

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS

June 30, 2014

Board of Commissioners

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

Administrative and Financial Staff

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

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## FINANCIAL SECTION

### Independent Auditors' Report

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina as of June 30, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on Exhibit A-1 through A-4, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

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

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

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014 on our consideration of City of Boiling Spring Lakes' internal control over

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

Berry, Rodgill & Chandler, PLLC  
Certified Public Accountants

Southport, North Carolina  
November 21, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## **Management's Discussion and Analysis**

As management of the City of Boiling Spring Lakes, we offer readers of the City of Boiling Spring Lakes' financial statements this narrative overview and analysis of the financial activities of the City of Boiling Spring Lakes for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### **Financial Highlights**

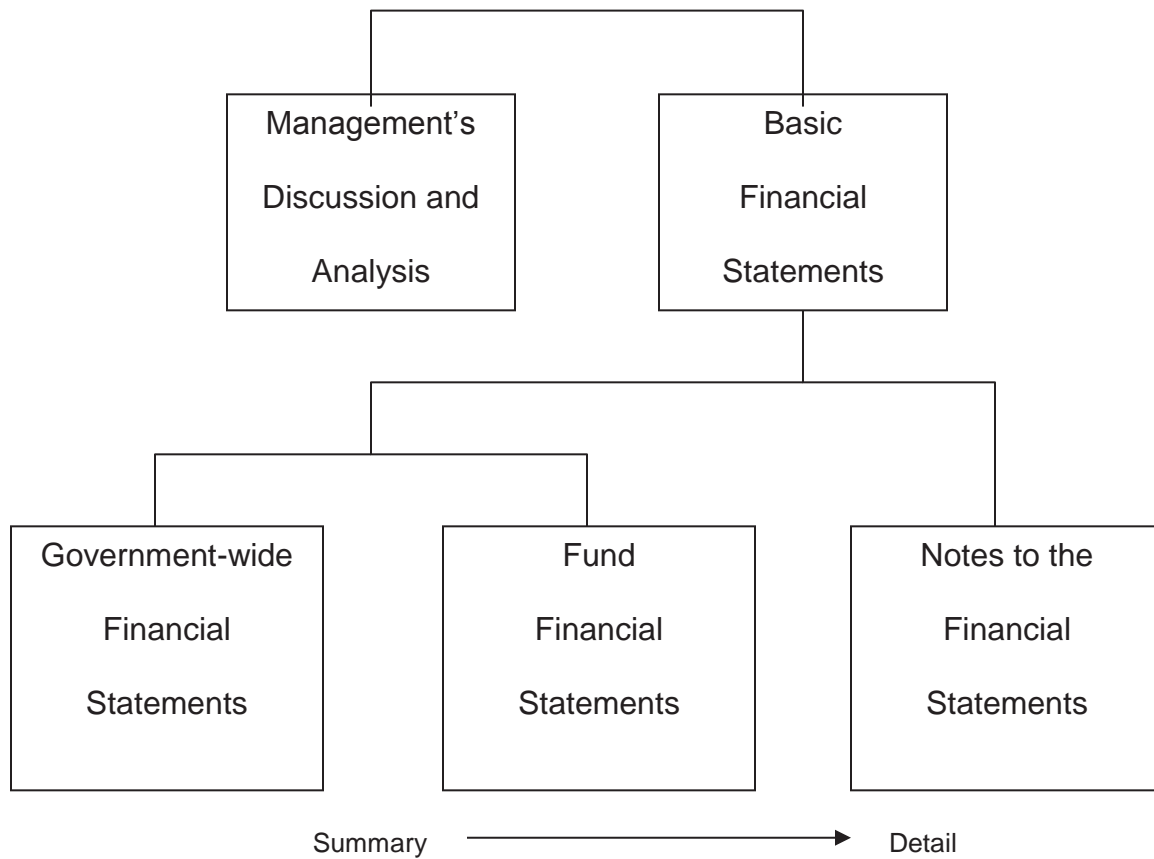
- The assets of the City of Boiling Spring Lakes exceeded its liabilities at the close of the fiscal year by \$ 4,828,401 (*net assets*).
- As of the close of the current fiscal year, the City of Boiling Spring Lakes' governmental funds reported combined ending fund balances of \$2,744,924 an increase of \$69,510. Approximately 82% percent is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,118,530 or 74% of the General Fund expenditures in the current year.
- The City of Boiling Spring Lakes' total debt decreased by \$ 80,002.

### **Overview of the Financial Statements**

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

## Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. At June 30, 2014, the City does not conduct any business-type activities. The water system was transferred to Brunswick County in May, 2010. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City.

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

## Fund Financial Statements

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

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

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

**Proprietary Funds** – The City of Boiling Spring Lakes has an Enterprise fund. The Water System was transferred to Brunswick County in May, 2010. However, the Enterprise fund remains open for the collection of outstanding utility bills and water assessments.

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

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

## Government-Wide Financial Analysis

### The City of Boiling Spring Lakes' Net Position

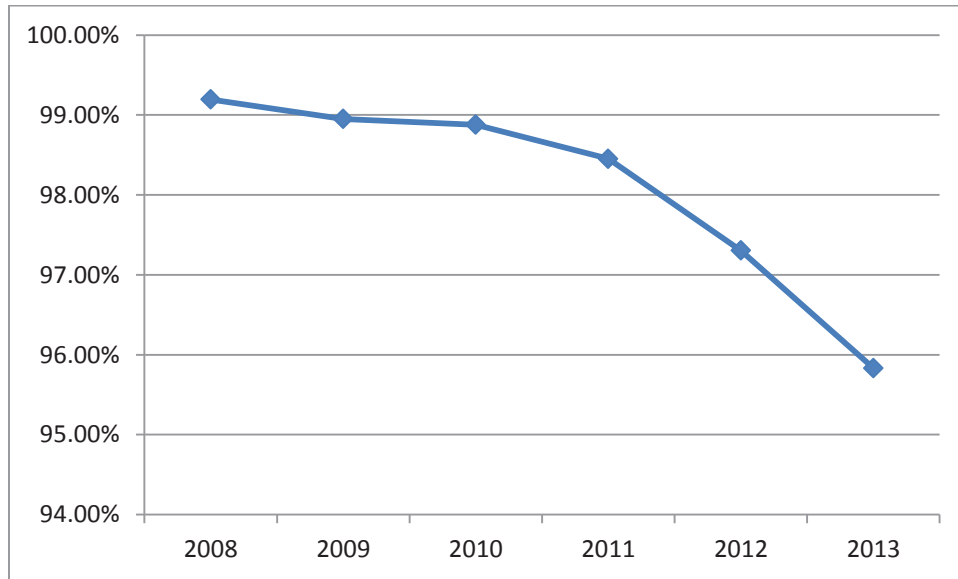
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	2,989,452	2,917,374	364,946	350,181	3,354,398	3,267,555
Capital Assets	3,322,851	3,268,931	-	-	3,322,851	3,268,931
Total Assets	6,312,303	6,186,305	364,946	350,181	6,677,249	6,536,486
Long-term liabilities outstanding	1,740,069	1,755,100	-	-	1,740,069	1,755,100
Other liabilities	108,779	102,653	-	-	108,779	102,653
Total liabilities	1,848,848	1,857,753	-	-	1,848,848	1,857,753
Net assets:						
Invested in Capital assets						
net of related debt	2,143,198	2,009,276			2,143,198	2,009,276
Restricted	490,715	432,267	364,946	350,181	855,661	782,448
Unrestricted	1,829,542	1,887,009	-	-	1,829,542	1,887,009
Total net assets	4,463,455	4,328,552	364,946	350,181	4,463,455	4,678,733

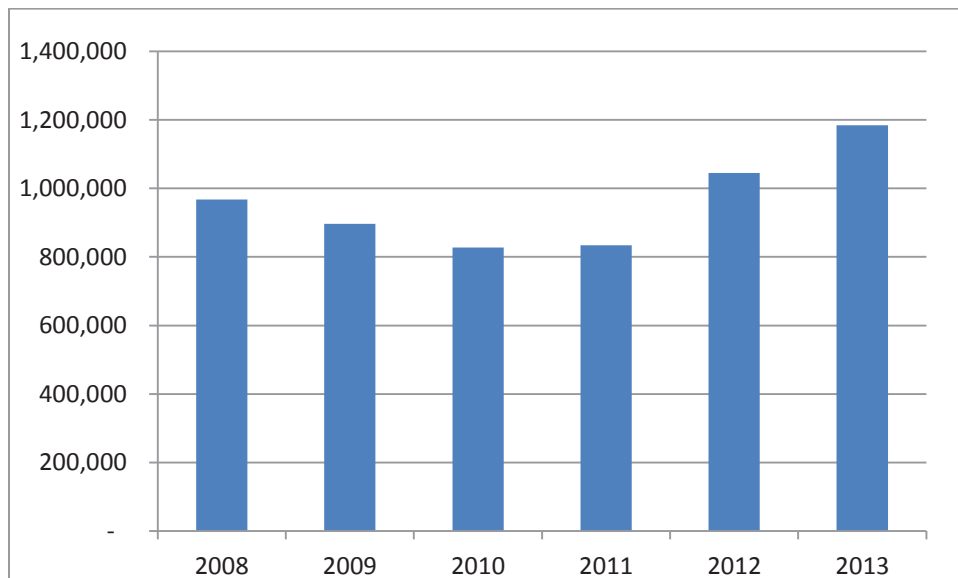
As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Boiling Spring Lakes exceeded liabilities by \$4,828,401 as of June 30, 2014. The City's net assets increased by \$149,668 for the fiscal year ended June 30, 2014. This net increase resulted from an increase of \$73,213 in restricted net assets, a decrease in unrestricted net assets of \$57,467, and an increase of \$133,922 invested in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Boiling Spring Lakes uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Boiling Spring Lakes' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Restricted net assets represent resources that are subject to external restrictions (Water Assessments and Powell Bill) on how they may be used. The remaining balance of net position, \$1,829,542 is unrestricted, a decrease of \$ 57,467 from the prior fiscal year.

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

- Continued diligence in the collection of real property taxes by maintaining an average tax collection percentage (2008-2013) of 98.1%, which is comparable to the statewide average of 97.5%.



- Increased sales tax revenues due to improving economic conditions in Brunswick County.



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

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues						
Charges for Services	184,913	189,442	1,178	17,505	186,091	206,947
Operating grants and contributions	380,109	336,827	-	-	380,109	336,827
Capital grants and contributions	1,334	32,481	12,229	-	13,563	32,481
General Revenues:						
Property Taxes	744,360	881,789	-	-	744,360	881,789
Other Taxes	1,578,937	1,580,136	-	-	1,578,937	1,580,136
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Unrestricted investment income	6	26	-	-	6	26
Other	13,110	32,478	1,374	10,316	14,484	42,794
<b>Total Revenues</b>	<b>2,902,769</b>	<b>3,053,179</b>	<b>14,781</b>	<b>27,821</b>	<b>2,917,550</b>	<b>3,081,000</b>
<b>Expenses</b>						
General Government	847,326	832,516	-	-	847,326	832,516
Public Safety	963,406	811,132	-	-	963,406	811,132
Transportation	549,871	576,216	-	-	549,871	576,216
Environmental Protection	2,561	5,069	-	-	2,561	5,069
Health and welfare	329,071	313,031	-	-	329,071	313,031
Cultural and recreation	27,840	21,216	-	-	27,840	21,216
Interest on long-term debt	47,791	63,138	-	-	47,791	63,138
Water	-	-	16	17,580	16	17,580
<b>Total Expenses</b>	<b>2,767,866</b>	<b>2,622,318</b>	<b>16</b>	<b>17,580</b>	<b>2,767,882</b>	<b>2,639,898</b>
Change in net assets before transfers	134,903	430,861	14,765	10,241	149,668	441,102
Special item - water assessment refunds	-	-	-	(324,329)	-	(324,329)
Special item - water system transfer	-	-	-	-	-	-
Tranfers	-	401,472	-	(401,472)	-	-
Change in net assets	134,903	832,333	14,765	(715,560)	149,668	116,773
Net assets, July 1	4,328,552	3,496,219	350,181	1,065,741	4,678,733	4,561,960
Net assets, June 30	4,463,455	4,328,552	364,946	350,181	4,828,401	4,678,733

**Governmental activities:** Governmental activities increased the City's net assets by \$129,835, while business-type activities increased the City's net assets by \$14,765. This increase is attributed to the refund of water assessment and transfer of unrestricted funds. Key elements of the government activities increase are as follows.

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

**Business-type activities:** Business-type activities increased the City of Boiling Spring Lakes' net assets by \$14,765. The key elements of this increase are as follows:

- Refund of water assessments
- Transfer of unrestricted funds to the general fund
- .

### **Financial Analysis of the City's Funds**

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

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

The General Fund is the chief operating fund of the City of Boiling Spring Lakes. At the end of the current fiscal year, the City's fund unassigned balance available in the General Fund was \$2,118,530, while the total fund balance was \$2,744,924. The unassigned fund balance represents 75% of general fund expenditures, while total fund balance represents 96% of the same amount.

At June 30, 2014, the governmental funds of City of Boiling Spring Lakes reported a combined fund balance of \$ 2,744,924 with an increase in fund balance of \$69,510. Included in this change in fund balance are increases in fund balance in the General and in the Capital Project Fund.

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

Revenues were more than the budgeted amounts primarily because intergovernmental revenues were more than anticipated. Expenditures were decreased and the City was able to comply with its budgetary requirements.

**Proprietary Funds.** The City of Boiling Spring Lakes' proprietary funds provide the same type of information found in the government-wide statements but in more detail. The total change in net assets for the fund was an increase of \$14,765. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Boiling Spring Lakes' business-type activities.

## Capital Asset and Debt Administration

**Capital assets.** The City of Boiling Spring Lakes' investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$3,323,351 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	152,421	132,936	-	-	152,421	132,936
Construction in Progress	148,355	157,298	-	-	148,355	157,298
Buildings	1,955,822	2,015,347	-	-	1,955,822	2,015,347
Machinery, Fixtures and Equipment	216,001	167,192	-	-	216,001	167,192
Vehicles	150,454	191,884	-	-	150,454	191,884
Infrastructure	699,798	604,274	-	-	699,798	604,274
Total	3,322,851	3,268,931	-	-	3,322,851	3,268,931

Additional information on the City's capital assets can be found in note III,A,3 of the Basic Financial Statements.

**Long-term Debt:** The City's total long term debt decreased by \$80,002 to \$ 1,179,623 as of June 30, 2014. .

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 \$42,418,151.

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

## Budget Highlights for the Fiscal Year Ending June 30, 2011

**Governmental Activities:** Due to the improving economic climate property taxes, sales taxes and revenues from permits, fees and street license fees are expected to show an increase in budgeted revenue from June 30, 2014. The City administration will monitor the economic conditions in Brunswick County and remain poised to make adjustments to the budget as warranted. Budgeted expenditures in the General Fund will be reduced if required. Construction was concluded by Brunswick County Department of Utilities for a Sewer Collection System along the Highway 87 Commercial Corridor and necessary pump stations and transmission lines.

**Business – type Activities:** The City completed the second phase of the water system in December of 2010 and had properly transferred all water system assets to the County at June 30, 2011. Unused Water Assessments are being refunded by the City as provided under the provisions of N. C. General Statutes. The refunds were completed during the year ended June 30, 2014. Unrestricted assets of the

Water Fund have been periodically transferred to the General Fund. It is anticipated that the final transfer will occur in FY 2015. In FY 2013 these assets were used to create the Capital Improvement Fund with an initial balance of \$ 150,000. As of June 30, 2014 the remaining balances of this fund was \$ 122,055 and are considered restricted funds.

### **Requests for Information**

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

## BASIC FINANCIAL STATEMENTS

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

EXHIBIT 1

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Component Units</u>
<b>ASSETS</b>				
Current assets:				
Cash and equivalents	2,238,275	62,749	2,301,024	68,810
Taxes receivable (net)	113,500	-	113,500	-
Accrued interest receivable on taxes	24,907	-	24,907	-
Due from other governmental agencies	323,813	-	323,813	-
Due from component unit	3,980	-	3,980	-
Inventories	-	-	-	63,518
Prepaid expenses	-	-	-	5,875
Restricted cash and cash equivalents	284,977	84,893	369,870	-
Restricted accounts receivable	-	217,304	217,304	-
Total current assets	<u>2,989,452</u>	<u>364,946</u>	<u>3,354,398</u>	<u>138,203</u>
Non-current assets:				
Capital assets				
Land and improvements not being depreciated	152,421	-	152,421	15,000
Construction in progress	148,355	-	148,355	-
Other capital assets, net of depreciation	3,022,075	-	3,022,075	131,883
Total capital assets	<u>3,322,851</u>	<u>-</u>	<u>3,322,851</u>	<u>146,883</u>
Total assets	<u>6,312,303</u>	<u>364,946</u>	<u>6,677,249</u>	<u>285,086</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued expenses	106,121	-	106,121	63,216
Due to primary government	-	-	-	3,980
Accrued interest	2,037	-	2,037	-
Current portion of long-term liabilities	161,306	-	161,306	-
Total current liabilities	<u>269,464</u>	<u>-</u>	<u>269,464</u>	<u>67,196</u>
Long-term liabilities				
Due in more than one year	1,579,384	-	1,579,384	-
Total liabilities	<u>1,848,848</u>	<u>-</u>	<u>1,848,848</u>	<u>67,196</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,143,198	-	2,143,198	146,883
Restricted for:				
Stabilization by State Statute	327,793	-	327,793	-
Streets - Powell Bill	162,922	-	162,922	-
Capital outlay	-	364,946	364,946	18,745
Unrestricted	1,829,542	-	1,829,542	52,262
Total net position	<u>4,463,455</u>	<u>364,946</u>	<u>4,828,401</u>	<u>217,890</u>

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2014

EXHIBIT 2

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for	Operating Grants	Capital Grants	Governmental	Business-type	Total	
		Services	and Contributions	and Contributions	Activities	Activities		
<b>Primary government</b>								
Governmental activities								
General Government	847,326	151	3,271	-	(843,904)		(843,904)	
Public Safety	963,406	42,668	60,545	353	(859,840)		(859,840)	
Transportation	549,871	21,000	303,377	-	(225,494)		(225,494)	
Health Sanitation and Welfare	2,561	-	1,012	-	(1,549)		(1,549)	
Culture and Recreation	329,071	121,094	11,904	981	(195,092)		(195,092)	
Environmental protection	27,840	-	-	-	(27,840)		(27,840)	
Interest on Long-term debt	47,791	-	-	-	(47,791)		(47,791)	
Total governmental activities	<u>2,767,866</u>	<u>184,913</u>	<u>380,109</u>	<u>1,334</u>	<u>(2,201,510)</u>		<u>(2,201,510)</u>	
Business-type activities								
Water and Sewer Operations	16	1,178	-	12,229		13,391	13,391	
Total business-type activities	<u>16</u>	<u>1,178</u>	<u>-</u>	<u>12,229</u>		<u>13,391</u>	<u>13,391</u>	
Total primary government	<u>2,767,882</u>	<u>186,091</u>	<u>380,109</u>	<u>13,563</u>	<u>(2,201,510)</u>	<u>13,391</u>	<u>(2,188,119)</u>	
<b>Component Units</b>								
Boiling Spring Lakes ABC Board	488,314	488,314	-	-				-
Total component units	<u>488,314</u>	<u>488,314</u>	<u>-</u>	<u>-</u>				<u>-</u>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					744,360	-	744,360	-
Other taxes					1,578,937	-	1,578,937	-
Unrestricted investment earnings					6	-	6	-
Miscellaneous					13,110	1,374	14,484	-
Total general revenues, special items, and transfers					<u>2,336,413</u>	<u>1,374</u>	<u>2,337,787</u>	-
Change in net position					134,903	14,765	149,668	-
Net position - beginning					<u>4,328,552</u>	<u>350,181</u>	<u>4,678,733</u>	<u>217,890</u>
Net position - ending					<u>4,463,455</u>	<u>364,946</u>	<u>4,828,401</u>	<u>217,890</u>

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

EXHIBIT 3  
Page 1 of 2

	<u>Major Fund</u>	<u>Total Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Spillway Capital Project Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	2,224,651	13,624	2,238,275
Taxes receivable, net	113,500	-	113,500
Receivable from other governments	323,813	-	323,813
Receivable from other component unit	3,980		3,980
Restricted assets:			
Cash and cash equivalents	284,977		284,977
Total assets	<u>2,950,921</u>	<u>13,624</u>	<u>2,964,545</u>
<b>LIABILITIES</b>			
Accounts payable	106,121	-	106,121
Total liabilities	<u>106,121</u>	<u>-</u>	<u>106,121</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	113,500	-	113,500
Total deferred inflows of resources	<u>113,500</u>	<u>-</u>	<u>113,500</u>
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State Statute	327,793	-	327,793
Streets	162,922	-	162,922
Committed			
Capital outlay	122,055	13,624	135,679
Unassigned	2,118,530		2,118,530
Total fund balances	<u>2,731,300</u>	<u>13,624</u>	<u>2,744,924</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>2,950,921</u>	 <u>13,624</u>	 <u>2,964,545</u>

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

EXHIBIT 3  
Page 2 of 2

Total fund balance, governmental funds	2,744,924
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	3,322,851
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Liabilities for earned revenues considered deferred inflows of resources in fund statements.	113,500
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Accrued interest receivable from property taxes	24,907
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Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(1,742,727)
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Net position of governmental funds	<u><u>4,463,455</u></u>
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**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

EXHIBIT 4  
Page 1 of 2

	<u>Major Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Spillway Capital Project Fund</u>	
<b>REVENUES</b>			
Property taxes	747,707	-	747,707
Other taxes	7,041	-	7,041
Unrestricted intergovernmental revenues	1,571,896	-	1,571,896
Restricted intergovernmental revenues	367,244	-	367,244
Licenses and permits	63,507	-	63,507
Sales and services	121,084	-	121,084
Investment earnings	6	-	6
Miscellaneous	27,550	9,024	36,574
Total revenues	<u>2,906,035</u>	<u>9,024</u>	<u>2,915,059</u>
<b>EXPENDITURES</b>			
Current:			
General government	791,661	-	791,661
Public safety	910,343	-	910,343
Transportation	593,831	-	593,831
Environmental protection	29,073	-	29,073
Health and welfare	1,328	-	1,328
Culture and recreation	391,029	81	391,110
Debt Service:			
Principal	80,002	-	80,002
Interest and other charges	48,201	-	48,201
Total expenditures	<u>2,845,468</u>	<u>81</u>	<u>2,845,549</u>
Excess (deficiency) of revenues over expenditures	<u>60,567</u>	<u>8,943</u>	<u>69,510</u>
Net change in fund balances	60,567	8,943	69,510
Fund balances - beginning	2,670,733	4,681	2,675,414
Fund balances - ending	<u><u>2,731,300</u></u>	<u><u>13,624</u></u>	<u><u>2,744,924</u></u>

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014**

EXHIBIT 4  
Page 2 of 2

Net change in fund balances - total governmental funds: 69,510

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

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

Capital outlay expenditures which were capitalized	284,738
Depreciation expense for governmental assets	(221,875)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.

(8,943)

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

Change in unavailable revenue for tax revenues	(3,347)
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The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	80,002
Accrued interest	410

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

Compensated absences	(2,250)
Net pension obligation	1,943
Unfunded OPEB benefits	(65,285)

Total changes in net position of governmental activities	<u>134,903</u>
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The accompanying notes are an integral part of the financial statements.

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

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year ended June 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Ad valorem taxes	693,513	693,513	747,707	54,194
Other taxes	7,500	7,500	7,041	(459)
Unrestricted intergovernmental revenues	1,550,244	1,550,244	1,571,896	21,652
Restricted intergovernmental revenues	333,437	355,665	367,244	11,579
Licenses and permits	62,575	62,575	63,507	932
Sales and services	126,520	133,158	121,084	(12,074)
Investment earnings	-	-	6	6
Miscellaneous	14,320	16,421	27,550	11,129
Total revenues	<u>2,788,109</u>	<u>2,819,076</u>	<u>2,906,035</u>	<u>86,959</u>
<b>EXPENDITURES</b>				
Current:				
General government	735,712	804,322	791,661	12,661
Public Safety	876,000	918,629	910,343	8,286
Transportation	690,139	690,139	593,831	96,308
Environmental protection	26,150	29,980	29,073	907
Health and welfare	5,800	5,212	1,328	3,884
Culture and recreation	326,570	409,070	391,029	18,041
Debt Service:				
Principal	80,001	80,002	80,002	-
Interest and other charges	48,202	48,201	48,201	-
Contingency	24,535	-	-	-
Total expenditures	<u>2,813,109</u>	<u>2,985,555</u>	<u>2,845,468</u>	<u>140,087</u>
Excess (deficiency) of revenues over expenditures	<u>(25,000)</u>	<u>(166,479)</u>	<u>60,567</u>	<u>227,046</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	27,945	27,945	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>27,945</u>	<u>27,945</u>	<u>-</u>
<b>SPECIAL ITEM</b>				
Fund balance appropriated	<u>25,000</u>	<u>138,534</u>	<u>-</u>	<u>(138,534)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>88,512</u>	<u>88,512</u>
Fund balances - beginning			<u>2,520,733</u>	
Fund balances - ending			2,609,245	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Transfer to General Fund			(27,945)	
Fund balance, beginning			<u>150,000</u>	
Fund balance, ending (Exhibit 4)			<u>2,731,300</u>	

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2014**

EXHIBIT 6

	<u>Enterprise Funds</u>	
	<u>Water Fund</u>	<u>Total</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	62,749	62,749
Restricted cash and cash equivalents	84,893	84,893
Accounts receivable, net	217,304	217,304
Total current assets	<u>364,946</u>	<u>364,946</u>
 Total assets	 <u>364,946</u>	 <u>364,946</u>
 <b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	-	-
Total liabilities	<u>-</u>	<u>-</u>
 <b>NET POSITION</b>		
Restricted for capital projects	-	-
Unrestricted	364,946	364,946
Total net position	<u>364,946</u>	<u>364,946</u>

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2014**

EXHIBIT 7

	<u>Enterprise Funds</u>	
	<u>Water Fund</u>	<u>Total</u>
<b>REVENUES</b>		
Miscellaneous	1,178	1,178
Total operating revenues	<u>1,178</u>	<u>1,178</u>
<b>OPERATING EXPENSES</b>		
Water and sewer operations	16	16
Total operating expenses	<u>16</u>	<u>16</u>
Operating income (loss)	<u>1,162</u>	<u>1,162</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Miscellaneous revenue	1,374	1,374
Total non-operating revenue (expenses)	<u>1,374</u>	<u>1,374</u>
Income (loss) before contributions and transfers	2,536	2,536
Capital contributions	<u>12,229</u>	<u>12,229</u>
Change in net position	14,765	14,765
Total net position - beginning	<u>350,181</u>	<u>350,181</u>
Total net position - ending	<u><u>364,946</u></u>	<u><u>364,946</u></u>

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2014**

EXHIBIT 8

	<b>Major Enterprise Funds</b>	
	<b>Water Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	1,178	1,178
Cash paid for goods and services	(16)	(16)
Net cash provided (used) by operating activities	<u>1,162</u>	<u>1,162</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions-customers	<u>13,741</u>	<u>13,741</u>
Net cash provided (used) by capital and related financing activities	<u>13,741</u>	<u>13,741</u>
Net increase (decrease) in cash and cash equivalents	14,903	14,903
Cash and cash equivalents, beginning	<u>132,739</u>	<u>132,739</u>
Cash and cash equivalents, ending	<u><u>147,642</u></u>	<u><u>147,642</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income (loss)	<u>1,162</u>	<u>1,162</u>
Total adjustments	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u><u>1,162</u></u>	<u><u>1,162</u></u>

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014

EXHIBIT 9  
Page 1 of 20

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Town of Boiling Spring Lakes ABC Board

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

B. Basis of Presentation

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

The City reports the following non-major governmental fund:

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

The City reports the following major proprietary funds:

**Water Fund.** As of May 1, 2010, the City's water system and related debt was transferred to Brunswick County. At the date of transfer, there were uncollected assessments that were levied to finance the construction of the system. Through special legislation, a portion of the assessments collected through December 31, 2011 was approved to be refunded to the original payer of the assessment. This fund is used to account for the assessments collected, but not yet refunded.

C. Measurement Focus and Basis of Accounting

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

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

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

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

I. SUMMARY OF SIGNIFIICAT ACCOUNTING POLICIES (Continued)

governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. 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.

6. Inventory and Prepaid Items

The inventory of the City and 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 inventories of the City's enterprise fund and those of the ABC Board consist of materials and supplies held for subsequent use. The costs of these inventories are recorded as an expense as the inventories are consumed rather than when purchased.

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

7. Capital Assets

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. 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. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflow of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only one item that meet the criterion for this category – property taxes receivable.

9. Long-Term Debt

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Boiling Spring Lakes' governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

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

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

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

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Noncompliance with N.C. General Statutes

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

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2014, the City's deposits had a carrying amount of \$2,608,929 and a bank balance of \$2,672,403. The carrying amount of deposits of the ABC Board was \$68,210 and the bank balance was \$73,673. Of the bank balance \$73,673 of the ABC Board and \$250,000 of the City was covered by federal depository insurance. At June 30, 2014, the City's petty cash funds totaled \$720 and the ABC Board totaled \$600.

At June 30, 2014, the City had \$61,245 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

## 2. Restricted Assets

Restricted assets presented in the Balance Sheet and Statement of Net Position at June 30, 2014 are as follows:

### **Restricted Cash:**

#### Governmental Activities

General Fund	
Streets	162,922
Capital Outlay	122,055
Total Governmental Activities	<u>284,977</u>

#### Business-type Activities

Water and Sewer Fund	<u>84,893</u>
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Total Restricted Cash	<u><u>369,870</u></u>
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### **Restricted Accounts Receivable:**

Water and Sewer Fund	
Assessments Receivable	<u><u>217,304</u></u>

## 2. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2014 are net of the following allowances for doubtful accounts:

#### General Fund:

Taxes receivable	27,910
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#### Enterprise Fund:

Assessments receivable	<u>31,479</u>
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Total	<u><u>59,389</u></u>
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III. DETAIL NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2014 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
<b>Capital assets not being depreciated:</b>				
Land and improvements	132,936	19,485		152,421
Construction in progress	157,298		8,943	148,355
Total capital assets not being depreciated	290,234	19,485	8,943	300,776
<b>Capital assets being depreciated:</b>				
Buildings	2,363,536			2,363,536
Other improvements	54,003			54,003
Machinery equipment, furniture and fixtures	881,556	102,269	33,127	950,698
Vehicles	718,845	19,217	13,050	725,012
Infrastructure	919,984	143,767		1,063,751
Total capital assets being depreciated	4,937,924	265,253	46,177	5,157,000
<b>Less accumulated depreciation for:</b>				
Buildings	389,956	58,200		448,156
Other improvements	12,236	1,325		13,561
Machinery equipment, furniture and fixtures	714,364	53,460	33,127	734,697
Vehicles	526,961	60,647	13,050	574,558
Infrastructure	315,710	48,243		363,953
Total accumulated depreciation	1,959,227	221,875	46,177	2,134,925
Total capital assets being depreciated, net	2,978,697			3,022,075
<b>Governmental activities capital assets, net</b>	<u>3,268,931</u>			<u>3,322,851</u>

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

General government	124,742
Public safety	36,167
Transportation	44,372
Culture and recreation	16,594
Total depreciation expense	<u>221,875</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital assets not being depreciated:</b>				
Land	15,000			15,000
Total capital assets not being depreciated	15,000	-	-	15,000
<b>Capital assets being depreciated:</b>				
Buildings and improvements	146,747			146,747
Furniture, fixtures and office equipment	18,498			18,498
Total capital assets being depreciated	165,245	-	-	165,245
<b>Less accumulated depreciation for:</b>				
Buildings	21,125	5,894		27,019
Furniture, fixtures and office equipment	4,476	1,867		6,343
Total accumulated depreciation	25,601	7,761	-	33,362
Total capital assets being depreciated, net	139,644	(7,761)	-	131,883
<b>ABC capital assets, net</b>	<b>154,644</b>	<b>(7,761)</b>	<b>-</b>	<b>146,883</b>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Government Employees' Retirement System

*Plan Description* - The City of Boiling Spring Lakes contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy* - Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.14%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Boiling Spring Lakes is established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$78,458, \$67,773 and \$68,879, respectively. The contributions made by the City equaled the required contribution for each year.

### III. DETAIL NOTES ON ALL FUNDS (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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers for the City are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>12</u>
Total	13

A separate report was not issued for the plan.

##### (2) Summary of Significant Accounting Policies

*Basis of Accounting* - The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures will be made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

##### (3) Contributions

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

The annual required contribution for the fiscal current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases.

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

Employer annual required contribution	13864
Interest on net pension obligation	751
Adjustment to annual required contribution	(1,224)
Annual pension cost	13,391
Contributions made	15,334
Increase (decrease) in net pension obligation	(1,943)
Net pension obligation beginning of year	15,027
Net pension obligation end of year	13,084

Three Year Trend Information

For Year Ended <u>June 30</u>	Annual Pension Cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension Obligation <u>End of Year</u>
2012	14,981	102.36%	14,235
2013	16,126	95.09%	15,027
2014	13,391	114.51%	13,084

(4) Funded Status and Funding Progress.

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability (UAAL) was \$79,541. The covered payroll (annual payroll of active employees covered by the plan) was \$479,226, and the ratio of the UAAL to the covered payroll was 16.60 percent.

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

c. Supplemental Retirement Income Plan

*Plan Description* - The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcements officers employed by the City. The City has elected to provide the same benefits to all employees of the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial

III. DETAIL NOTES ON ALL FUNDS (Continued)

Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919)981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each law officer's salary. This required contribution, along with the City's elective contribution for other employees' salary, are contributed monthly and are vested immediately. In addition, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$91,363, which consisted of \$54,976 from the City, \$13,978 from the law enforcement officers and \$22,682 from the other employees.

d. Other Postemployment Benefits – Healthcare Benefits

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

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

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

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

Funding Policy. The City has chosen to fund the healthcare benefits on a pay as you go basis. The current annual required contribution (ARC) is 7.90% of covered payroll. For the current year, the City contributed \$30,491 or 2.53%. The City's obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

Annual required contribution	95,017
Interest on OPEB obligation	17,012
Adjustment to annual required contribution	(16,252)
Annual OPEB cost (expense)	95,777
Contributions made	30,491
Increase (decrease) in OPEB obligation	65,286
Net OPEB obligation, beginning of year	425,310
Net OPEB obligation, end of year	490,596

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

For Year Ended <u>June 30</u>	Annual <u>OPEB Cost</u>	OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
2014	95,777	31.8%	490,596
2013	113,720	18.6%	425,310
2012	128,320	16.1%	332,754

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

e. Other Employment Benefits

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

2. Deferred Outflows and Inflows of Resources

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

	Unavailable
	<u>Revenue</u>
Taxes receivable (General Fund)	113,500

3. Commitments

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains insurance through commercial companies that provide the following types of major coverage for the amounts of retained risk noted: general liability, public official and law enforcement liability (\$1,000,000 per occurrence with \$3,000,000 aggregate); auto liability (\$1,000,000 per person with \$3,000,000 total); property (\$3,704,421 blanket coverage with limits for each property); workers' compensation (\$1,000,000 coverage each occurrence); wind and hail (policy amounts for each property). Employee health coverage is provided with commercial company. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

5. Claims, Judgments and Contingent Liabilities

At June 30, 2014, the City was a defendant to three items of litigation. In the opinion of the City's management and the City Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. Installment Purchase Contracts

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

Annual debt service payments of the installment purchase as of June 30, 2014, including \$344,864 of interest are as follows:

Governmental Activities		
Year Ending June 30	<u>Principal</u>	<u>Interest</u>
2015	80,000	45,050
2016	80,000	41,961
2017	80,000	38,686
2018	80,000	35,594
2019	80,000	32,442
2020-2024	400,000	114,957
2025-2029	379,653	36,174
Total	<u>1,179,653</u>	<u>344,864</u>

b. Changes in General Long-Term Liabilities

Government activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Installment purchases	1,259,655		80,002	1,179,653	80,000
Compensated absences	55,107	37,550	35,300	57,357	37,731
Net pension obligation	15,027	13,391	15,334	13,084	13,084
Other postemployment benefits	425,311	95,776	30,491	490,596	30,491
Government activity long-term liabilities	<u>1,755,100</u>	<u>146,717</u>	<u>161,127</u>	<u>1,740,690</u>	<u>161,306</u>

c. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2014 consists of the following:

Capital assets	3,322,851
Less: Long-term debt	<u>1,179,653</u>
Net investment in capital assets	<u>2,143,198</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

d. Fund Balance

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

Total fund balance-General Fund	2,731,300
Less:	
Stabilization by State Statutes	327,793
Streets - Powell Bill	162,922
Capital outlay	122,055
	<hr/>
Remaining fund balance	2,118,530
	<hr/>

e. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2014 consist of a transfer from the Capital Reserve Fund to the General Fund in the amount of \$27,945 for capital outlay purposes.

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

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

IV. JOINTLY GOVERNED ORGANIZATIONS

The City, in conjunction with four counties and thirty two other municipalities established the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$1,017 to the Council during the fiscal year ended June 30, 2014.

V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

VI. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS.

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

REQUIRED  
SUPPLEMENTAL FINANCIAL DATA

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

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

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

Schedule of Funding Progress for the Other Postemployment Benefits.

Schedule of Employer Contributions for the Other Postemployment Benefits..

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

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

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

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

Notes to the Required Schedules:

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

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25 - 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

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

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

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

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

Notes to the Required Schedules:

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

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

## SUPPLEMENTARY STATEMENTS

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
GENERAL FUND - BUDGETARY BASIS  
COMPARATIVE BALANCE SHEET  
June 30, 2014 and 2013

EXHIBIT B-1

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	2,224,651	2,155,741
Receivables (net):		
Taxes	113,500	119,049
Due from other governments	323,813	327,237
Due from component unit	3,980	864
Restricted cash and cash equivalents	<u>162,922</u>	<u>104,760</u>
Total assets	<u><u>2,828,866</u></u>	<u><u>2,707,651</u></u>
LIABILITIES		
Accounts payable	106,121	67,869
Due to other funds	-	-
Accruals and deposits	<u>-</u>	<u>-</u>
Total liabilities	<u>106,121</u>	<u>67,869</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenues	<u>113,500</u>	<u>119,049</u>
Total deferred inflows of resources	<u>113,500</u>	<u>119,049</u>
FUND BALANCES		
Restricted		
Stabilization by State Statute	327,793	328,101
Streets	162,922	104,166
Unassigned	<u>2,118,530</u>	<u>2,088,466</u>
Total fund balances	<u>2,609,245</u>	<u>2,520,733</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>2,828,866</u></u>	<u><u>2,707,651</u></u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014  
With Comparative Actual Amounts for Year Ended June 30, 2013

EXHIBIT B-2  
Page 1 of 9

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<u>Revenues</u>				
Ad valorem				
Current year	673,013	703,679	30,666	825,533
Prior year	18,000	35,531	17,531	31,569
Penalties and interest	2,500	8,497	5,997	9,474
Total	<u>693,513</u>	<u>747,707</u>	<u>54,194</u>	<u>866,576</u>
Other taxes				
Privilege licenses	5,000	5,261	261	5,372
Dog tax	2,500	1,780	(720)	2,920
Total	<u>7,500</u>	<u>7,041</u>	<u>(459)</u>	<u>8,292</u>
Unrestricted intergovernmental revenues				
Local option sales tax	1,246,844	1,250,485	3,641	1,185,561
Franchise tax	138,815	136,381	(2,434)	125,982
Telecommunications sales tax	73,847	73,847	-	170,373
Video programing sales tax	67,338	67,338	-	66,696
Beer and wine excise tax	23,400	24,907	1,507	22,368
ABC profit distribution	-	18,938	18,938	864
Total	<u>1,550,244</u>	<u>1,571,896</u>	<u>21,652</u>	<u>1,571,844</u>
Restricted intergovernmental revenues				
Grant revenue	22,228	22,228	-	39,087
Governor Highway Grant	36,723	39,966	3,243	
"State Street-aid" allocation	292,390	299,053	6,663	292,390
NC DOT Right of Way	4,324	4,324	-	4,239
Police equipment grant	-	1,512	1,512	-
ABC revenue for law enforcement	-	161	161	-
Total	<u>355,665</u>	<u>367,244</u>	<u>11,579</u>	<u>335,716</u>
Permits and fees				
Building permits and inspection fees	43,825	42,507	(1,318)	43,456
Street license fees	18,750	21,000	2,250	12,750
Total	<u>62,575</u>	<u>63,507</u>	<u>932</u>	<u>56,206</u>
Sales and services				
Rents and concessions	13,680	14,029	349	13,622
Impound fees	500	-	(500)	625
Planning fees	-	-	-	200
Assessment-Tax lien	6,000	-	(6,000)	-
Community center revenue				
Programs and rentals	87,340	82,213	(5,127)	87,216

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, 2014  
With Comparative Actual Amounts for Year Ended June 30, 2013

EXHIBIT B-2  
Page 2 of 9

	2014			2013
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Memberships	18,000	17,204	(796)	16,676
Gifts and donations	7,638	7,638	-	14,639
Total	<u>133,158</u>	<u>121,084</u>	<u>(12,074)</u>	<u>132,978</u>
Investment earnings				
Investment earnings - other	-	6	6	26
Total	<u>-</u>	<u>6</u>	<u>6</u>	<u>26</u>
Miscellaneous revenue				
Sales and gas tax refunds	9,870	11,918	2,048	15,748
Sale of fixed assets	750	50	(700)	-
Xpress pay income	-	128	128	-
Advertising fees	-	23	23	158
Bike runs	520	731	211	1,111
Brunswick Senior Resource Donation	-	285	285	-
Small fry fishing tournament	2,781	3,367	586	2,060
Burning violation	-	-	-	100
Contributions	0	4,320	4,320	3,963
Miscellaneous	2,500	6,728	4,228	26,458
Total	<u>16,421</u>	<u>27,550</u>	<u>11,129</u>	<u>49,598</u>
Total revenues	<u>2,819,076</u>	<u>2,906,035</u>	<u>86,959</u>	<u>3,021,236</u>
<u>Expenditures</u>				
General government				
Governing body				
Salaries	8,000	8,000		8,000
Payroll taxes	612	612		612
Professional fees - attorney	6,000	5,035		3,512
Professional fees - audit	20,500	20,500		20,500
Per diem/travel	1,275	1,275		60
Ordinance codification	1,050	1,004		650
Tax collection fees	5,350	5,197		6,939
Noncapital purchases	2,060	3,068		-
Miscellaneous	3,000	3,120	-	433
Total	<u>47,847</u>	<u>47,811</u>	<u>36</u>	<u>40,706</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, 2014  
With Comparative Actual Amounts for Year Ended June 30, 2013

EXHIBIT B-2  
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	2014			2013
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Administration				
Salaries	216,528	215,312		213,562
Professional services	500	-		-
Payroll taxes	16,105	16,212		17,185
Employees' group insurance	29,025	27,738		23,752
Retirement	24,029	24,323		23,118
Other fringe benefits	20,875	23,522		4,555
Telephone and postage	9,396	6,540		5,896
Volunteer appreciation	738	737		538
Utility - water	10,750	10,866		8,179
Travel and training	5,600	5,562		9,514
Office equipment maintenance	6,440	6,498		19,833
Legal advertising	2,000	2,497		1,615
Office supplies	3,000	3,038		3,153
Gas, oil and tires	1,200	799		1,173
Emergency response	-	-		3,075
Fire Department contingency	5,500	5,500		4,000
Contracted services	17,994	17,081		28,215
Dues and subscriptions	8,675	8,700		7,224
Insurance - general	51,374	53,874		48,404
Workmen's compensation insurance	49,386	49,386		42,951
Miscellaneous expense	6,301	6,391		5,107
Bank service charges	3,591	3,766		1,742
Planning department	-	-		150
Express fees	54	26		-
Noncapital purchases	1,000	980	-	-
Total	<u>490,061</u>	<u>489,348</u>	<u>713</u>	<u>472,941</u>
Land use plan update				
Salaries	-	-		15,054
Payroll taxes	-	-		1,152
Telephone	-	-		484
Repairs and maintenance - vehicles	-	-		1,636
Gas, oil and tires	-	-		3,300
Office supplies	-	-		284
Supplies	-	-		761
Uniform allowance	-	-	-	319
	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,990</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, 2014  
With Comparative Actual Amounts for Year Ended June 30, 2013

EXHIBIT B-2  
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	2014			2013
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Public buildings				
Salaries	85,532	87,003		85,337
Seasonal help	6,800	2,151		5,152
Payroll taxes	7,063	6,684		6,805
Group insurance	21,046	20,932		17,891
Retirement	10,324	10,452		9,965
Telephone	2,280	1,776		2,383
Travel and training	500	30		119
Repairs and maintenance	10,500	9,625		11,835
Lawn care	8,000	7,457		5,985
Landscaping	4,000	3,035		3,380
Park repairs and maintenance	5,000	4,122		3,031
Fuel, oil and tires	7,500	6,823		6,613
Office supplies	350	132		45
Janitor supplies	5,200	3,431		4,012
Uniform allowance	300	175		200
Contracted services	1,985	1,972		-
Tool purchases and maintenance	5,000	4,732		7,570
Miscellaneous	500	97		625
Capital outlay	84,534	83,873	-	-
Total	266,414	254,502	11,912	170,948
<u>Total general government</u>	<u>804,322</u>	<u>791,661</u>	<u>12,661</u>	<u>707,585</u>
Public safety				
Police				
Salaries - G. H. S. P.	33,882	40,943		8,893
Salaries	414,410	402,297		336,182
Salaries - part-time	3,123	2,599		7,366
Separation allowance	15,334	15,334		15,334
Professional fees	1,730	1,730		451
Payroll taxes	32,773	33,870		27,256
Retirement	49,007	53,468		40,232
Employee group insurance	77,829	74,613		60,065
Retiree group insurance	12,128	12,375		12,128
Training and travel	6,600	6,543		2,152
Telephone and postage	7,920	6,433		6,379
Electricity and water	6,300	5,962		4,670
Vehicle maintenance	7,000	6,891		10,260
Governor's Highway Safety grant	-	280		4,894
Police office equipment maintenance	300	122		435
Gas, oil and tires	46,600	46,299		35,289

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, 2014  
With Comparative Actual Amounts for Year Ended June 30, 2013

EXHIBIT B-2  
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	2014			2013
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Police office supplies	1,500	1,425		1,511
Uniform allowance	12,176	12,176		6,612
Small fry fishing tournament	3,581	3,570		2,675
Contracted services	17,447	18,907		7,004
Special investigations	776	776		1,578
Miscellaneous expense	1,300	786		3,615
GCC Block Grant	10,000	10,000		-
Grants& Donations - Interview room	8,336	8,336		-
Non-capital outlay	2,995	2,944		5,997
Capital outlay	-	-	-	160,760
Total	<u>773,047</u>	<u>768,679</u>	<u>4,368</u>	<u>761,738</u>
Animal control				
Gas, tires, oil	1,020	-		-
Miscellaneous	2,443	1,383		-
Capital outlay	20,849	20,232	-	-
Total	<u>24,312</u>	<u>21,615</u>	<u>2,697</u>	<u>-</u>
Inspections				
Salaries	85,208	87,382		84,480
Payroll taxes	6,518	6,656		6,461
Retirement	10,284	10,614		9,915
Employee group insurance	8,121	6,788		11,417
Telephone and postage	1,320	700		1,383
Training and travel	2,260	2,260		1,278
Vehicle maintenance	197	197		493
Gas, oil and tires	2,000	1,009		930
Office supplies	500	355		204
Office equipment	715	475		87
Departmental supplies	500	133		-
Contracted services	3,029	3,106		660
Uniform allowance	200	135		173
Miscellaneous expense	251	72		72
Non-capital outlay	167	167	-	-
Total	<u>121,270</u>	<u>120,049</u>	<u>1,221</u>	<u>117,553</u>
Total public safety	<u>918,629</u>	<u>910,343</u>	<u>8,286</u>	<u>879,291</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, 2014  
With Comparative Actual Amounts for Year Ended June 30, 2013

EXHIBIT B-2  
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	2014			2013
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Transportation				
Streets				
Salaries	207,087	197,967		199,970
Payroll taxes	15,842	14,734		15,004
Employee group insurance	35,708	33,893		34,818
Retirement	24,995	24,009		23,474
Retiree supplemental insurance	7,300	8,472		7,412
Street lights	24,000	21,138		18,855
Telephone	5,279	4,351		4,070
Propane	5,091	5,091		1,629
Electricity	4,020	3,947		3,316
Travel and training	764	764		240
Street surfacing and maintenance	115,168	60,801		120,526
Resurfacing/Paving project	143,767	143,767		81,005
Office equipment repairs	-	-		75
Maintenance - other equipment	28,500	26,198		29,586
Office supplies	200	189		141
Shop supplies	3,500	2,097		3,084
Fuel, oil and tires - grader	40,000	30,715		25,759
Street culverts	7,000	-		5,225
Street department supplies	2,500	1,786		1,663
Safety supplies	1,650	560		240
Safety sign replacement	6,000	5,903		4,949
Uniforms	730	726		951
Contracted services	4,034	2,833		677
NCDOT Right of Way	4,239	2,715		4,228
Miscellaneous expense	1,465	1,175		2,009
Non-capital outlay - streets	800	-	-	525
<u>Total transportation</u>	<u>690,139</u>	<u>593,831</u>	<u>96,308</u>	<u>589,431</u>
Environmental protection				
Sanitation				
Electricity	1,150	1,243		750
Debris removal	1,000	-		640
Contractual services	27,830	27,830	-	19,652
<u>Total environmental protection</u>	<u>29,980</u>	<u>29,073</u>	<u>907</u>	<u>21,042</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, 2014  
With Comparative Actual Amounts for Year Ended June 30, 2013

EXHIBIT B-2  
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	2014			2013
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Health and welfare				
Mosquito control				
Travel and training	1,500	140		1,120
Fuel, oil - equipment	800	356		929
Maintenance - equipment	600	-		-
Vehicle supplies	100	-		-
Miscellaneous	-	10		1,564
Chemical supplies	2,112	722		888
Chemical storage shed	-	-		642
NPDES Permit fees	100	100	-	100
<u>Total health and welfare</u>	<u>5,212</u>	<u>1,328</u>	<u>3,884</u>	<u>5,243</u>
Culture and recreation				
Parks and recreation				
Bike runs	3,024	3,023		2,496
Community fun day	1,080	1,077		1,376
Battle of the bands	770	737		951
Haunted hay ride	2,906	406		404
Miscellaneous	-	2,406	-	-
<u>Total</u>	<u>7,780</u>	<u>7,649</u>	<u>131</u>	<u>5,227</u>
Community appearance				
Community appearance	2,880	2,880		-
Miscellaneous	200	156	-	98
<u>Total</u>	<u>3,080</u>	<u>3,036</u>	<u>44</u>	<u>98</u>
Dams and lakes				
Contracted services	47,600	34,750		-
Repairs and maintenance	2,000	2,743		8,317
Electricity	-	-		71
Operating expenses	5,000	16,460		2,808
Water testing	3,000	1,830		3,175
Non-capital outlay	-	-		1,252
Capital outlay - boat	750	-		392
Portable pumps	500	-	-	18,541
<u>Total</u>	<u>58,850</u>	<u>55,783</u>	<u>3,067</u>	<u>34,556</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, 2014  
With Comparative Actual Amounts for Year Ended June 30, 2013

EXHIBIT B-2  
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	2014			2013
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Community Center				
Salaries	100,122	102,490		92,714
Part-time and temporary help	50,092	40,526		43,019
Payroll taxes	11,491	10,572		10,398
Retirement	12,085	12,166		11,223
Employees group insurance	21,246	21,082		19,909
Telephone and postage	4,439	4,169		2,998
Electricity, water and oil	8,500	8,140		7,752
Travel and training	1,750	1,668		3,033
Repairs and maintenance - parks	-	-		1,033
Repairs and maintenance - other	10,000	7,358		3,012
Advertising	1,300	668		1,171
Gas, oil, tires	4,700	5,072		3,970
Cleaning supplies	2,000	1,769		2,197
Office supplies	1,800	1,814		1,572
Uniform allowance	1,200	1,287		643
Contracted services	16,622	17,665		10,674
Grants and donations	7,400	7,456		14,084
Dues and subscriptions	1,105	1,606		908
Programs	37,017	32,574		34,659
Van rental	6,905	6,805		2,743
Miscellaneous expense	1,001	727		707
Non-capital outlay	-	1,841		6,300
Capital outlay	38,345	36,866	-	36,903
Total	339,120	324,321	14,799	311,622
<u>Total culture and recreation</u>	408,830	390,789	18,041	351,503
Debt service				
Principal retirement	80,002	80,002	-	413,951
Interest	48,441	48,441	-	65,194
Total	128,443	128,443	-	479,145
Contingency	-	-	-	-
<u>Total expenditures</u>	2,985,555	2,845,468	140,087	3,033,240
Revenues over (under) expenditures	(166,479)	60,567	227,046	(12,004)

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, 2014  
With Comparative Actual Amounts for Year Ended June 30, 2013

EXHIBIT B-2  
Page 9 of 9

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Other financing sources (uses)				
Transfer from Capital Reserve Fund	27,945	27,945	-	-
Transfer to Capital Reserve Fund	-	-	-	(150,000)
Transfer from Water Fund	-	-	-	401,472
Total other financing sources (uses)	<u>27,945</u>	<u>27,945</u>	<u>-</u>	<u>251,472</u>
Appropriated fund balance	138,534	-	(138,534)	-
Net change in fund balance	<u>-</u>	88,512	<u>88,512</u>	239,468
Fund balance, beginning		<u>2,520,733</u>		<u>2,281,265</u>
Fund balance, ending		<u>2,609,245</u>		<u>2,520,733</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
 CAPITAL RESERVE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2014  
 With Comparative Actual Amounts for Year Ended June 30, 2013

EXHIBIT B-3

	2014			2013
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
<u>Revenues</u>				
Total revenues	-	-	-	-
<u>Expenditures</u>				
Total expenditures	-	-	-	-
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Fund balance appropriated	27,945	-	(27,945)	-
Transfer from General Fund	-	-	-	150,000
Transfer to General Fund	(27,945)	(27,945)	-	-
Total other financing sources (uses)	-	(27,945)	(27,945)	150,000
Net change in fund balance	-	(27,945)	(27,945)	150,000
Fund balance, beginning		150,000		-
Fund balance, ending		122,055		150,000

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
 SPILLWAY CAPITAL PROJECT FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2014

EXHIBIT B-4

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenue					
Restricted intergovernmental					
NCDNER Grant	<u>59,248</u>	<u>70,904</u>	<u>-</u>	<u>70,904</u>	<u>11,656</u>
Miscellaneous revenue					
Refunds	<u>9,024</u>	<u>-</u>	<u>9,024</u>	<u>9,024</u>	<u>-</u>
Total Revenue	<u>68,272</u>	<u>70,904</u>	<u>9,024</u>	<u>79,928</u>	<u>11,656</u>
Expenditures					
Cultural and recreation					
Capital Outlay	<u>159,347</u>	<u>157,298</u>	<u>81</u>	<u>157,379</u>	<u>1,968</u>
Total Expenditures	<u>159,347</u>	<u>157,298</u>	<u>81</u>	<u>157,379</u>	<u>1,968</u>
Revenues over (under) expenditures	<u>(91,075)</u>	<u>(86,394)</u>	<u>8,943</u>	<u>(77,451)</u>	<u>13,624</u>
Other financing sources (uses):					
Transfer from General Fund	<u>91,075</u>	<u>91,075</u>	<u>-</u>	<u>91,075</u>	<u>-</u>
Total other financing sources (uses)	<u>91,075</u>	<u>91,075</u>	<u>-</u>	<u>91,075</u>	<u>-</u>
Excess (deficit) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>4,681</u>	<u>8,943</u>	<u>13,624</u>	<u>13,624</u>
Fund Balance, beginning			<u>4,681</u>		
Fund Balance, ending			<u>13,624</u>		

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
WATER FUND  
SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON-GAAP)  
For the Year Ended June 30, 2014  
With Comparative Actual Amounts for Year Ended June 30, 2013

EXHIBIT C-1  
Page 1 of 2

	2014		Variance	2013
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>	<u>Actual</u>
Revenues				
Miscellaneous	2,000	1,374	(626)	-
Recovery of doubtful accounts - water charges	-	1,178	1,178	17,505
Total operating revenues	<u>2,000</u>	<u>2,552</u>	<u>552</u>	<u>17,505</u>
Investment earnings				
Interest income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other revenues				
Water assessments collected	6,000	12,367	6,367	38,953
Assessment lien interest	-	-	-	10,316
Total other revenues	<u>6,000</u>	<u>12,367</u>	<u>6,367</u>	<u>49,269</u>
Total revenues	<u>8,000</u>	<u>14,919</u>	<u>6,919</u>	<u>66,774</u>
Expenditures				
Water distribution expenses				
Assessments refunded	4,000	-	4,000	324,329
Miscellaneous expense	4,000	16	3,984	17,580
Total water distribution expenses	<u>8,000</u>	<u>16</u>	<u>7,984</u>	<u>341,909</u>
Total expenditures	<u>8,000</u>	<u>16</u>	<u>7,984</u>	<u>341,909</u>
Revenues over(under) expenditures	<u>-</u>	<u>14,903</u>	<u>14,903</u>	<u>(275,135)</u>
Other financing sources (uses):				
Appropriated fund balance	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(401,472)</u>
Total other financial sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(401,472)</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
WATER FUND  
SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON-GAAP)  
For the Year Ended June 30, 2014  
With Comparative Actual Amounts for Year Ended June 30, 2013

EXHIBIT C-1  
Page 2 of 2

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues and other sources over (under) expenditures	<u>-</u>	14,903	<u>14,903</u>	(676,607)
Fund Balance (deficit)				
Beginning of year		<u>132,739</u>		<u>809,346</u>
End of year		<u>147,642</u>		<u>132,739</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Revenues and other sources (under) expenditures and other uses		<u>14,903</u>		
Reconciling items:				
Item reported in capital projects funds: Investment income		-		
Transfer to General Fund		-		
Depreciation expense - operations		-		
Inventory - supplies		-		
Capital outlays		-		
Payments on debt principal		-		
Increase in accrued vacation pay		-		
Accrued interest		-		
Assessment recognized in prior year on accrual basis		<u>(138)</u>		
Total reconciling items		<u>(138)</u>		
Change in net assets		<u>14,765</u>		

## OTHER SCHEDULES

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
June 30, 2014

EXHIBIT D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	-	743,849	704,728	39,121
2012-2013	55,392	-	27,691	27,701
2011-2012	23,949		6,460	17,489
2010-2011	15,255		4,213	11,042
2009-2010	11,805		1,276	10,529
2008-2009	9,114		845	8,269
2007-2008	13,015		267	12,748
2006-2007	6,782		67	6,715
2005-2006	4,721		111	4,610
2004-2005	3,312		126	3,186
2003-2004	3,376		3,376	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>146,721</u>	<u>743,849</u>	<u>749,160</u>	<u>141,410</u>
Less allowance for doubtful accounts:				
General Fund				<u>27,672</u>
Ad valorem taxes receivable - net				<u>113,738</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund			747,707	
Reconciling items:				
Interest collected			(8,497)	
Amounts written off for tax				
year 2003-2004 per statute				
of limitations			3,340	
Tax releases/adjustments			<u>6,610</u>	
Total collections and credits			<u>749,160</u>	

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
For the Fiscal Year Ended June 30, 2014

EXHIBIT D-2

	City-Wide			Total Levy	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property excl Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	472,766,889	0.14	661,874	661,874	-
Motor vehicles taxed at current year's rate	58,209,286	0.14	81,493	-	81,493
Penalties	-		482	159	323
 Total property valuation	530,976,175		743,849	662,033	81,816
 Releases					
Current year rate	(218,571)		(306)	(306)	
Motor vehicles	(530,721)		(743)	-	(743)
 Net levy	<u>530,226,883</u>		742,800	661,727	81,073
 Uncollected at June 30, 2013			<u>39,121</u>	<u>34,735</u>	<u>4,386</u>
 Current year's taxes collected			<u>703,679</u>	<u>626,992</u>	<u>76,687</u>
 Current levy collection percentage			94.7%	94.8%	94.6%

## COMPLIANCE SECTION

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

Independent Auditors' Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina, as of and for the year ended June 30, 2014, which collectively comprises the City of Boiling Spring Lakes' basic financial statements, and have issued our report thereon, dated November 21, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Town of Boiling Spring Lakes Board of Alcoholic Control were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and responses, item 2013-1, that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Boiling Spring Lakes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the City of Boiling Spring Lakes in a separate letter dated November 21, 2014.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the governing board, federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

Southport, North Carolina  
November 21, 2014

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2014

EXHIBIT E-1  
Page 1 of 1

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified?    yes   X  no
- Significant deficiency identified that are not considered to be material weakness   X  yes    none reported

Noncompliance material to financial statements noted    yes   X  no

II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

2013-1 Significant Audit Adjustments

Criteria: General ledger and other records should include all adjustments necessary for GAAP financial reporting

Condition: The finance department staff is competent, capable and performs daily and monthly functions very well. Their expertise is limited, however, in the area of financial statement preparation in accordance with generally accepted accounting principles, specifically with full accrual basis statements now required by GASB 34. .

Effect: Financial reporting could be misleading.

Cause: Finance manager lacks training in GAAP financial reporting.

Recommendation: Additional training should be accorded Finance Manager with additional supervision provided until such time as training is completed.

Views of responsible officials and planned corrective actions: The City of Boiling Spring Lakes' governing board feels that there are limited financial resources at this time for training the finance department staff in GAAP and that it is not cost beneficial to obtain additional assistance in this area. The City Manager will review the draft financial statements for material errors and reasonableness in amounts.