

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2023



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FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Boiling Spring Lakes ABC Board, which represent 100 percent, 100 percent, and 100 percent of the assets, net position, and revenues, respectively, of the aggregate discretely present component units, as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Boiling Spring Lakes ABC Board, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibility of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023 on our consideration of City of Boiling Spring Lakes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Boiling Spring Lakes' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Boiling Spring Lakes' internal control over financial reporting and compliance.

W Greene, PLLC

Whiteville, North Carolina
November 17, 2023

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, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

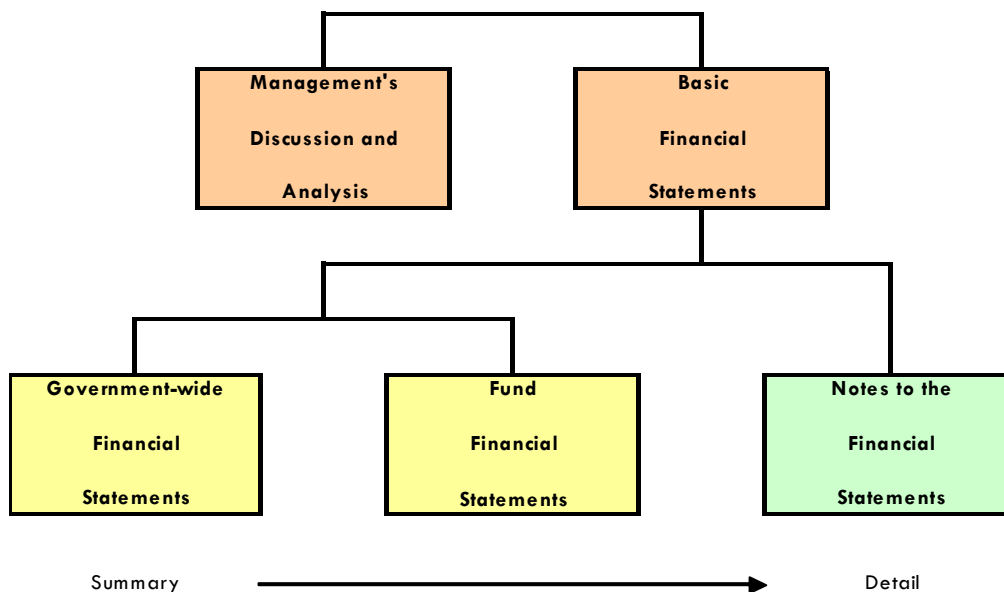
- The assets and deferred outflows of resources of the City of Boiling Spring Lakes exceeded its liabilities and deferred inflows at the close of the fiscal year by \$12,115,983 (net position).
- As of the close of the current fiscal year, the City of Boiling Spring Lakes' governmental funds reported combined ending fund balances of \$6,637,460 with a net increase of \$3,443,349 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$291,896 or 4 percent of total general fund expenditures for the fiscal year.
- The City's total long-term debt increased by \$577,763. This is primarily due to increases in pension obligations and the loan for the Police Department building.
- Sales tax revenues continue to increase due to improving economic conditions in Brunswick County and increasing population of the City, which is integral to the distribution method of sales tax revenue.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Boiling Spring Lakes' basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Boiling Spring Lakes.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 18 through 21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 22 through 27) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

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

The government-wide financial statements are on pages 18 through 21 of this report.

Fund Financial Statements

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

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

Management's Discussion and Analysis (Continued)

relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28 through 62 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Boiling Spring Lakes' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 64 of this report.

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

Management’s Discussion and Analysis (Continued)

Government-Wide Financial Analysis

City of Boiling Spring Lakes’ Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 2,143,047	\$ 1,091,853	\$ -	\$ -	\$ 2,143,047	\$ 1,091,853
Capital assets	10,236,516	5,705,119	-	-	10,236,516	5,705,119
Deferred outflows of resources	1,352,804	918,327	-	-	1,352,804	918,327
Total assets and deferred outflows of resources	33,028,367	25,715,299	-	-	33,028,367	25,715,299
Long-term liabilities outstanding	3,063,116	2,456,523	-	-	3,063,116	2,456,523
Other liabilities	2,861,429	2,787,939	-	-	2,861,429	2,787,939
Deferred inflows of resources	14,987,839	16,326,619	-	-	14,987,839	16,326,619
Total liabilities and deferred inflows of resources	20,912,384	21,571,081	-	-	20,912,384	21,571,081
Net position:						
Net investment in capital assets	8,154,885	5,165,466	-	-	8,154,885	5,165,466
Restricted	3,501,613	1,637,667	-	-	3,501,613	1,637,667
Unrestricted	459,485	(2,658,915)	-	-	459,485	(2,658,915)
Total net position	\$ 12,115,983	\$ 4,144,218	\$ -	\$ -	\$ 12,115,983	\$ 4,144,218

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the City of Boiling Spring Lakes exceeded liabilities and deferred inflows by \$12,115,983 as of June 30, 2023. The City’s net position increased by \$7,971,765 for the fiscal year ended June 30, 2023. However, the largest portion (67%) reflects the City’s net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Boiling Spring Lakes uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Boiling Spring Lakes’ net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Boiling Spring Lakes’ net position, \$3,501,613, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$459,485 is unrestricted.

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

- Increases in the cash balances and capital assets improved the City’s net position.

Management’s Discussion and Analysis (Continued)

City of Boiling Spring Lakes Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 339,824	\$ 275,258	\$ -	\$ -	\$ 339,824	\$ 275,258
Operating grants and contributions	2,356,066	543,668	-	-	2,356,066	543,668
Capital grants and contributions	5,019,371	26,756	-	-	5,019,371	26,756
General Revenues						
Property taxes	1,867,552	1,795,951	-	-	1,867,552	1,795,951
Other taxes	2,950,720	2,785,054	-	-	2,950,720	2,785,054
Other	859,046	280,400	-	-	859,046	280,400
Total revenues	13,392,579	5,707,087	-	-	13,392,579	5,707,087
Expenses:						
General Government	1,452,219	1,416,257	-	-	1,452,219	1,416,257
Public Safety	1,952,760	1,714,758	-	-	1,952,760	1,714,758
Transportation	977,299	1,106,620	-	-	977,299	1,106,620
Health Sanitation and Welfare	2,766	3,022	-	-	2,766	3,022
Culture and Recreation	746,059	636,559	-	-	746,059	636,559
Economic and Physical Development	270,333	161,878	-	-	270,333	161,878
Interest on long-term debt	19,378	31,018	-	-	19,378	31,018
Total expenses	5,420,814	5,070,112	-	-	5,420,814	5,070,112
Increase(Decrease) in net position before transfers	7,971,765	636,975	-	-	7,971,765	636,975
Transfers	-	-	-	-	-	-
Change in net position	7,971,765	636,975	-	-	7,971,765	636,975
Net position, July 1 (consolidated)	4,144,218	3,507,243	-	-	4,144,218	3,507,243
Restatement	-	-	-	-	-	-
Net Position, July 1- Restated	4,144,218	3,507,243	-	-	4,144,218	3,507,243
Net position, June 30	\$ 12,115,983	\$ 4,144,218	\$ -	\$ -	\$ 12,115,983	\$ 4,144,218

Governmental activities. Governmental activities increased the City’s net position by \$7,971,765. Key element of this increase are as follows:

- As new homes continue to be built in the City property tax revenues increased.
- Grant reimbursements received were for engineering and design charges for the Dam Restoration Project and were previously expensed in the General Fund in prior years. There were also grant reimbursements received for salaries and benefit expenditures from prior years as allowed by the American Rescue Plan Act (ARPA) grant provisions.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Boiling Spring Lakes' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Boiling Spring Lakes' financing requirements.

The general fund is the chief operating fund of the City of Boiling Spring Lakes. At the end of the current fiscal year, City of Boiling Spring Lakes' fund balance available in the General fund was \$719,669, while total fund balance reached \$3,871,684. The City currently has an available fund balance of approximately 10% of general fund expenditures, while the total balance represents 55% of the same amount.

At June 30, 2023, the governmental funds of City of Boiling Spring Lakes reported a combined fund balance of \$6,637,460 with a net increase in fund balance of \$3,443,349.

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

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

Capital Asset and Debt Administration

Capital assets. The City of Boiling Spring Lakes' investment in capital assets for its governmental activities as of June 30, 2023, totals \$10,236,516 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, park facilities, and equipment.

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

- One police vehicle and one animal services vehicle
- New police building (almost complete at year end)
- Drayton Road paving
- Streambed Restoration Project

Management's Discussion and Analysis (Continued)

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

Figure 4

	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land & Nondepreciated Improvements	\$ 584,387	\$ 584,387	\$ -	\$ -	\$ 584,387	\$ 584,387
Construction in Progress	6,898,668	2,010,839	-	-	6,898,668	2,010,839
Buildings & Other Improvements	1,820,261	1,893,414	-	-	1,820,261	1,893,414
Infrastructure	743,245	872,226	-	-	743,245	872,226
Equipment, Furniture & Fixtures	122,658	316,979	-	-	122,658	316,979
Vehicles	67,297	27,274	-	-	67,297	27,274
Total	\$ 10,236,516	\$ 5,705,119	\$ -	\$ -	\$ 10,236,516	\$ 5,705,119

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

Long-term Debt. As of June 30, 2023, the City of Boiling Spring Lakes had total debt outstanding of \$5,264,703. Of this, \$-0- is debt backed by the full faith and credit of the City of Boiling Spring Lakes.

City of Boiling Spring Lakes' Outstanding Debt

Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Installment purchase debt	\$ 2,359,653	\$ 539,653	\$ -	\$ -	\$ 2,359,653	\$ 539,653
Note Payable	-	2,000,000	-	-	-	2,000,000
Lease Liability	102,791	166,691	-	-	102,791	166,691
Compensated absences	151,980	104,198	-	-	151,980	104,198
OPEB	1,016,363	1,238,336	-	-	1,016,363	1,238,336
Pension related debt	1,633,916	638,062	-	-	1,633,916	638,062
Total	\$ 5,264,703	\$ 4,686,940	\$ -	\$ -	\$ 5,264,703	\$ 4,686,940

City of Boiling Spring Lakes Outstanding Debt

The City of Boiling Spring Lakes' total debt increased by \$577,763 during the fiscal year, primarily due to increases in pension related debt and installment purchase debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Boiling Spring Lakes is \$52,726,982. The City of Boiling Spring Lakes does not have any authorized but un-issued debt at June 30, 2023.

Management's Discussion and Analysis (Continued)

Additional information regarding the City of Boiling Spring Lakes' long-term debt can be found beginning on page 58 in the Notes to the Financial Statements.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities: Budgeted expenditures in the General Fund are expected to increase. The tax rate is reduced to a revenue-neutral rate of .19 per \$100 valuation.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the following:

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

Basic Financial Statements

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Statement of Net Position

June 30, 2023

	Primary Government		Boiling Spring Lakes ABC Board
	Governmental Activities	Total	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,814,660	\$ 2,814,660	\$ 111,753
Receivables (net):			
Ad Valorem Taxes	26,141	26,141	-
Interest	1,912	1,912	-
Accounts	2,965,954	2,965,954	-
Lease Receivable	30,364	30,364	-
Due from Component Unit	2,000	2,000	-
Inventories	-	-	113,121
Prepaid Items	3,877	3,877	5,327
Deposit on Contract	-	-	10,000
Restricted Cash and Cash Equivalents	15,435,188	15,435,188	-
	<u>21,280,096</u>	<u>21,280,096</u>	<u>240,201</u>
Total Current Assets			
Noncurrent Assets:			
Lease Receivable, non-current	43,934	43,934	-
Right to Use Leased Asset, net of amortization	115,017	115,017	-
Capital Assets			
Land, Nondepreciable Improvements, and Construction in Progress	7,483,055	7,483,055	-
Other Capital Assets, Net of Depreciation	2,753,461	2,753,461	131,579
	<u>10,395,467</u>	<u>10,395,467</u>	<u>131,579</u>
Total Noncurrent Assets			
	<u>31,675,563</u>	<u>31,675,563</u>	<u>371,780</u>
Total Assets			
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferrals	1,100,923	1,100,923	65,361
OPEB Deferrals	251,881	251,881	21,548
Total Deferred Outflows of Resources	<u>\$ 1,352,804</u>	<u>\$ 1,352,804</u>	<u>86,909</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2023

	Primary Government		Boiling Spring Lakes ABC Board
	Governmental Activities	Total	
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 658,518	\$ 658,518	108,787
Accrued Interest Payable	1,324	1,324	-
Due to Primary Government	-	-	2,000
Current Portion of Long-Term Liabilities	2,201,587	2,201,587	-
Total Current Liabilities	2,861,429	2,861,429	110,787
Long-Term Liabilities:			
Net Pension Liability	1,442,513	1,442,513	82,365
Total Pension Liability	191,403	191,403	-
Total OPEB Liability	1,016,363	1,016,363	87,703
Due in More Than One year	412,837	412,837	-
Total Liabilities	5,924,545	5,924,545	280,855
DEFERRED INFLOWS OF RESOURCES			
Pension Deferrals	179,389	179,389	348
OPEB Deferrals	808,450	808,450	26,005
Leases	-	-	-
Grants Refundable	14,000,000	14,000,000	-
Total Deferred Inflows of Resources	14,987,839	14,987,839	26,353
NET POSITION			
Net Investment in Capital Assets	8,154,885	8,154,885	131,579
Restricted for:			
Transportation	427,773	427,773	-
Stabilization by State Statute	3,073,840	3,073,840	-
Capital	-	-	46,257
Unrestricted	459,485	459,485	(26,355)
Total Net Position	\$ 12,115,983	\$ 12,115,983	\$ 151,481

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,452,219	\$ 18,064	\$ 2,003,650	\$ -
Public Safety	1,952,760	321,760	24,500	-
Transportation	977,299	-	327,916	801,199
Health and Welfare	2,766	-	-	-
Cultural and Recreation	746,059	-	-	4,218,172
Economic and Physical Development	270,333	-	-	-
Interest on long-term debt	19,378	-	-	-
Total Governmental Activities	5,420,814	339,824	2,356,066	5,019,371
Total Primary Government	\$ 5,420,814	\$ 339,824	\$ 2,356,066	\$ 5,019,371
Component Unit				
ABC Board	1,180,292	1,202,690	-	-
Total Component Unit	1,180,292	1,202,690	-	-

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Statement of Activities (Continued)

For the Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Totals	Boiling Spring Lakes ABC Board
Primary Government:			
Governmental Activities:			
General Government	\$ 569,495	\$ 569,495	\$ -
Public Safety	(1,606,500)	(1,606,500)	-
Transportation	151,816	151,816	-
Health and Welfare	(2,766)	(2,766)	-
Cultural and Recreation	3,472,113	3,472,113	-
Economic and Physical Development	(270,333)	(270,333)	-
Interest on long-term debt	(19,378)	(19,378)	-
Total Governmental Activities	2,294,447	2,294,447	-
Total Primary Government	2,294,447	2,294,447	-
Component Unit			
ABC Board	-	-	22,398
Total Component Unit	-	-	22,398
General Revenues:			
Property Taxes, Levied for General Purpose	1,867,552	1,867,552	-
Other Taxes and Licenses	2,950,720	2,950,720	-
Investment Earnings	548,379	548,379	-
Miscellaneous	310,667	310,667	2,024
Transfers	-	-	1,000
Total General Revenues and Transfers	5,677,318	5,677,318	3,024
Change in Net Position	7,971,765	7,971,765	25,422
Net Position - Beginning	4,144,218	4,144,218	126,059
Net Position - End of Year	\$ 12,115,983	\$ 12,115,983	\$ 151,481

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Balance Sheet
 Governmental Funds
 June 30, 2022

	Major Funds								Total Governmental Funds
	General Fund	MOTSU Railroad Culvert Project Fund	NCRS USDA Streambed Project Fund	Police Dept. Building Renovation Project Fund	American Rescue Plan Act Grant Project Fund	Dam Restoration Project Fund	Drayton Road Paving Project Fund	Golden Leaf HRW Stormwater Project Fund	
ASSETS									
Cash and Cash Equivalents	\$ 2,814,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,814,660
Restricted Cash	527,773	-	-	359,824	-	14,547,591	-	-	15,435,188
Receivables (net):									
Ad Valorem Taxes	26,141	-	-	-	-	-	-	-	26,141
Other Receivables	2,318,034	-	-	-	-	-	647,920	-	2,965,954
Prepaid Expenses	3,877	-	-	-	-	-	-	-	3,877
Due from Other Funds	753,806	-	-	19,054	-	2,076,640	-	-	2,849,500
Due from Component Unit	2,000	-	-	-	-	-	-	-	2,000
Lease Receivable	74,298	-	-	-	-	-	-	-	74,298
Total Assets	6,520,589	-	-	378,878	-	16,624,231	647,920	-	24,171,618
LIABILITIES									
Accounts Payable and Accrued Liabilities	527,070	-	-	100,747	-	30,000	700	-	658,517
Due to Other Funds	2,095,694	-	69,086	-	-	-	647,220	37,500	2,849,500
Total Liabilities	2,622,764	-	69,086	100,747	-	30,000	647,920	37,500	3,508,017
DEFERRED INFLOWS OF RESOURCES									
Property Taxes Receivable	26,141	-	-	-	-	-	-	-	26,141
Leases	-	-	-	-	-	-	-	-	-
Grants Refundable	-	-	-	-	-	14,000,000	-	-	14,000,000
Total Deferred Inflows of Resources	26,141	-	-	-	-	14,000,000	-	-	14,026,141
FUND BALANCES									
Non Spendable									
Leases	74,298	-	-	-	-	-	-	-	74,298
Prepays	3,877	-	-	-	-	-	-	-	3,877
Restricted									
Stabilization by State Statute	3,073,840	-	-	-	-	-	-	-	3,073,840
Streets	427,773	-	-	-	-	-	-	-	427,773
Public Safety	-	-	-	-	-	-	-	-	-
Committed									
Capital Outlay	-	-	-	278,131	-	2,594,231	-	-	2,872,362
Assigned									
Subsequent Year's Expenditures:	-	-	-	-	-	-	-	-	-
Unassigned	291,896	-	(69,086)	-	-	-	-	(37,500)	185,310
Total Fund Balances	3,871,684	-	(69,086)	278,131	-	2,594,231	-	(37,500)	6,637,460
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,520,589	\$ -	\$ -	\$ 378,878	\$ -	\$ 16,624,231	\$ 647,920	\$ -	\$ 24,171,618

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2022

	<u>Total Governmental Funds</u>	
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Governmental Fund Balance	\$ 6,637,460	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	14,904,053	
Accumulated depreciation	<u>(4,667,537)</u>	10,236,516
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical costs	211,661	
Accumulated amortization	<u>(96,644)</u>	115,017
Deferred outflows of resources related to pensions are not reported in the funds.	<u>1,100,923</u>	1,100,923
Deferred outflows of resources related to OPEB are not reported in the funds.	<u>251,881</u>	251,881
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred - Accrued interest	<u>1,912</u>	1,912
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	<u>26,141</u>	26,141
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term debt	(2,614,425)	
Total pension liability	(191,403)	
Net pension liability	(1,442,513)	
OPEB liability	<u>(1,016,363)</u>	(5,264,704)
Deferred inflows of resources related to pensions are not reported in the funds.		(179,389)
Deferred inflows of resources related to OPEB are not reported in the funds.		(808,450)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(1,324)
Net position of governmental activities		<u>\$ 12,115,983</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds								Total Governmental Funds
	General Fund	MOTSU Railroad Culvert Project Fund	NCRS USDA Streambed Project Fund	Police Dept. Building Renovation Project Fund	American Rescue Plan Act Grant Project Fund	Dam Restoration Project Fund	Drayton Road Paving Project Fund	Golden Leaf HRW Stormwater Project Fund	
Revenues									
Ad Valorem Taxes	\$ 1,886,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,886,389
Other Taxes and Licenses	55	-	-	-	-	-	-	-	55
Unrestricted Intergovernmental	3,247,597	-	-	-	-	-	-	-	3,247,597
Restricted Intergovernmental	352,416	-	1,610,806	-	2,003,650	2,607,366	801,199	-	7,375,437
Permits and Fees	321,760	-	-	-	-	-	-	-	321,760
Sales and Services	18,064	-	-	-	-	-	-	-	18,064
Investment Earnings	22,062	-	-	109	-	526,295	-	-	548,466
Miscellaneous	-	-	-	-	-	-	-	-	-
Total Revenues	5,848,343	-	1,610,806	109	2,003,650	3,133,661	801,199	-	13,397,768
Expenditures									
Current									
General Government	1,269,567	-	-	-	-	-	-	-	1,269,567
Public Safety	1,726,846	-	-	-	-	-	-	-	1,726,846
Transportation	783,673	-	-	-	-	-	-	-	783,673
Health and Welfare	2,766	-	-	-	-	-	-	-	2,766
Economic and Physical Development	256,082	-	-	-	-	-	-	-	256,082
Cultural and Recreation	667,804	-	-	-	-	-	-	-	667,804
Debt Service									
Principal	2,127,614	-	-	-	-	-	-	-	2,127,614
Interest and Other charges	19,824	-	-	-	-	-	-	-	19,824
Capital Outlay									
General Government	-	-	-	-	-	-	-	-	-
Public Safety	117,795	-	-	-	-	-	-	-	117,795
Transportation	-	-	-	-	-	-	801,199	-	801,199
Cultural and Recreation	24,296	346,133	1,679,892	1,621,978	-	385,185	-	37,500	4,094,984
Total Expenditures	6,996,267	346,133	1,679,892	1,621,978	-	385,185	801,199	37,500	11,868,154
Excess (Deficiency) of Revenues Over Expenditures	(1,147,924)	(346,133)	(69,086)	(1,621,869)	2,003,650	2,748,476	-	(37,500)	1,529,614
Other Financing Sources (Uses)									
Transfers from Other Funds	2,003,650	739,077	-	-	-	-	-	-	2,742,727
Transfers to Other Funds	(739,077)	-	-	-	(2,003,650)	-	-	-	(2,742,727)
Loan Proceeds	-	-	-	1,900,000	-	-	-	-	1,900,000
Sale of Capital Assets	13,735	-	-	-	-	-	-	-	13,735
Total Other Financing Sources (Uses)	1,278,308	739,077	-	1,900,000	(2,003,650)	-	-	-	1,913,735
Net Change in Fund Balance	130,384	392,944	(69,086)	278,131	-	2,748,476	-	(37,500)	3,443,349
Fund Balance - Beginning of Year	3,741,300	(392,944)	-	-	-	(154,245)	-	-	3,194,111
Fund Balance - End of Year	\$ 3,871,684	\$ -	\$ (69,086)	\$ 278,131	\$ -	\$ 2,594,231	\$ -	\$ (37,500)	\$ 6,637,460

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2023

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

Net changes in fund balances - total governmental funds		\$ 3,443,349
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay expenditures which were capitalized	5,013,978	
Depreciation expense	<u>(482,581)</u>	4,531,397
Right to use leased asset capital outlay expenditures which were capitalized		
Amortization expense for intangible assets	<u>(48,322)</u>	(48,322)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		
		276,407
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Change in unavailable revenue for tax revenues	(15,100)	
Interest earned on ad valorem taxes	(3,737)	
Interest on lease	<u>(87)</u>	(18,924)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issuance	(1,900,000)	
Debt retirement	<u>2,127,614</u>	227,614
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		
		16,875
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Pension Expense	(428,304)	
OPEB Expense	19,455	
Compensated absences	<u>(47,782)</u>	(456,631)
Total changes in net position of governmental activities		<u>\$ 7,971,765</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2023

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 1,765,100	\$ 1,765,100	\$ 1,886,389	\$ 121,289
Other Taxes and Licenses	-	1,250	55	(1,195)
Unrestricted Intergovernmental	2,796,000	3,018,575	3,247,597	229,022
Restricted Intergovernmental	383,000	307,500	352,416	44,916
Permits and Fees	229,750	217,250	321,760	104,510
Sales and Service	77,000	7,000	18,064	11,064
Investment Earnings	-	-	22,062	22,062
Miscellaneous	202,725	-	-	-
Total Revenues	5,453,575	5,316,675	5,848,343	531,668
Expenditures				
General Government	1,584,570	3,634,540	3,369,391	265,149
Public Safety	2,046,255	2,109,155	1,883,380	225,775
Transportation	1,322,000	1,813,982	792,548	1,021,434
Health and Welfare	6,000	6,000	2,766	3,234
Economic and Physical Development	283,000	297,500	256,082	41,418
Cultural and Recreation	592,750	791,718	692,100	99,618
Contingency	-	-	-	-
Total Expenditures	5,834,575	8,652,895	6,996,267	1,656,628
Revenues Over (Under) Expenditures	(381,000)	(3,336,220)	(1,147,924)	2,188,296
Other Financing Sources (Uses)				
Transfers from Other Funds		45,000	2,003,650	1,958,650
Transfers to Other Funds	(100,000)	(100,000)	(839,077)	(739,077)
Sale of Capital Assets	-	10,000	13,735	3,735
Installment Purchase Obligations Issued	481,000	481,000	-	(481,000)
Total Other Financing Sources (Uses)	381,000	436,000	1,178,308	742,308
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(2,900,220)	30,384	2,930,604
Appropriated Fund Balance		2,900,220	-	(2,900,220)
Net Change in Fund Balance	\$ -	\$ -	30,384	\$ 30,384
Fund Balance - Beginning of Year			3,741,300	
Fund Balance - End of Year			\$ 3,771,684	

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2023

Fund Balance - End of Year \$ 3,771,684

A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:

Transfer from the General Fund	100,000
Fund Balance - Beginning	<u>-</u>
	<u>100,000</u>

Fund Balance - End of Year (Consolidated) \$ 3,871,684

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

City of Boiling Spring Lakes ABC Board

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

B. Basis of Presentation

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

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

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

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Fund Accounting (Continued)

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for administration, public safety, street maintenance and construction, sanitation services and parks and recreation.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Other receivables consist of Water and Sewer Assessments which were recognized as income in the Enterprise Water and Sewer Fund prior to the closing of the Water and Sewer Fund and transfer to the General Fund. Therefore, the General Fund will not recognize income when the assessments are collected. However, fund balance available for appropriation will increase as the assessments are collected.

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are generally reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which approximates fair value, and is the NCCMT's share price. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S.136-41.1 through 136-41.4. Money in the Capital Reserve Fund is classified as restricted assets because its use is restricted for future capital asset purchases per NC G.S. Chapter 159, Article 3, Part 2. Money in the NC State Revolving Loan Fund for temporary assistance to local governments is classified as restricted because its use is restricted for emergency use per Section 1.5(1) of North Carolina Session Law 2018-138.

City of Boiling Spring Lakes Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 427,773
Capital Outlay	100,000
Dam Restoration Project Fund	
Capital Outlay - Project	14,547,591
Polic Building Renovation Project Fund	
Capital Outlay - Project	359,824
Total Governmental Activities	<u>15,435,188</u>
Total Restricted Cash	<u>\$ 15,435,188</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Other Receivables

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

6. Allowances for Doubtful Accounts

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

7. Lease Receivable

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

8. Inventory and Prepaid Items

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

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

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

9. Capital Assets

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Capital Assets (Continued)

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

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

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

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

10. Right to Use Assets

The City has recorded right to use lease assets as a result of implementing GASB 87. These right to use assets arise in association with agreements where the City reports a lease (only applies when the City is the lessee). The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meets this criterion, pension deferrals and OPEB deferrals for the 2023 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – property taxes receivable, leases, and pension deferral and OPEB deferrals.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

12. Long-Term Obligations

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

13. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. For the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded within the component unit as the leave is earned.

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

14. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

14. Net Position/Fund Balances (Continued)

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

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

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

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

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

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

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

14. Net Assets/Fund Balances (Continued)

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

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

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

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

15. Defined Benefit Cost-Sharing Plans

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2023, the City's deposits had a carrying amount of \$3,090,462 and a bank balance of \$3,122,730. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits of the ABC Board was \$18,819 and the bank balance was \$51,106. All of the bank balance for the ABC Board was covered by federal depository insurance. At June 30, 2023, the City's petty cash funds totaled \$600 and the ABC Board's totaled \$1,000

2. Investments

At June 30, 2023, the City had \$15,158,786 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's (S&P). The City has no policy regarding credit risk.

At June 30, 2023, the ABC Board had \$91,934 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's (S&P). The ABC Board has no policy regarding credit risk.

3. Lease Receivable

In July 2020, the City entered into a lease to rent space on the City's cell tower. Under the lease the cell company pays the City \$2,652 per month for another 40 months in exchange for rental space on the tower. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 4%. In fiscal year 2023, the City recognized \$28,066 of lease revenue and \$3,758 of interest revenue under the lease.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

4. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023 are net of the following allowances for doubtful accounts:

Fund	06/30/2023
General Fund:	
Taxes receivable	\$ 19,200
Total General Fund	<u>19,200</u>

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 584,387	\$ -	\$ -	\$ 584,387
Construction in Progress	2,010,839	4,887,829	-	6,898,668
Total capital assets not being depreciated	<u>2,595,226</u>	<u>4,887,829</u>	<u>-</u>	<u>7,483,055</u>
Capital assets being depreciated:				
Buildings & Other Improvements	2,871,755	-	-	2,871,755
Equipment, Furniture & Fixtures	1,643,666	35,095	-	1,678,761
Vehicles	844,700	91,054	-	935,754
Infrastructure	1,934,728	-	-	1,934,728
Total capital assets being depreciated	<u>7,294,849</u>	<u>126,149</u>	<u>-</u>	<u>7,420,998</u>
Less accumulated depreciation for:				
Buildings & Other Improvements	978,341	73,153	-	1,051,494
Equipment, Furniture & Fixtures	1,326,687	229,416	-	1,556,103
Vehicles	817,426	51,031	-	868,457
Infrastructure	1,062,502	128,981	-	1,191,483
Total accumulated depreciation	<u>4,184,956</u>	<u>482,581</u>	<u>-</u>	<u>4,667,537</u>
Total capital assets being depreciated, net	<u>3,109,893</u>			<u>2,753,461</u>
Governmental activity capital assets, net	<u>\$ 5,705,119</u>			<u>\$ 10,236,516</u>

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

General Government	\$ 139,506
Public Safety	116,393
Transportation	166,071
Culture and Recreation	60,611
Total	<u>\$ 482,581</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

5. Capital Assets (Continued)

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Total capital assets not being depreciated	15,000	-	-	15,000
Capital assets being depreciated:				
Buildings	124,528	-	-	124,528
Equipment and Furniture	49,441	2,349	-	51,790
Total capital assets being depreciated	173,969	2,349	-	176,318
Less accumulated depreciation for:				
Buildings	35,156	3,603	-	38,759
Equipment and Furniture	16,210	4,770	-	20,980
Total accumulated depreciation	51,366	8,373	-	59,739
Total capital assets being depreciated, net	122,603			116,579
ABC Board capital assets, net	\$ 137,603			\$ 131,579

6. Right to Use Leased Assets

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

Right to use asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to Use Assets				
Leased Vehicles	\$ -	\$ 211,661	\$ -	\$ 211,661
Total Right to Use Assets	-	211,661	-	211,661
Less Accumulated Amortization for:				
Leased Vehicles	-	96,644	-	96,644
Total Accumulated Amortization	-	96,644	-	96,644
Right to Use Assets, Net	\$ -	\$ 115,017	\$ -	\$ 115,017

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Boiling Spring Lakes is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serves as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Boiling Spring Lakes employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. City of Boiling Spring Lakes' contractually required contribution rate for the year ended June 30, 2023, was 13.04% of compensation for law enforcement officers and 12.16% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Boiling Spring Lakes were \$276,407 for the year ended June 30, 2023.

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, 2023, the City reported a liability of \$1,442,513 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2022 (measurement date), the City's proportion was 0.02557%, which was an increase of 0.00421% from its proportion measured as of June 30, 2021.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

For the year ended June 30, 2023, the City recognized pension expense of \$422,849. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,157	\$ 6,094
Changes of assumptions	143,930	-
Net difference between projected and actual earnings on pension plan investments	476,766	-
Changes in proportion and differences between City contributions and proportionate share of contributions	68,943	11,085
City contributions subsequent to the measurement date	276,407	-
Total	<u>\$ 1,028,203</u>	<u>\$ 17,179</u>

\$276,407 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2024	\$ 225,940
2025	204,886
2026	76,650
2027	227,141
2028	-
Thereafter	-
	<u>\$ 734,617</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing 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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 2,603,550	\$ 1,442,513	\$ 485,751

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	-
Active plan members	<u>12</u>
Total	<u><u>12</u></u>

2. Summary of Significant Accounting Policies:

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

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount Rate	4.31 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, 2021.

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

4. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$12,673 as benefits came due for the reporting period.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

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

At June 30, 2023, the City reported a total pension liability of \$191,403. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$18,129.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,776	\$ 113,193
Changes of assumptions	68,944	49,017
City benefit payments and plan administrative expense subsequent to the measurement date	-	-
Total	<u>\$ 72,720</u>	<u>\$ 162,210</u>

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2024	\$ (10,570)
2025	(11,066)
2026	(12,034)
2027	(12,731)
2028	(22,804)
Thereafter	(20,285)
	<u>\$ (89,490)</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

Sensitivity of the City's total pension liability to changes in the discount rate.

The following presents the City's total pension liability calculated using the discount rate of 4.31 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 (3.31%) or 1-percentage-point higher (5.31%) than the current rate:

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total Pension Liability	\$ 211,755	\$ 191,403	\$ 173,344

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

	2023
Beginning balance	\$ 310,486
Service Cost	22,238
Interest on the total pension liability	6,843
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(90,843)
Changes of assumptions or other inputs	(44,648)
Benefit payments	(12,673)
Other changes	-
Ending balance of the total pension liability	\$ <u>191,403</u>

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 422,849	\$ 18,129	\$ 440,978
Pension Liability	1,442,513	191,403	1,633,916
Proportionate share of the net pension liability	0.02557%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	62,157	3,776	65,933
Changes of assumptions	143,930	68,944	212,874
Net difference between projected and actual earnings on plan investments	476,766	-	476,766
Changes in proportion and differences between contributions and proportionate share of contributions	68,943	-	68,943
Benefit payments and administrative costs paid subsequent to the measurement date	276,407	-	276,407
Deferred Inflows of Resources			
Differences between expected and actual experience	6,094	113,193	119,287
Changes of assumptions	-	49,017	49,017
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	11,085	-	11,085

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary. This required contribution, along with the City's elective contribution for other employees' salary, are contributed monthly and all amounts contributed are vested immediately. In addition, the law enforcement officers and other employees may make voluntary contributions to the plan. The City made contributions of \$110,928 for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefits (OPEB)

1. Healthcare Benefits

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

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post-Employment Benefits (OPEB)

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

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

Total OPEB Liability

The City's total OPEB liability of \$1,016,363 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2021.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases – General	3.25 – 8.41% percent, average, including wage inflation
Salary increases – Law Enforcement	3.25 – 7.90% percent, average, including wage inflation
Discount rate	3.54 percent
Healthcare cost trend rates	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031 – Pre-Medicare 5.125% for 2021 decreasing to an ultimate rate of 4.50% by 2024 – Medicare

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

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post-Employment Benefits (OPEB)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	\$ 1,238,336
Changes for the year	
Service Cost	86,590
Interest	28,236
Changes of benefit terms	-
Differences between expected and actual experience	2,410
Changes of assumptions or other inputs	(303,578)
Benefit payments	(35,631)
Net Changes	<u>(221,973)</u>
Balance at June 30, 2023	<u>\$ 1,016,363</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

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

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

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$ 1,224,441	\$ 1,016,363	\$ 856,753

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post-Employment Benefits (OPEB)

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$828,906	\$1,016,363	\$1,271,715

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$16,176. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,695	\$ 441,480
Changes of assumptions	242,186	366,970
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 251,881</u>	<u>\$ 808,450</u>

\$-0- reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in healthcare costs as follows:

Year Ended June 30:	
2024	\$ (98,650)
2025	(98,650)
2026	(98,650)
2027	(83,646)
2028	(69,934)
Thereafter	(107,039)
	<u>\$ (556,569)</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Other Employment Benefit

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

3. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$	276,407
Benefit payments made and administrative expenses for LEOSSA		-
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date		-
Differences between expected and actual experience		75,628
Changes of assumptions		455,060
Net difference between projected and actual		476,766
Changes in proportion and differences between employer contributions and proportionate share of contributions		68,943
Charge on refunding		-
Total	\$	<u>1,352,804</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

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

	Statement of Net Position	General Fund Balance Sheet	Capital Project Funds Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -	\$ -
Taxes Receivable (General Fund)	-	26,141	-
Grants Refundable	14,000,000	-	14,000,000
Changes in assumptions	415,987	-	-
Difference between expected and actual experience	560,767	-	-
Net difference between projected and actual earnings on pension plan investments		-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-
	11,085	-	-
Total	<u>\$ 14,987,839</u>	<u>\$ 26,141</u>	<u>\$14,000,000</u>

4. Commitments

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. Risk Management

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

The City is not required to purchase flood insurance, and accordingly has elected not to carry it. In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$150,000. The remaining employees that have access to funds are insured for \$5,000.

The Boiling Spring Lakes ABC Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, and workers' compensation coverage. The ABC Board also has liquor legal liability coverage and each Board member and staff is bonded. There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

6. Claims, Judgements and Contingent Liabilities

At June 30, 2023, the City did not have any litigation pending.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations

a. Leases

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

The agreements were executed to lease vehicles and require 36 monthly payments of \$1,300 and 60 monthly payments of \$3,028. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4%. As a result of the lease, the Board has recorded a right to use asset with a net book value of \$115,017 at June 30, 2023.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal	Interest
2024	\$ 69,607	\$ 5,393
2025	33,184	4,448
2026	-	-
2027	-	-
2028	-	-
2029-2033	-	-
2034-2038	-	-
	<u>\$ 102,791</u>	<u>\$ 9,841</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

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

On September 12, 2007, the City entered into a direct placement agreement to provide financing in the amount of \$1,600,000 for the construction of the new city hall. The property is pledged as collateral for the debt while the debt is outstanding. The contract is currently held by First National Bank. The financing contract requires payments of interest at 3.94% payable monthly and beginning April 12, 2009, principal payments of \$6,667 per month for twenty years. Maturity is March 12, 2029.

Annual debt service payments of the installment purchases as of June 30, 2023 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 80,000	\$ 16,706
2025	80,000	13,508
2026	80,000	10,378
2027	80,000	7,226
2028	80,000	4,079
2029	59,653	986
Total	<u>\$ 459,653</u>	<u>\$ 52,883</u>

The following financing agreement was entered into during the year and remains outstanding at the end of the year. On July 20, 2022, the City entered into a financing agreement with Truist. The purpose of this loan was to advance the City funds to carry out a project to extend, modify and convert a preexisting City owned building into a new police station. This loan carries interest at the annual rate of 2.42%. This note is to be repaid from funds loaned from the federal government. This debt will be repaid in the upcoming fiscal year.

Year Ending June 30	Principal	Interest
2024	\$ 1,900,000	\$32,058
Total	<u>\$ 1,900,000</u>	<u>\$32,058</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

7. Long-Term Obligations (Continued)

c. Changes in Long-Term Liabilities

Governmental activities:	Balance 07/01/22	Increases	Decrease	Balance 06/30/23	Current Portion of Balance
Installment Loan	\$ 539,653	\$ 1,900,000	\$ 80,000	\$ 2,359,653	\$ 1,980,000
State Revolving Loan	2,000,000	-	2,000,000	-	-
Lease liability	166,691	-	63,900	102,791	69,607
Net pension liability (LGERS)	327,576	1,114,937	-	1,442,513	-
Total pension liability (LEO)	310,486	-	119,083	191,403	-
Total OPEB liability	1,238,336	-	221,973	1,016,363	-
Compensated absences	104,198	47,782	-	151,980	151,980
Governmental activity long-term liabilities	<u>\$ 4,686,940</u>	<u>\$ 3,062,719</u>	<u>\$ 2,484,956</u>	<u>\$ 5,264,703</u>	<u>\$ 2,201,587</u>

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2023, consist of the following:

Due to the General Fund from the Drayton Road Paving Capital Project	\$ 647,220
Due to the General Fund from the NCRS USDA Streambed Project	69,086
Due to the General Fund from the Golden Leaf HRW Stormwater Project	37,500
Due to the Police Dept. Building Renovation Project from the General Fund	19,054
Due to the Dam Restoration Project from the General Fund	2,076,640
Total	<u>\$ 2,849,500</u>

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity (Continued)

Transfers to/from other funds at June 30, 2023, consist of the following:

From the General Fund to the MOTSU Railroad Culvert Project Fund	\$ 739,077
From the American Rescue Plan Act Grant Project Fund to the General Fund	<u>2,003,650</u>
Total	<u>\$ 2,742,727</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided for matching funds for various programs.

D. Net Investment in Capital Assets

	<u>Governmental</u>
Capital Assets	\$ 10,236,516
less: long-term debt	2,359,653
Add: unexpended debt proceeds	278,022
	-
Net Investment in Capital Assets	<u>\$ 8,154,885</u>

E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 3,871,684
Less:	
Stabilization by State Statute	3,073,840
Streets	427,773
Leases	74,298
Prepays	3,877
Public Safety	-
Capital Outlay	-
Appropriated Fund Balance in 2023-2024 budget	-
Remaining Fund Balance	291,896

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2023

III. JOINTLY GOVERNED ORGANIZATIONS

The City, in conjunction with four counties and thirty-two other municipalities established the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$1,526 to the council during the fiscal year ended June 30, 2023

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

V. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The City experienced deficit fund balances in the following funds: the NCRS USDA Streambed Project (\$69,086) and the Golden Leaf HRW Stormwater Project (\$37,500). The deficits occurred because of the timing of payments. Management intends to appropriate funds necessary to cover fund balance in the upcoming year.

VI. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 17, 2023, which is the date the financial statements were available to be issued.

***Required Supplementary
Financial Data***

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 Proportionate Share of Net Pension Liability (Asset)
 Required Supplementary Information
 Last Ten Fiscal Years'

	Local Government Employees' Retirement System									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Boiling Spring Lakes' proportion of the net pension liability (asset) (%)	0.02557%	0.02136%	0.02186%	0.02449%	0.02340%	0.02277%	0.02438%	0.02321%	0.02252%	0.01820%
Boiling Spring Lakes' proportion of the net pension liability (asset) (\$)	\$ 1,442,513	\$ 327,576	\$ 781,151	\$ 668,803	\$ 558,449	\$ 347,863	\$ 517,427	\$ 104,165	\$ (132,811)	\$ 219,380
Boiling Spring Lakes' covered-employee payroll	\$ 1,910,715	\$ 1,617,743	\$ 1,587,123	\$ 1,467,304	\$ 1,386,297	\$ 1,251,314	\$ 1,317,613	\$ 1,192,061	\$ 1,105,732	\$ 1,003,162
Boiling Spring Lakes' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.50%	20.25%	49.22%	45.58%	40.28%	27.80%	39.27%	8.74%	(12.01%)	21.86%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

City of Boiling Spring Lakes' Contributions

Required Supplementary Information

Last Ten Fiscal Years

	Local Government Employees' Retirement System									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 276,407	\$ 222,168	\$ 168,749	\$ 146,464	\$ 117,881	\$ 108,274	\$ 94,665	\$ 90,437	\$ 85,833	\$ 79,026
Contributions in relation to the contractually required contribution	276,407	222,168	168,749	146,464	117,881	108,274	94,665	90,437	85,833	79,026
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Boiling Spring Lakes' covered employee payroll	\$ 2,223,068	\$ 1,910,715	\$ 1,617,743	\$ 1,587,123	\$ 1,467,304	\$ 1,386,297	\$ 1,251,314	\$ 1,317,613	\$ 1,192,061	\$ 1,105,732
Contributions as a percentage of covered-employee payroll	12.43%	11.63%	10.43%	9.23%	8.03%	7.81%	7.57%	6.86%	7.20%	7.15%

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
June 30, 2023

Law Enforcement Officers' Special Separation Allowance							
	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 310,486	\$ 302,398	\$ 191,346	\$ 186,521	\$ 163,488	\$ 134,225	\$ 120,831
Service cost	22,238	27,318	15,461	15,611	16,280	12,314	13,674
Interest on the total pension liability	6,843	5,836	6,238	6,789	5,166	5,181	4,314
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(90,843)	(15,080)	(23,700)	(24,798)	11,806	(1,378)	-
Changes of assumptions or other inputs	(44,648)	(9,986)	113,053	7,223	(10,219)	13,146	(4,594)
Benefit payments	(12,673)	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	\$ 191,403	\$ 310,486	\$ 302,398	\$ 191,346	\$ 186,521	\$ 163,488	\$ 134,225

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 Schedule of Total Pension Liability as a Percentage of Covered Payroll
 June 30, 2023

Law Enforcement Officers' Special Separation Allowance

	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 191,403	\$ 310,486	\$ 302,398	\$ 191,346	\$ 186,521	\$ 163,488	\$ 134,225
Covered payroll	633,259	635,546	590,684	594,500	569,161	514,153	532,555
Total pension liability as a percentage of covered payroll	30.23%	48.85%	51.19%	32.19%	32.77%	31.80%	25.20%

Notes to the schedules:

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2023

<u>Total OPEB Liability</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 86,590	\$ 106,885	\$ 68,051	\$ 70,006	\$ 74,887	\$ 85,992
Interest	28,236	35,846	41,298	50,213	46,116	40,760
Changes of benefit terms	-	-	-	-	-	-
Differences between expect and actual experience	2,410	(417,763)	8,349	(227,152)	4,578	(2,219)
Changes of assumptions	(303,578)	25,487	337,196	(21,899)	(84,638)	(147,657)
Benefit payments	(35,631)	(54,143)	(49,102)	(51,018)	(40,130)	(31,289)
Net changes in Total OPEB Liability	(221,973)	(303,688)	405,792	(179,850)	813	(54,413)
Total OPEB Liability - Beginning	1,238,336	1,542,024	1,136,232	1,316,082	1,315,269	1,369,682
Total OPEB Liability - Ending	\$ 1,016,363	\$ 1,238,336	\$ 1,542,024	\$ 1,136,232	\$ 1,316,082	\$ 1,315,269
Covered Payroll	\$ 1,329,907	\$ 1,329,907	\$ 1,625,355	\$ 1,625,355	\$ 1,111,300	\$ 1,111,300
Total OPEB Liability as a percentage of covered payroll	76.42%	93.11%	94.87%	69.91%	118.43%	118.35%

Notes to Schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

General Fund

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 1,859,770	
Penalties and Interest		26,619	
Total Ad Valorem Taxes	\$ 1,765,100	1,886,389	\$ 121,289
Other Taxes and Licenses			
Dog Tax & Animal Control Fees		55	
Total Other Taxes and Licenses	1,250	55	(1,195)
Unrestricted Intergovernmental			
Local Option Sales Tax		2,641,605	
Utility Sales Tax		280,912	
ABC Profit Distribution		8,000	
Beer and Wine Tax		28,148	
Miscellaneous		288,932	
Total Unrestricted Intergovernmental	3,018,575	3,247,597	229,022
Restricted Intergovernmental			
Powell Bill Allocation		327,916	
State and Local Grants		24,500	
Total Restricted Intergovernmental	307,500	352,416	44,916
Permits and Fees			
Building Permits		251,668	
Inspection Fees		14,720	
Zoning Permits		50,216	
Miscellaneous		5,156	
Total Permits and Fees	217,250	321,760	104,510
Sales and Service			
Miscellaneous		18,064	
Total Sales and Service	7,000	18,064	11,064
Investment Earnings			
General		22,062	
Total Investment Earnings	-	22,062	22,062
Miscellaneous			
Other		-	
Total Miscellaneous	-	-	-
Total Revenues	5,316,675	5,848,343	531,668

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Governing Body			
Salaries and Wages		16,000	
Other Expenditures		111,970	
Total Governing Body	149,740	127,970	21,770
Administration			
Salaries and Wages		460,673	
Other Expenditures		457,313	
Capital Outlay		-	
Total Administration	1,006,200	917,986	88,214
Public Buildings			
Salaries and Wages		133,064	
Other Expenditures		90,547	
Capital Outlay		-	
Total Public Buildings	378,600	223,611	154,989
Police Department			
Salaries and Wages		792,079	
Other Expenditures		587,015	
Capital Outlay		117,795	
Total Police	1,626,155	1,496,889	129,266
Animal Control			
Salaries and Wages		-	
Other Expenditures		3,723	
Capital Outlay		-	
Total Animal Control	11,000	3,723	7,277
Inspections			
Salaries and Wages		167,527	
Other Expenditures		89,185	
Total Inspections	276,550	256,712	19,838
Code Enforcement			
Salaries and Wages		45,205	
Other Expenditures		42,112	
Total Code Enforcement	128,850	87,317	41,533
Street Department			
Salaries and Wages		294,590	
Other Expenditures		224,190	
Other Expenditures - Powell Bill		264,893	
Capital Outlay		-	
Capital Outlay - Powell Bill		-	
Total Street Department	1,749,982	783,673	966,309

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Public Health			
Other Expenditures		2,766	
Total Public Health	6,000	2,766	3,234
Planning and Development			
Salaries and Wages		148,043	
Other Expenditures		108,039	
Capital Outlay		-	
Total Planning and Development	297,500	256,082	41,418
Parks and Recreation			
Salaries and Wages		312,030	
Other Expenditures		325,758	
Capital Outlay		10,255	
Total Parks and Recreation	658,900	648,043	10,857
Library			
Other Expenditures		2,981	
Total Library	3,000	2,981	19
Dams and Lakes			
Salaries and Wages		-	
Other Expenditures		20,763	
Capital Outlay		14,041	
Total Dams and Lakes	118,968	34,804	84,164
Special Events			
Other Expenditures		6,272	
Capital Outlay		-	
Total Special Events	10,850	6,272	4,578
Debt Service			
Principal Retirement		2,127,614	
Interest and Other Charges		19,824	
Total Debt Service	2,230,600	2,147,438	83,162
Total Expenditures	8,652,895	6,996,267	1,656,628
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,336,220)	(1,147,924)	2,188,296

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Transfers In:			
ARPA Grant Fund	45,000	2,003,650	1,958,650
Transfers Out:			
MOTSU Railroad Culvert Project Fund	(100,000)	(739,077)	(639,077)
Capital Reserve Fund	-	(100,000)	(100,000)
Sale of Capital Assets	10,000	13,735	3,735
Installment Purchase Obligations Issued	481,000	-	(481,000)
Total Other Financing Sources (Uses)	<u>436,000</u>	<u>1,178,308</u>	<u>742,308</u>
Fund Balance Appropriated	<u>2,900,220</u>	-	<u>(2,900,220)</u>
Net Change in Fund Balance	<u>\$ -</u>	30,384	<u>\$ 30,384</u>
Fund Balance - Beginning of Year		<u>3,741,300</u>	
Fund Balance - End of Year		<u>\$ 3,771,684</u>	



Special Revenue Funds
Consolidated With General Fund

CITY OF BOILING SPRING LAKES

Capital Reserve Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Capital Reserve			
Operating Expenditures	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)			
Transfers in:			
General Fund	-	100,000	100,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>100,000</u>	<u>\$ 100,000</u>
Fund Balance - Beginning		<u>-</u>	
Fund Balance - Ending		<u>\$ 100,000</u>	

Other Governmental Funds

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
MOTSU Railroad Culvert Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2023

			Actual		Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Year	Current Year			
Revenues						
Investment Earnings	\$ -	\$ -			\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
Expenditures						
Administration						
Other Expenditures	-	-	-		-	-
Dams/Lakes						
Engineering	40,600	4,800	1,500		6,300	34,300
Construction	739,082	388,144	344,633		732,777	6,305
Total Expenditures	<u>779,682</u>	<u>392,944</u>	<u>346,133</u>		<u>739,077</u>	<u>40,605</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(779,682)</u>	<u>(392,944)</u>	<u>(346,133)</u>		<u>(739,077)</u>	<u>40,605</u>
Other Financing Sources (Uses)						
Transfers in:						
General Fund	779,682	-	739,077		739,077	(40,605)
Total Other Financing Sources (Uses)	<u>779,682</u>	<u>-</u>	<u>739,077</u>		<u>739,077</u>	<u>(40,605)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (392,944)</u>	<u>392,944</u>		<u>\$ -</u>	<u>\$ -</u>
Fund Balance - Beginning			<u>(392,944)</u>			
Fund Balance - Ending			<u>\$ -</u>			

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 NCRS USDA Streambed Project Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 From Inception and for the Year Ended June 30, 2023

	Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Grant Revenue	\$ 2,285,181	\$ 26,756	\$ 1,610,806	\$ 1,637,562	\$ (647,619)
Investment Earnings	-	-	-	-	-
Total Revenues	<u>2,285,181</u>	<u>26,756</u>	<u>1,610,806</u>	<u>1,637,562</u>	<u>(647,619)</u>
Expenditures					
Administration					
Other Expenditures	-	-	-	-	-
Dams/Lakes					
Engineering	282,604	20,436	67,230	87,666	194,938
Contract Services	5,000	2,340	-	2,340	2,660
Construction	1,997,577	3,980	1,612,662	1,616,642	380,935
Total Expenditures	<u>2,285,181</u>	<u>26,756</u>	<u>1,679,892</u>	<u>1,706,648</u>	<u>578,533</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(69,086)</u>	<u>(69,086)</u>	<u>(69,086)</u>
Other Financing Sources (Uses)					
Transfers in:					
General Fund	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(69,086)</u>	<u>\$ (69,086)</u>	<u>\$ (69,086)</u>
Fund Balance - Beginning			<u>-</u>		
Fund Balance - Ending			<u>\$ (69,086)</u>		

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 Police Department Building Renovation Project Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 From Inception and for the Year Ended June 30, 2023

			<u>Actual</u>		<u>Totals to Date</u>	<u>Variance Positive (Negative)</u>
	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>			
Revenues						
Investment Earnings	\$ -	\$ -	\$ 109	\$ 109	\$ 109	
Total Revenues	<u>-</u>	<u>-</u>	<u>109</u>	<u>109</u>	<u>109</u>	
Expenditures						
Administration						
Other Expenditures	-	-	-	-	-	
Police						
Professional Service	82,000	-	53,612	53,612	28,388	
Building Purchase	300,000	-	-	-	300,000	
Equipment Purchase	80,000	-	41,900	41,900	38,100	
Construction	1,228,036	-	1,526,466	1,526,466	(298,430)	
Interest	47,500	-	-	-	47,500	
Contingency	162,464	-	-	-	162,464	
Total Expenditures	<u>1,900,000</u>	<u>-</u>	<u>1,621,978</u>	<u>1,621,978</u>	<u>278,022</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,900,000)</u>	<u>-</u>	<u>(1,621,869)</u>	<u>(1,621,869)</u>	<u>278,131</u>	
Other Financing Sources (Uses)						
Loan Proceeds	1,900,000	-	1,900,000	1,900,000	-	
Transfers in:						
General Fund	-	-	-	-	-	
Total Other Financing Sources (Uses)	<u>1,900,000</u>	<u>-</u>	<u>1,900,000</u>	<u>1,900,000</u>	<u>-</u>	
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>278,131</u>	<u>\$ 278,131</u>	<u>\$ 278,131</u>	
Fund Balance - Beginning			<u>-</u>			
Fund Balance - Ending			<u>\$ 278,131</u>			

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 American Rescue Plan Act Grant Project
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 From Inception and for the Year Ended June 30, 2023

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Dam Restoration Project

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

From Inception and for the Year Ended June 30, 2023

			Actual			
	Project	Prior	Current	Totals	Variance	
	Authorization	Year	Year	to	Positive	
				Date	(Negative)	
Revenues						
Investment Earnings	\$ -	\$ 21,296	\$ 526,295	\$ 547,591	\$ 547,591	
Grant Funds	51,845,181	-	2,607,366	2,607,366	(49,237,815)	
Total Revenues	51,845,181	21,296	3,133,661	3,154,957	(48,690,224)	
Expenditures						
Administration						
Other Expenditures	-	-	-	-	-	
Dams/Lakes						
Professional Services	77,500	4,211	21,500	25,711	51,789	
Engineering	7,419,090	171,330	105,135	276,465	7,142,625	
Utility Relocation	1,291,223	-	26,513	26,513	1,264,710	
Construction	37,330,272	-	144,788	144,788	37,185,484	
Lakebed Management	917,815	-	87,249	87,249	830,566	
Interest	-	-	-	-	-	
Contingency	4,809,281	-	-	-	4,809,281	
Total Expenditures	51,845,181	175,541	385,185	560,726	51,284,455	
Excess (Deficiency) of Revenues						
Over Expenditures	-	(154,245)	2,748,476	2,594,231	2,594,231	
Other Financing Sources (Uses)						
Transfers in:						
General Fund	-	-	-	-	-	
Total Other Financing						
Sources (Uses)	-	-	-	-	-	
Net Change in Fund Balance	\$ -	\$ (154,245)	2,748,476	\$ 2,594,231	\$ 2,594,231	
Fund Balance - Beginning			(154,245)			
Fund Balance - Ending			\$ 2,594,231			

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 Drayton Road Paving Project Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 From Inception and for the Year Ended June 30, 2023

			Actual		Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Year	Current Year	Current Year		
Revenues						
Grants	\$ 922,000	\$ -	\$ 801,199	\$ 801,199	\$ (120,801)	
Total Revenues	922,000	-	801,199	801,199	(120,801)	
Expenditures						
Administration						
Other Expenditures	-	-	-	-	-	-
Transportation						
Engineering	15,000	-	24,000	24,000	(9,000)	
Construction	907,000	-	777,199	777,199	129,801	
Total Expenditures	922,000	-	801,199	801,199	120,801	
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-	
Other Financing Sources (Uses)						
Transfers in:						
General Fund	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	-	\$ -	\$ -	-
Fund Balance - Beginning			-			
Fund Balance - Ending			\$ -			

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
Golden Leaf HRW Stormwater Project Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2023

	Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Grants	\$ 250,000	\$ -	\$ -	\$ -	\$ (250,000)
Total Revenues	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
Expenditures					
Administration					
Other Expenditures	-	-	-	-	-
Dams/Lakes					
Engineering	45,000	-	37,500	37,500	7,500
Construction	475,000	-	-	-	475,000
Total Expenditures	<u>520,000</u>	<u>-</u>	<u>37,500</u>	<u>37,500</u>	<u>482,500</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(270,000)</u>	<u>-</u>	<u>(37,500)</u>	<u>(37,500)</u>	<u>232,500</u>
Other Financing Sources (Uses)					
Transfers in:					
General Fund	270,000	-	-	-	(270,000)
Total Other Financing Sources (Uses)	<u>270,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(270,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(37,500)</u>	<u>\$ (37,500)</u>	<u>\$ (37,500)</u>
Fund Balance - Beginning			<u>-</u>		
Fund Balance - Ending			<u>\$ (37,500)</u>		

Other Schedules

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2023

<u>Fiscal Year</u>	<u>Uncollected Balance 7-1-22</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6-30-23</u>
2022-23	\$ -	\$ 1,860,662	\$ 1,835,781	\$ 24,881
2021-22	22,714	-	15,303	7,411
2020-21	6,243	-	3,097	3,146
2019-20	4,663	-	2,365	2,298
2018-19	2,570	-	895	1,675
2017-18	1,785	-	612	1,173
2016-17	1,733	-	540	1,193
2015-16	1,422	-	354	1,068
2014-15	1,774	-	384	1,390
2013-14	1,303	-	197	1,106
2012-13	1,534	-	1,534	-
	<u>\$ 45,741</u>	<u>\$ 1,860,662</u>	<u>\$ 1,861,062</u>	45,341

Less: Allowance for Uncollectible Accounts:

General Fund 19,200

Ad Valorem Taxes Receivable - Net \$ 26,141

Reconciliation with Revenues

Ad Valorem Taxes - General Fund 1,886,389

Reconciling Items:

Interest and Penalties Collected (26,619)

Taxes Written Off 1,292

Total Collections and Credits \$ 1,861,062

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Analysis of Current Tax Levy

City-Wide Levy

June 30, 2023

	City-Wide		Total Levy		
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at					
Current Year's Rate	\$ 658,673,869	0.282	\$ 1,857,461	\$ 1,476,977	\$ 380,484
Penalties	-		2,035	296	1,739
	<u>658,673,869</u>		<u>1,859,496</u>	<u>1,477,273</u>	<u>382,223</u>
Discoveries:					
Current Year Taxes	470,982	0.282	1,328	1,328	-
Penalties	-		-	-	-
	<u>470,982</u>		<u>1,328</u>	<u>1,328</u>	<u>-</u>
Abatements:					
Property Taxes -					
Current Year's Rate	(57,571)	0.282	\$ (162)	(162)	-
Total Property Valuations	<u>\$ 659,087,280</u>				
Net Levy			1,860,662	1,478,439	382,223
Uncollected Taxes at June 30, 2023			24,881	24,881	-
Current Year's Taxes Collected			<u>\$ 1,835,781</u>	<u>\$ 1,453,558</u>	<u>\$ 382,223</u>
Current Levy Collection Percentage			<u>98.66%</u>	<u>98.32%</u>	<u>100.00%</u>



COMPLIANCE SECTION

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina, as of and for the year ended June 30, 2023, 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 November 17, 2023. Our report includes a reference to other auditors who audited the financial statements of the City of Boiling Spring Lakes ABC Board, as described in our report on the City of Boiling Spring Lakes' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Boiling Spring Lakes ABC Board were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

W Greene PLLC

Whiteville, North Carolina
November 17, 2023

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Boiling Spring Lakes, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Boiling Spring Lakes' major federal programs for the year ended June 30, 2023. The City of Boiling Spring Lakes' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Boiling Spring Lakes complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

W Greene, PLLC

Whiteville, North Carolina
November 17, 2023

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the City of Boiling Spring Lakes, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Boiling Spring Lakes' major state programs for the year ended June 30, 2023. The City of Boiling Spring Lakes' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Boiling Spring Lakes complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

W Greene, PLLC

Whiteville, North Carolina
November 17, 2023

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023



SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(s)	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2023

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes X No

Significant deficiency(s) Yes X None

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major federal programs:

<u>CFDA#</u>	<u>Names of Federal Program or Cluster</u>
21.027	Coronavirus State Local Fiscal Recovery
10.923	Emergency Watershed Protection Program
97.032	Crisis Counseling

Dollar threshold used to distinguish between Type A and Type B Program \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Schedule of Findings and Questioned Costs (Continued)

For the Fiscal Year Ended June 30, 2023

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported.

SECTION IV. STATE AWARD FINDINGS AND QUESTIONED COSTS
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None Reported.

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2023

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantors Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
Emergency Watershed Protection Program	10.923	-	\$ 1,208,104	\$ 402,702	\$ -
Total U.S. Department of Agriculture			1,208,104	402,702	-
<u>U.S. Department of Treasury</u>					
Coronavirus State Local Fiscal Recovery	21.027	-	2,003,650	-	-
Total U.S. Department of Treasury			2,003,650	-	-
<u>U.S. Department of Homeland Security</u>					
Crisis Counseling	97.032	-	2,607,366	-	-
Total U.S. Department of Homeland Security			2,607,366	-	-
Total Federal Awards			5,819,120	402,702	-
State Awards:					
Cash Assistance					
<u>N.C. Office of the Governor</u>					
Special Appropriations	-	GOV-2	-	24,500	-
<u>N.C. Department of Public Safety</u>					
Emergency Management Transportation Infrastructure Resiliency (TIRG)	-	-	-	801,199	-
<u>N.C. Department of Transportation</u>					
Powell Bill	-	DOT-4	-	264,893	-
Total State Awards			-	1,090,592	-
Total Federal and State Awards			\$ 5,819,120	\$ 1,493,294	\$ -

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

Notes to Schedule of Expenditures of Federal and State Financial Awards
For the Year Ended June 30, 2023

I. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Boiling Spring Lakes, North Carolina under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the City of Boiling Spring Lakes, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Boiling Spring Lakes, North Carolina.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND INDIRECT COST RATE

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