as of June 30, 2019 | 1,136,232 |
| Changes for the year: | |
| Service cost | 68,051 |
| Interest | 41,298 |
| Changes on benefit terms | - |
| Difference between expected and actual experience | 8,349 |
| Changes of assumptions or other inputs | 337,196 |
| Benefit payments | <u>(49,102)</u> |
| Net Changes | <u>405,792</u> |
| Total OPEB Liability as of June 30, 2020 | <u><u>1,542,024</u></u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the discount rate:

| | 1.21% <u>1% Decrease</u> | 2.21% <u>Discount Rate</u> | 3.21% <u>1% Increase</u> |
|----------------------|-----------------------------|-------------------------------|-----------------------------|
| Total OPEB Liability | 1,902,141 | 1,542,024 | 1,270,704 |

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

| | 1% <u>Decrease</u> | <u>Current</u> | 1% <u>Increase</u> |
|----------------------|-----------------------|----------------|-----------------------|
| Total OPEB Liability | 1,220,269 | 1,542,024 | 1,990,150 |

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$94,957. At June 30, 2021 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 | 10,472 | 177,061 |
| Changes of assumptions | 299,095 | 156,337 |
| Benefit payments and administrative costs made subsequent to the measurement date | <u>43,417</u> | <u>-</u> |
| Total | 352,984 | 333,398 |

\$43,417 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in healthcare costs as follows:

Year Ended June 30:

| | |
|------------|-----------------|
| 2022 | (14,392) |
| 2023 | (14,392) |
| 2024 | (14,392) |
| 2025 | (14,392) |
| 2026 | (14,392) |
| Thereafter | <u>48,129</u> |
| Total | <u>(23,831)</u> |

e. Other Employment Benefits

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

2. Deferred Outflows and Inflows of Resources

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

| | <u>Deferred Outflows of Resources</u> |
|---|---|
| Contributions to pension plan in current fiscal year | 117,881 |
| Administrative expense payment for LEOSSA made subsequent to measurement date | 339 |
| Benefit payments and administrative expenses for OPEB made subsequent to the measurement date | 47,542 |
| Differences between expected and actual experience | 100,429 |
| Changes of assumptions | 157,845 |
| Net difference between projected and actual earnings | <u>76,659</u> |
| Total | <u><u>500,695</u></u> |

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

| | <u>Statement of Net Position</u> | <u>General Fund Balance Sheet</u> |
|---|--------------------------------------|---------------------------------------|
| Taxes receivable, less penalties (General Fund) | - | 56,417 |
| Change in assumptions | 202,053 | |
| Differences between actual and expected experience | 5,634 | |
| Changes in proportion and differences between City contributions and proportionate share of contributions | <u>17,112</u> | <u>-</u> |
| Total | <u><u>224,799</u></u> | <u><u>56,417</u></u> |

3. Commitments

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

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains insurance through commercial companies that provide the following types of major coverage for the amounts of retained risk noted: general liability, public official and law enforcement liability (\$1,000,000 per occurrence with \$3,000,000 aggregate); auto liability (\$1,000,000 per person with \$3,000,000 total); property (\$4,114,252 blanket coverage with limits for each property); workers' compensation (\$1,000,000 coverage each occurrence); wind and hail (policy amounts for each property). Employee health coverage is provided with 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 Town of Boiling Spring Lakes ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has commercial property, general liability, auto liability, and workers' compensation coverage. The ABC Board also has liquor legal liability coverage and each Board Member and staff is bonded. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the City had no outstanding items in litigation.

6. Long-Term Obligations

a. Installment Purchase Contracts

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. This contract is currently held by First National Bank. The financing contract requires payments of interest at 3.94% payable monthly and beginning April 12, 2009 principal payments of \$6,667 per month for twenty years. This loan will be fully repaid March 12, 2029.

On September 1, 2015, the City entered into a direct placement agreement to provide financing in the amount of \$149,017 for the acquisition a new commercial truck and equipment. The property is pledged as collateral for the debt while the debt is outstanding. This 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 will be fully repaid December 1, 2021.

Annual debt service payments of the installment purchases as of June 30, 2021 are as follows:

| Governmental Activities | | | |
|-------------------------|---------------------|-----------------------|----------------------|
| | Year Ending June 30 | <u>Principal</u> | <u>Interest</u> |
| | 2022 | 102,480 | 23,548 |
| | 2023 | 80,000 | 19,834 |
| | 2024 | 80,000 | 16,706 |
| | 2025 | 80,000 | 13,508 |
| | 2026 | 80,000 | 10,378 |
| | 2027-2029 | <u>219,653</u> | <u>11,300</u> |
| Total | | <u><u>642,133</u></u> | <u><u>95,274</u></u> |

b. 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, | <u>Principal</u> |
|-------|----------------------|-------------------------|
| | 2022 | <u>2,000,000</u> |
| Total | | <u><u>2,000,000</u></u> |

c. Changes in General Long-Term Liabilities

| | Beginning | | | Ending | Current |
|---|------------------|------------------|------------------|------------------|-------------------------------------|
| Government activities: | <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> | <u>Portion of</u> <u>Balance</u> |
| Installment purchases | 744,061 | | 101,928 | 642,133 | 102,480 |
| State revolving loan | 2,000,000 | - | | 2,000,000 | 2,000,000 |
| Compensated absences | 86,208 | 76,249 | 65,828 | 96,629 | 69,327 |
| Net pension obligation (LGERS) | 668,803 | 112,348 | | 781,151 | - |
| Net pension obligation (LEO) | 191,346 | 111,052 | | 302,398 | - |
| Other postemployment benefits | 1,136,232 | 405,792 | - | 1,542,024 | - |
| Government activity long-term liabilities | <u>4,826,650</u> | <u>705,441</u> | <u>167,756</u> | <u>5,364,335</u> | <u>2,171,807</u> |

d. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2021 consists of the following:

| | Governmental | Business-type |
|----------------------------------|------------------|---------------|
| | Activities | Activities |
| Capital assets | 5,193,592 | |
| Less: Long-term debt | <u>642,132</u> | <u>-</u> |
| Net investment in capital assets | <u>4,551,460</u> | <u>-</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:

| | |
|---|------------------|
| Total fund balance-General Fund | 3,133,402 |
| Less: | |
| Stabilization by State Statute | 1,282,043 |
| Streets - Powell Bill | 408,554 |
| Public Safety | 77,545 |
| Capital outlay | 40,177 |
| Appropriated Fund Balance in 2021-22 budget | <u>-</u> |
| Remaining fund balance | <u>1,325,083</u> |

f. Interfund Balances and Activity.

None

g. Encumbrances.

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

| | |
|-------|---------------------|
| | <u>General Fund</u> |
| Total | 244,377 |

IV. JOINTLY GOVERNED ORGANIZATIONS

The City, in conjunction with four counties and thirty-two other municipalities established the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$1,509 to the Council during the fiscal year ended June 30, 2021.

V. Boiling Spring Lakes ABC Board (A Component Unit)

The Boiling Spring Lakes ABC Board's (a component unit of the City) store operations suffered an internal theft during the year ended June 30, 2021 in an amount determined to be approximately \$61,063 of which \$50,000 was reimbursed by insurance. The remaining \$11,063 is recorded as other expense. The internal theft occurred due to management override of internal control policy. The ABC Board has installed new management and reestablished internal controls.

VI. 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 monies.

VII. HURRICANE DAMAGE AND RESTORATION

On September 9, 2018, the City experienced the effects of Hurricane Florence and is included in a federally declared disaster zone. The City suffered extensive damage to its public areas, infrastructure of roads, dams and lakes. Debris removal and restoration expenditures incurred as of June 30, 2019, 2020 and 2021, amounted to \$2,187,981, \$2,046,657 and \$1,751,224, respectively. Of amounts submitted to FEMA for reimbursement \$2,706,438 had been received as of June 30, 2021 with \$228,861 approved for payment. The remaining amounts are pending approval. The costs of dams and lakes repairs and restoration are approximately \$41.6 million. Updated cost will be obtained as the project moves forward. NC Dam Safety has determined that all four city-owned dams that were breached during Hurricane Florence will be reclassified as "high hazard" dams due to being breached

by the storm. As such the department required the City, following the hurricane, to have prepared by a professional engineering firm a Preliminary Analysis Report (PAR) to provide repair alternatives that would meet the requirements of the NC Dam Safety Act. That report as well as a proposed scope of work have been submitted to FEMA for determination of eligibility of expenses to be covered by the federal government. FEMA is required by federal law to reimburse for all costs associated with restoration of the damages to pre-storm condition plus to meet current "codes and standards" for projects determined eligible in federally declared disaster areas as Brunswick County was following Hurricane Florence.

VII. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS.

Events occurring after June 30, 2021 were evaluated by management on December 16, 2021 to ensure that any subsequent events that met the criteria for recognition and/or disclosure to these financial statements have been included. In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact City revenues. At the current time, management is unable to quantify effects of this pandemic.

**REQUIRED
SUPPLEMENTAL FINANCIAL DATA**

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

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

Schedule of Contributions - Local Government Employee's Retirement System

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

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

Schedule of Changes in the Total OPEB Liability and Related Ratios

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

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|-----------|-----------|-----------|-----------|-----------|
| City of Boiling Spring Lakes' proportion of the net pension liability (asset) (%) | 0.02186% | 0.02449% | 0.02340% | 0.02277% | 0.02438% | 0.02321% | 0.02252% | 0.01820% |
| City of Boiling Spring Lakes' proportion of the net pension liability (asset) (\$) | 781,151 | 668,803 | 558,449 | 347,863 | 517,427 | 104,165 | (132,811) | 219,380 |
| City of Boiling Spring Lakes' covered-employee payroll | 1,587,123.00 | 1,467,304.00 | 1,386,297.00 | 1,251,314 | 1,317,613 | 1,192,061 | 1,105,732 | 1,003,162 |
| City of Boiling Spring Lakes' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 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 | 88.61% | 90.86% | 91.63% | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

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

EXHIBIT A-2

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|
| Contractually required Contribution | 168,749 | 146,464 | 117,881 | 108,274 | 94,665 | 90,437 | 85,833 | 79,026 |
| Contributions in relation to the contractually required contribution | <u>168,749</u> | <u>146,464</u> | <u>117,881</u> | <u>108,274</u> | <u>94,665</u> | <u>90,437</u> | <u>85,833</u> | <u>79,026</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| City of 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 |
| Contributions as a percentage of covered-employee payroll | 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
LAW ENFORCEMENT OFFICERS' SEPARATION ALLOWANCE
LAST FIVE FISCAL YEARS**

EXHIBIT A-3

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Beginning balance | 191,346 | 186,521 | 163,488 | 134,225 | 120,831 |
| Service Cost | 15,461 | 15,611 | 16,280 | 12,314 | 13,674 |
| Interest on the total pension liability | 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 | (23,700) | (24,798) | 11,806 | (1,378) | - |
| Changes of assumptions or other inputs | 113,053 | 7,223 | (10,219) | 13,146 | (4,594) |
| Benefit payments | - | - | - | - | - |
| Other changes | - | - | - | - | - |
| Ending balance of the total pension liability | <u><u>302,398</u></u> | <u><u>191,346</u></u> | <u><u>186,521</u></u> | <u><u>163,488</u></u> | <u><u>134,225</u></u> |

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
 LAW ENFORCEMENT OFFICERS' SEPARATION ALLOWANCE
 LAST FIVE FISCAL YEARS**

EXHIBIT A-4

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|----------------|----------------|----------------|----------------|----------------|
| Total pension liability | 302,398 | 191,346 | 186,521 | 163,488 | 134,225 |
| Covered payroll | 590,684 | 594,500 | 569,161 | 514,153 | 532,555 |
| Total pension liability as a percentage of covered payroll | 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 fund that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS**

EXHIBIT A-5

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Service Cost | 68,051 | 70,006 | 74,887 | 85,992 |
| Interest | 41,298 | 50,213 | 46,116 | 40,760 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 8,349 | (227,152) | 4,578 | (2,219) |
| Changes of assumptions or other inputs | 337,196 | (21,899) | (84,638) | (147,657) |
| Benefit payments | (49,102) | (51,018) | (40,130) | (31,289) |
| Other changes | - | - | - | - |
| Net Change in the Total OPEB Liability | 405,792 | (179,850) | 813 | (54,413) |
| Total OPEB Liability - beginning | <u>1,136,232</u> | <u>1,316,082</u> | <u>1,315,269</u> | <u>1,369,682</u> |
| Total OPEB Liability - ending | <u><u>1,542,024</u></u> | <u><u>1,136,232</u></u> | <u><u>1,316,082</u></u> | <u><u>1,315,269</u></u> |
| Covered-employee payroll | 1,625,355 | 1,625,355 | 1,111,300 | 1,111,300 |
| Total OPEB Liability as a percentage of covered-employee payroll | 94.87% | 69.91% | 118.43% | 118.35% |

Notes to the Schedule:

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

| <u>Fiscal Year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2021 | 2.21% |
| 2020 | 3.50% |
| 2019 | 3.89% |
| 2018 | 3.56% |

SUPPLEMENTARY STATEMENTS

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND - BUDGETARY BASIS
COMPARATIVE BALANCE SHEET
June 30, 2021 and 2020**

EXHIBIT B-1

| | <u>2021</u> | <u>2020</u> |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | 1,655,999 | 1,273,560 |
| Receivables (net): | | |
| Taxes | 46,777 | 56,099 |
| Accounts | 228,167 | 309,632 |
| Due from other governments | 809,451 | 1,926,835 |
| Due from component unit | 48 | 20,752 |
| Restricted cash and cash equivalents | <u>623,549</u> | <u>377,776</u> |
| Total assets | <u><u>3,363,991</u></u> | <u><u>3,964,654</u></u> |
| LIABILITIES | | |
| Accounts payable | 213,582 | 256,147 |
| Accounts payable from restricted assets | <u>10,407</u> | <u>-</u> |
| Total liabilities | <u>223,989</u> | <u>256,147</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred revenues | <u>46,777</u> | <u>56,099</u> |
| Total deferred inflows of resources | <u>46,777</u> | <u>56,099</u> |
| FUND BALANCES | | |
| Restricted | | |
| Stabilization by State Statute | 1,282,043 | 2,257,219 |
| Streets | 408,554 | 377,776 |
| Public Safety | 77,545 | 549,082 |
| Unassigned | <u>1,325,083</u> | <u>677,114</u> |
| Total fund balances | <u>3,093,225</u> | <u>3,861,191</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u><u>3,363,991</u></u> | <u><u>4,173,437</u></u> |

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

EXHIBIT B-2
Page 1 of 10

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

For the Year Ended June 30, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

| | 2021 | | Variance Positive (Negative) | 2020 |
|--|------------------|------------------|------------------------------------|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Revenues | | | | |
| Ad valorem | | | | |
| Current year | 1,244,856 | 1,265,463 | 20,607 | 1,213,122 |
| Prior year | 25,200 | 28,428 | 3,228 | 23,234 |
| Penalties and interest | 10,000 | 11,875 | 1,875 | 8,384 |
| Total | <u>1,280,056</u> | <u>1,305,766</u> | <u>25,710</u> | <u>1,244,740</u> |
| Other taxes | | | | |
| Vehicle tax | 132,000 | 148,222 | 16,222 | 135,000 |
| Dog tax | 875 | 695 | (180) | 785 |
| Total | <u>132,875</u> | <u>148,917</u> | <u>16,042</u> | <u>135,785</u> |
| Unrestricted intergovernmental revenues | | | | |
| Local option sales tax | 1,998,403 | 2,453,135 | 454,732 | 2,022,702 |
| Franchise tax | 290,000 | 294,683 | 4,683 | 289,684 |
| Covid payment | 105,000 | 104,769 | (231) | 87,299 |
| Beer and wine excise tax | 28,000 | 30,196 | 2,196 | 30,048 |
| ABC profit distribution | 25,000 | 7,500 | (17,500) | 25,000 |
| Total | <u>2,446,403</u> | <u>2,890,283</u> | <u>443,880</u> | <u>2,454,733</u> |
| Restricted intergovernmental revenues | | | | |
| Grant revenue | 1,200 | 1,183 | (17) | 549 |
| FEMA Reimbursement | - | - | - | 958,998 |
| "State Street-aid" allocation | 312,750 | 293,580 | (19,170) | 311,700 |
| NC DOT Right of Way | 4,143 | 4,143 | - | 4,581 |
| Muse Park Grant | 283,000 | - | (283,000) | - |
| USDA NRCS Reimbursement | 132,000 | 131,344 | (656) | - |
| ABC revenue for law enforcement | 1,244 | 48 | (1,196) | 1,603 |
| Total | <u>734,337</u> | <u>430,298</u> | <u>(304,039)</u> | <u>1,277,431</u> |
| Permits and fees | | | | |
| Building permits and inspection fees | 131,000 | 176,066 | 45,066 | 107,227 |
| Code enforcement penalties | 800 | 600 | (200) | 860 |
| Driveway permits | 51,375 | 19,240 | (32,135) | 9,800 |
| Planning and zoning fees | 11,900 | 22,540 | 10,640 | 8,384 |
| Planning and development fees | 1,200 | 3,070 | 1,870 | 2,430 |
| Fire fees | 250 | 1,000 | 750 | 300 |
| Board of adjustment fees | 300 | 300 | - | 300 |
| Total | <u>196,825</u> | <u>222,816</u> | <u>25,991</u> | <u>129,301</u> |
| Sales and services | | | | |
| Rents and concessions | 180,000 | 178,602 | (1,398) | 21,452 |
| Impound fees | - | - | - | 200 |

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

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

For the Year Ended June 30, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

| | 2021 | | Variance Positive (Negative) | 2020 |
|------------------------------------|----------------------|----------------------|------------------------------------|----------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Animal control fees | 200 | 705 | 505 | 640 |
| Water assessment | 11,000 | 11,000 | - | 3,500 |
| Water assessment interest | 10,000 | 7,609 | (2,391) | 7,651 |
| Copies, maps. Etc. | - | 64 | 64 | 3,477 |
| Community center revenue | | | | |
| Programs and rentals | 80,650 | 74,492 | (6,158) | 78,612 |
| Memberships | 16,500 | 7,313 | (9,187) | 13,961 |
| Gifts and donations | 18,000 | 2,349 | (15,651) | 17,798 |
| Total | <u>316,350</u> | <u>282,134</u> | <u>(34,216)</u> | <u>147,291</u> |
| Investment earnings | | | | |
| Investment earnings - other | <u>750</u> | <u>96</u> | <u>(654)</u> | <u>1,837</u> |
| Total | <u>750</u> | <u>96</u> | <u>(654)</u> | <u>1,837</u> |
| Miscellaneous revenue | | | | |
| Sales and gas tax refunds | 13,000 | - | (13,000) | 18,442 |
| Sale of fixed assets | 25,000 | 38,994 | 13,994 | - |
| Xpress pay income | 1,800 | 4,989 | 3,189 | 1,944 |
| Abatement reimbursement | 1,200 | 347 | (853) | 1,162 |
| Brunswick Senior Resource Donation | - | 2,007 | 2,007 | - |
| Small fry fishing tournament | 2,000 | 1,840 | (160) | - |
| Contributions | - | 2,092 | 2,092 | 2,738 |
| Miscellaneous | 6,350 | 3,549 | (2,801) | 2,940 |
| Total | <u>49,350</u> | <u>53,818</u> | <u>4,468</u> | <u>27,226</u> |
| Total revenues | <u>5,156,946</u> | <u>5,334,128</u> | <u>177,182</u> | <u>5,418,344</u> |
| <u>Expenditures</u> | | | | |
| General government | | | | |
| Governing body | | | | |
| Salaries | 8,000 | 7,250 | | 8,000 |
| Payroll taxes | 612 | 555 | | 612 |
| Professional fees - attorney | 4,000 | 4,151 | | 5,153 |
| Professional fees - audit | 31,000 | 31,000 | | 32,450 |
| Contracted services | 850 | 748 | | 829 |
| Per diem/travel | 500 | - | | 310 |
| Ordinance codification | 2,000 | 2,265 | | 1,474 |
| Collection fees (taxes) | 8,120 | 8,008 | | 8,916 |
| Collection fees (vehicles) | 9,924 | 10,814 | | 13,658 |
| Miscellaneous | 2,500 | 2,714 | - | 3,932 |
| Total | <u>67,506</u> | <u>67,505</u> | <u>1</u> | <u>75,334</u> |

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

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

For the Year Ended June 30, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

| | 2021 | | Variance Positive (Negative) | 2020 |
|----------------------------------|------------------|------------------|------------------------------------|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Administration | | | | |
| Salaries | 334,303 | 339,589 | | 285,582 |
| Professional services | 50,090 | 26,338 | | - |
| Payroll taxes | 22,897 | 25,691 | | 21,234 |
| Employees' group insurance | 22,400 | 22,899 | | 21,686 |
| Retirement | 45,554 | 50,370 | | 38,605 |
| Other fringe benefits | 11,500 | 11,532 | | 4,927 |
| Telephone and postage | 9,360 | 9,722 | | 8,148 |
| Volunteer appreciation | 2,000 | - | | - |
| Utility - water | 13,830 | 13,556 | | 13,297 |
| Travel and training | 11,900 | 7,894 | | 4,788 |
| Office equipment maintenance | 6,800 | 4,553 | | 6,761 |
| Legal advertising | 2,500 | 1,298 | | 439 |
| Office supplies | 3,500 | 3,793 | | 4,435 |
| Gas, oil and tires | 1,000 | 644 | | 779 |
| Emergency response | 3,750 | 3,994 | | 3,750 |
| Fire Department contingency | - | - | | 52,235 |
| Contracted services | 39,000 | 40,906 | | 45,231 |
| Dues and subscriptions | 16,315 | 11,326 | | 12,582 |
| Insurance - general | 68,673 | 69,999 | | 65,633 |
| Workmen's compensation insurance | 70,394 | 45,275 | | 66,378 |
| Miscellaneous expense | 17,500 | 3,511 | | 6,083 |
| Bank service charges | 400 | 2,287 | | 246 |
| Hurricane Expenses | 770,000 | 793,805 | | 2,046,657 |
| USDA-NRSC Grant | 158,500 | 158,443 | | 40,798 |
| Covid-19 Payment | 132,000 | 131,840 | | 3,014 |
| Hurricane Dorian | - | - | | 3,583 |
| Express fees | 3,000 | 4,315 | | 3,385 |
| Planning | - | - | | 1,135 |
| Catch grant payroll | 5,922 | 5,519 | - | - |
| Total | <u>1,823,088</u> | <u>1,789,099</u> | <u>33,989</u> | <u>2,761,391</u> |
| Public buildings | | | | |
| Salaries | 106,802 | 91,305 | | 117,972 |
| Seasonal help | 12,480 | - | | - |
| Payroll taxes | 10,445 | 7,112 | | 8,938 |
| Group insurance | 20,242 | 14,172 | | 24,344 |
| Retirement | 13,628 | 10,800 | | 14,821 |
| Telephone | 2,700 | 3,237 | | 2,316 |
| Travel and training | 600 | - | | - |
| Electricity | 5,000 | 1,806 | | 4,929 |

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

EXHIBIT B-2
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STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

| | <u>2021</u> | | Variance Positive (Negative) | <u>2020</u> |
|--|-------------------------|-------------------------|------------------------------------|-------------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Repairs and maintenance | 41,000 | 29,120 | | 20,630 |
| Lawn care | 9,000 | 1,655 | | 6,512 |
| Landscaping | 6,500 | 2,956 | | 5,337 |
| Park repairs and maintenance | 5,000 | 2,866 | | 2,678 |
| Fuel, oil and tires | 7,200 | 7,442 | | 6,108 |
| Office supplies | 500 | 360 | | 101 |
| Janitor supplies | 4,000 | 2,584 | | 5,077 |
| Uniform allowance | 800 | 513 | | 652 |
| Contracted services | 13,719 | 7,456 | | 7,390 |
| Tool purchases and maintenance | 7,500 | 2,449 | | 1,915 |
| Miscellaneous | 500 | 587 | | 282 |
| Capital outlay-NCORR Loan Fund | 993,712 | 993,712 | | - |
| Capital outlay | 9,500 | 4,367 | - | 25,705 |
| Total | 1,270,828 | 1,184,499 | 86,329 | 255,707 |
| | | | | |
| <u>Total general government</u> | <u>3,161,422</u> | <u>3,041,103</u> | <u>120,319</u> | <u>3,092,432</u> |
| | | | | |
| Public safety | | | | |
| Police | | | | |
| Salaries | 693,690 | 674,190 | | 632,435 |
| Salaries - part-time | 10,300 | 4,853 | | - |
| Separation allowance | | | | 9,830 |
| Professional fees | 38,500 | 22,817 | | 5,789 |
| Payroll taxes | 53,855 | 50,587 | | 47,981 |
| Retirement | 109,881 | 104,714 | | 92,067 |
| Employee group insurance | 119,146 | 101,281 | | 101,051 |
| Retiree group insurance | 21,300 | 14,175 | | 21,798 |
| Training and travel | 5,000 | 1,668 | | 1,693 |
| Telephone and postage | 14,240 | 21,041 | | 11,107 |
| Electricity and water | 8,500 | 9,337 | | 8,419 |
| Vehicle maintenance | 13,000 | 13,183 | | 12,927 |
| Communication equipment maintenance | - | 2,630 | | - |
| Police office equipment maintenance | 2,800 | 1,436 | | 1,122 |
| Police supplies | - | 455 | | - |
| Gas, oil and tires | 32,000 | 29,089 | | 31,617 |
| Police office supplies | 2,500 | 2,602 | | 2,243 |
| Uniform allowance | 12,000 | 9,861 | | 13,131 |
| Small fry fishing tournament | 4,000 | 2,467 | | 1,111 |
| Contracted services | 104,408 | 109,332 | | 57,498 |
| Special investigations | 5,000 | 2,694 | | 2,459 |
| Dues and subscriptions | 1,000 | 830 | | 765 |
| Miscellaneous expense | 2,000 | 2,791 | | 2,831 |
| Non-capital outlay | 93,700 | 65,873 | | 4,095 |

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

EXHIBIT B-2
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**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

| | <u>2021</u> | | Variance Positive (Negative) | <u>2020</u> |
|--------------------------------|------------------|------------------|------------------------------------|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Capital outlay | <u>94,200</u> | <u>93,391</u> | - | <u>315,831</u> |
| Total | <u>1,441,020</u> | <u>1,341,297</u> | <u>99,723</u> | <u>1,377,800</u> |
| Animal control | | | | |
| Training | 600 | 325 | | - |
| Telephone | 600 | 757 | | 520 |
| Vehicle maintenance | 1,000 | 378 | | 116 |
| Gas, tires, oil | 3,000 | 2,383 | | 1,590 |
| Office supplies | 750 | 290 | | 324 |
| Supplies | 500 | 409 | | 744 |
| Uniform allowance | 1,000 | 909 | | 245 |
| Contracted services | 450 | - | | - |
| Miscellaneous | 450 | 192 | | 224 |
| Non-capital outlay | <u>2,000</u> | - | - | <u>560</u> |
| Total | <u>10,350</u> | <u>5,643</u> | <u>4,707</u> | <u>4,323</u> |
| Inspections | | | | |
| Salaries | 113,658 | 107,471 | | 102,997 |
| Salaries - part-time | 19,869 | 18,468 | | 15,248 |
| Payroll taxes | 9,603 | 9,630 | | 9,186 |
| Retirement | 16,081 | 16,340 | | 14,459 |
| Employee group insurance | 8,771 | 8,516 | | 8,729 |
| Retiree supplemental insurance | 1,400 | 1,200 | | 1,200 |
| Telephone and postage | 2,240 | 2,343 | | 1,653 |
| Training and travel | 4,500 | 4,167 | | 3,454 |
| Vehicle maintenance | 500 | 65 | | - |
| Gas, oil and tires | 1,350 | 472 | | 1,032 |
| Office supplies | 500 | 357 | | 424 |
| Office equipment | 500 | - | | 427 |
| Departmental supplies | 350 | 133 | | 1,299 |
| Contracted services | 14,600 | 14,121 | | 12,850 |
| Dues and subscriptions | 876 | 632 | | 452 |
| Uniform allowance | 500 | 241 | | 111 |
| Miscellaneous expense | 250 | 134 | | 29 |
| Non-capital outlay | - | - | - | 3,068 |
| Capital outlay | <u>5,000</u> | - | - | - |
| Total | <u>200,548</u> | <u>184,290</u> | <u>16,258</u> | <u>176,618</u> |
| Code Enforcement | | | | |
| Salaries | 39,254 | 37,673 | | - |
| Payroll taxes | 2,812 | 2,346 | | - |
| Retirement | 3,756 | 3,828 | | - |

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

EXHIBIT B-2
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STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

| | 2021 | | Variance Positive (Negative) | 2020 |
|----------------------------------|------------------|------------------|------------------------------------|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Employee group insurance | 7,649 | 7,435 | | - |
| Retiree supplemental insurance | 1,838 | 1,884 | | - |
| Telephone and postage | 2,470 | 1,610 | | - |
| Training and travel | 500 | 90 | | - |
| Vehicle maintenance | 500 | 330 | | - |
| Gas, oil and tires | 1,700 | 1,511 | | - |
| Office supplies | 150 | 61 | | - |
| Code enforcement supplies | 125 | 236 | | - |
| Contracted services | 9,265 | 9,900 | | - |
| Dues and subscriptions | 150 | 100 | | - |
| Uniform allowance | 250 | 147 | | - |
| Miscellaneous expense | 100 | - | - | - |
| Total | <u>70,519</u> | <u>67,151</u> | <u>3,368</u> | <u>-</u> |
| <u>Total public safety</u> | <u>1,722,437</u> | <u>1,598,381</u> | <u>124,056</u> | <u>1,558,741</u> |
| Transportation | | | | |
| Streets | | | | |
| Salaries | 267,309 | 224,817 | | 239,278 |
| Seasonal employee | - | - | | 812 |
| Payroll taxes | 20,067 | 16,586 | | 18,192 |
| Employee group insurance | 26,599 | 22,773 | | 36,119 |
| Retirement | 33,598 | 30,909 | | 30,993 |
| Retiree supplemental insurance | 14,000 | 16,268 | | 14,660 |
| Street lights | 17,340 | 17,859 | | 18,716 |
| Telephone | 5,878 | 6,955 | | 3,956 |
| Propane | 2,750 | 2,285 | | 2,115 |
| Electricity | 5,700 | 6,578 | | 5,185 |
| Travel and training | 500 | 55 | | 482 |
| Street surfacing and maintenance | 118,273 | 71,453 | | 116,401 |
| Maintenance - other equipment | 35,500 | 29,782 | | 34,959 |
| Office supplies | 500 | 683 | | 225 |
| Shop supplies | 4,750 | 7,088 | | 4,095 |
| Fuel, oil and tires - grader | 25,000 | 11,262 | | 23,076 |
| Street culverts | 10,000 | 2,242 | | 1,918 |
| Street department supplies | 4,000 | 3,015 | | 2,443 |
| Safety supplies | 2,600 | 1,591 | | 1,410 |
| Debris removal | 4,000 | 5,666 | | 2,691 |
| Safety sign replacement | 1,000 | 865 | | 665 |
| Uniforms | 3,700 | 1,063 | | 2,743 |
| Contracted services | 16,800 | 18,249 | | 16,696 |
| NCDOT Right of Way | 4,144 | 3,095 | | 1,073 |
| Dues and subscriptions | 500 | - | | - |

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

EXHIBIT B-2
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**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

| | <u>2021</u> | | Variance Positive (Negative) | <u>2020</u> |
|--|-----------------------|-----------------------|------------------------------------|-----------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Professional services | 10,000 | 6,107 | | 4,689 |
| Miscellaneous expense | 2,700 | 1,511 | | 2,746 |
| Non-capital outlay - streets | - | 4,298 | | 7,841 |
| Powell Bill survey | 1,400 | - | | 6,350 |
| Capital outlay - vehicle | 136,584 | - | | - |
| Capital outlay | <u>132,000</u> | <u>3,600</u> | <u>-</u> | <u>116,165</u> |
| <u>Total transportation</u> | <u>907,192</u> | <u>516,655</u> | <u>390,537</u> | <u>716,694</u> |
| Health and welfare | | | | |
| Mosquito control | | | | |
| Travel and training | 500 | 147 | | 76 |
| Fuel, oil - equipment | 500 | 63 | | 17 |
| Maintenance - equipment | 500 | - | | 238 |
| Chemical supplies | 4,000 | - | | 3,549 |
| NPDES Permit fees | <u>400</u> | <u>200</u> | <u>-</u> | <u>-</u> |
| <u>Total health and welfare</u> | <u>5,900</u> | <u>410</u> | <u>5,490</u> | <u>3,880</u> |
| Economic and physical development | | | | |
| Planning and zoning | | | | |
| Salaries | 50,621 | 51,695 | | 85,565 |
| Professional services | 5,000 | 1,782 | | 1,150 |
| Payroll taxes | 3,567 | 3,849 | | 5,911 |
| Employee group insurance | 7,664 | 7,408 | | 15,270 |
| Retirement | 4,765 | 5,262 | | 7,508 |
| Retiree supplemental insurance | 2,331 | 2,579 | | 4,271 |
| Telephone and postage | 1,200 | 1,020 | | 1,983 |
| Travel and training | 1,075 | 710 | | 2,524 |
| Office equipment | 250 | - | | |
| Vehicle maintenance | - | - | | 915 |
| Advertising | 1,700 | 794 | | 1,502 |
| Gas, oil and tires | - | - | | 1,898 |
| Office supplies | 300 | 11 | | 256 |
| Code enforcement supplies | - | - | | 309 |
| Uniform allowance | 185 | 49 | | 71 |
| Contracted services | 11,461 | 10,460 | | 13,453 |
| Dues and subscriptions | 200 | 219 | | 230 |
| Miscellaneous | <u>250</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total economic and physical development | <u>90,569</u> | <u>85,838</u> | <u>4,731</u> | <u>142,816</u> |

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

EXHIBIT B-2
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**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

| | <u>2021</u> | | Variance Positive (Negative) | <u>2020</u> |
|---------------------------------|----------------|---------------|------------------------------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Culture and recreation | | | | |
| Parks and recreation | | | | |
| Bike runs | 2,500 | - | | 1,693 |
| Community fun day | 1,450 | - | | 187 |
| Christmas tree lighting | 700 | 78 | | 332 |
| Haunted hay ride | 2,950 | - | | 1,138 |
| Mitch Prince hoops and heros | 1,500 | - | | 1,455 |
| Office supplies | 100 | 184 | | 55 |
| Golf tournament | - | 207 | | - |
| Miscellaneous | - | - | - | 616 |
| Total | 9,200 | 469 | 8,731 | 5,476 |
| | | | | |
| Community committees | | | | |
| Library committee | 2,000 | 1,822 | | 2,117 |
| Community appearance | 1,000 | 575 | - | 646 |
| Total | 3,000 | 2,397 | 603 | 2,763 |
| | | | | |
| Dams and lakes | | | | |
| Professional services | 54,000 | 53,300 | | 36,000 |
| Contracted services | 41,000 | 510 | | 500 |
| Equipment maintenance | 1,000 | 211 | | 150 |
| Storm debris - lakes | - | - | | 160 |
| Electricity | 1,500 | 1,721 | | 1,561 |
| Operating expenses | 500 | 494 | | - |
| Water testing | 1,300 | 2,500 | - | 1,500 |
| Non-capital outlay | 4,500 | - | - | - |
| Portable pumps | 1,000 | - | - | - |
| Total | 104,800 | 58,736 | 46,064 | 39,871 |
| | | | | |
| Community Center | | | | |
| Salaries | 163,729 | 169,562 | | 180,455 |
| Part-time and temporary help | 66,222 | 52,125 | | 57,545 |
| Payroll taxes | 17,591 | 16,447 | | 17,987 |
| Retirement | 24,919 | 25,129 | | 24,693 |
| Employees group insurance | 20,366 | 19,171 | | 23,915 |
| Telephone and postage | 4,700 | 4,146 | | 3,832 |
| Electricity, water and oil | 13,600 | 9,237 | | 9,207 |
| Travel and training | 2,350 | 540 | | 10,911 |
| Repairs and maintenance - parks | 4,000 | 294 | | 1,188 |
| Repairs and maintenance - other | 11,770 | 7,190 | | 5,845 |
| Advertising | 2,000 | 980 | | 1,132 |
| Gas, oil, tires | 5,000 | 2,165 | | 3,938 |

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

EXHIBIT B-2
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**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2021

With Comparative Actual Amounts for Year Ended June 30, 2020

| | <u>2021</u> | | Variance Positive (Negative) | <u>2020</u> |
|--|--------------------|------------------|------------------------------------|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Cleaning supplies | 3,000 | 2,907 | | 2,379 |
| Office supplies | 3,000 | 2,435 | | 2,307 |
| Uniform allowance | 1,500 | 1,387 | | - |
| Brunswick Sr. Resource donations | - | 2,007 | | 921 |
| Contracted services | 33,828 | 33,508 | | 33,125 |
| Grants and donations | 19,000 | 2,103 | | 2,858 |
| Dues and subscriptions | 2,096 | 636 | | 4,401 |
| Programs | 55,151 | 42,333 | | 40,019 |
| Van rental | - | - | | - |
| Miscellaneous expense | 1,200 | 1,168 | | 810 |
| Non-capital outlay | 2,550 | 4,180 | | 585 |
| Capital outlay | <u>407,500</u> | <u>269,279</u> | - | <u>43,777</u> |
| Total | <u>865,072</u> | <u>668,929</u> | <u>196,143</u> | <u>471,830</u> |
| | | | | |
| <u>Total culture and recreation</u> | <u>982,072</u> | <u>730,531</u> | <u>251,541</u> | <u>519,940</u> |
| | | | | |
| Debt service | | | | |
| Principal retirement | 101,930 | 101,928 | 2 | 101,396 |
| Interest | <u>27,251</u> | <u>27,248</u> | <u>3</u> | <u>31,003</u> |
| Total | <u>129,181</u> | <u>129,176</u> | <u>5</u> | <u>132,399</u> |
| | | | | |
| Contingency | <u>60,000</u> | - | <u>60,000</u> | - |
| | | | | |
| <u>Total expenditures</u> | <u>7,058,773</u> | <u>6,102,094</u> | <u>956,679</u> | <u>6,166,902</u> |
| | | | | |
| Revenues over (under) expenditures | <u>(1,901,827)</u> | <u>(767,966)</u> | <u>1,133,861</u> | <u>(748,558)</u> |

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

EXHIBIT B-2
Page 10 of 10

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021**

With Comparative Actual Amounts for Year Ended June 30, 2020

| | <u>2021</u> | | Variance Positive (Negative) | <u>2020</u> |
|---|------------------|------------------|------------------------------------|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Other financing sources (uses) | | | | |
| Transfer from Spillway Cap. Project | - | - | - | 9,997 |
| Transfer from Fifty Lakes Dr. Cap Proj. | - | - | - | 604,685 |
| Transfer from Capital Reserve Fund | 27,615 | - | (27,615) | 859 |
| Transfer to Fifty Lakes Dr. Cap Proj. | - | - | - | (229,685) |
| Transfer to Spillway Cap. Project | - | - | - | (859) |
| Transfer to Capital Reserve Fund | - | - | - | (9,997) |
| Total other financing sources (uses) | <u>27,615</u> | <u>-</u> | <u>(27,615)</u> | <u>375,000</u> |
| Appropriated fund balance | <u>1,874,212</u> | <u>-</u> | <u>(1,874,212)</u> | <u>-</u> |
| Net change in fund balance | <u>-</u> | <u>(767,966)</u> | <u>(767,966)</u> | <u>(373,558)</u> |
| Fund balance, beginning | | <u>3,861,191</u> | | <u>4,234,749</u> |
| Fund balance, ending | | <u>3,093,225</u> | | <u>3,861,191</u> |

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 CAPITAL RESERVE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2021
 With Comparative Actual Amounts for Year Ended June 30, 2020

EXHIBIT B-3

| | 2021 | | Variance Positive (Negative) | 2020 |
|--------------------------------------|---------------|---------------|------------------------------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| <u>Revenues</u> | | | | |
| Miscellaneous | | | | |
| Miscellaneous | - | - | - | - |
| Total | - | - | - | - |
| | | | | |
| Total revenues | - | - | - | - |
| | | | | |
| <u>Expenditures</u> | | | | |
| | | | | |
| <u>Total expenditures</u> | - | - | - | - |
| | | | | |
| Revenues over (under) expenditures | - | - | - | - |
| | | | | |
| Other financing sources (uses) | | | | |
| Fund balance appropriated | - | - | - | - |
| Transfer from General Fund | | - | - | 9,997 |
| Transfer to General Fund | | - | - | (859) |
| Total other financing sources (uses) | - | - | - | 9,138 |
| | | | | |
| Net change in fund balance | - | - | - | 9,138 |
| | | | | |
| Fund balance, beginning | | 40,177 | | 31,039 |
| | | | | |
| Fund balance, ending | | 40,177 | | 40,177 |

OTHER SCHEDULES

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2021

EXHIBIT C-1

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2020</u> | <u>Additions</u> | <u>Collections and Credits</u> | <u>Uncollected Balance June 30, 2021</u> |
|---|--|------------------|------------------------------------|--|
| 2020-2021 | | 1,287,808 | 1,265,725 | 22,083 |
| 2019-2020 | 26,767 | - | 14,983 | 11,784 |
| 2018-2019 | 10,398 | - | 3,864 | 6,534 |
| 2017-2018 | 6,262 | - | 1,527 | 4,735 |
| 2016-2017 | 5,479 | - | 1,163 | 4,316 |
| 2015-2016 | 4,732 | - | 1,070 | 3,662 |
| 2014-2015 | 8,358 | - | 3,423 | 4,935 |
| 2013-2014 | 3,787 | - | 801 | 2,986 |
| 2012-2013 | 4,575 | - | 699 | 3,876 |
| 2011-2012 | 3,715 | - | 1,718 | 1,997 |
| 2010-2011 | <u>2,116</u> | <u>-</u> | <u>2,116</u> | <u>-</u> |
| | <u>76,189</u> | <u>1,287,808</u> | <u>1,297,089</u> | 66,908 |
| Less allowance for doubtful accounts: | | | | |
| General Fund | | | | <u>20,090</u> |
| Ad valorem taxes receivable - net | | | | <u>46,818</u> |
| Reconcilement with revenues: | | | | |
| Ad valorem taxes - General Fund | | | 1,305,766 | |
| Reconciling items: | | | | |
| Interest collected | | | (11,875) | |
| Amounts written off per statute of limitations | | | 2,936 | |
| Tax releases/adjustments | | | <u>262</u> | |
| Total collections and credits | | | <u>1,297,089</u> | |

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 For the Fiscal Year Ended June 30, 2021

EXHIBIT C-2

| | City-Wide | | | Total Levy | |
|--|-----------------------|------|-------------------|---------------------------------|------------------------------|
| | Property Valuation | Rate | Amount of Levy | Property excl Motor Vehicles | Registered Motor Vehicles |
| Original Levy: | | | | | |
| Property taxed at current year's rate | 492,424,391 | 0.23 | 1,132,576 | 1,132,576 | - |
| Motor vehicles taxed at current year's rate | 67,379,565 | 0.23 | 154,973 | - | 154,973 |
| Penalties | - | | 259 | 259 | - |
| Total property valuation | 559,803,956 | | | | |
| Net levy | | | 1,287,808 | 1,132,835 | 154,973 |
| Uncollected at June 30, 2021 | | | 22,083 | 22,083 | - |
| Current year's taxes collected | | | 1,265,725 | 1,110,752 | 154,973 |
| Current levy collection percentage | | | 98.3% | 98.1% | 100.0% |

COMPLIANCE SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina, as of and for the year ended June 30, 2021, 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 December 16, 2021. Our report includes a reference to other auditors who audited the financial statements of the Town 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 Town of Boiling Spring Lakes Board of Alcoholic Control were not audited in accordance with *Government Auditing Standards*.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Boiling Spring Lakes' internal control as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Boiling Spring Lakes' internal control. 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 control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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


Certified Public Accountants

Southport, North Carolina
December 16, 2021

City of Boiling Spring Lakes, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

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