

CITY OF BOILING SPRING LAKES, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS

June 30, 2016

Board of Commissioners

Craig Caster, Mayor
Mark Stewart, Mayor Pro Tem
David Crawford
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, 2016, 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, 2016, 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, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on Exhibits A-1 through A-6, 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.

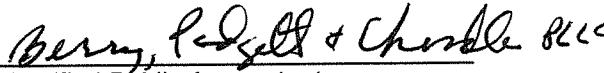
Supplementary and Other Information

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 purposes 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 30, 2016 on our consideration of City of Boiling Spring Lakes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Boiling Spring Lakes' internal control over financial reporting and compliance.


Berry, Padgett & Chumbley LLC
Certified Public Accountants

Southport, North Carolina
November 30, 2016

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, 2016. 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

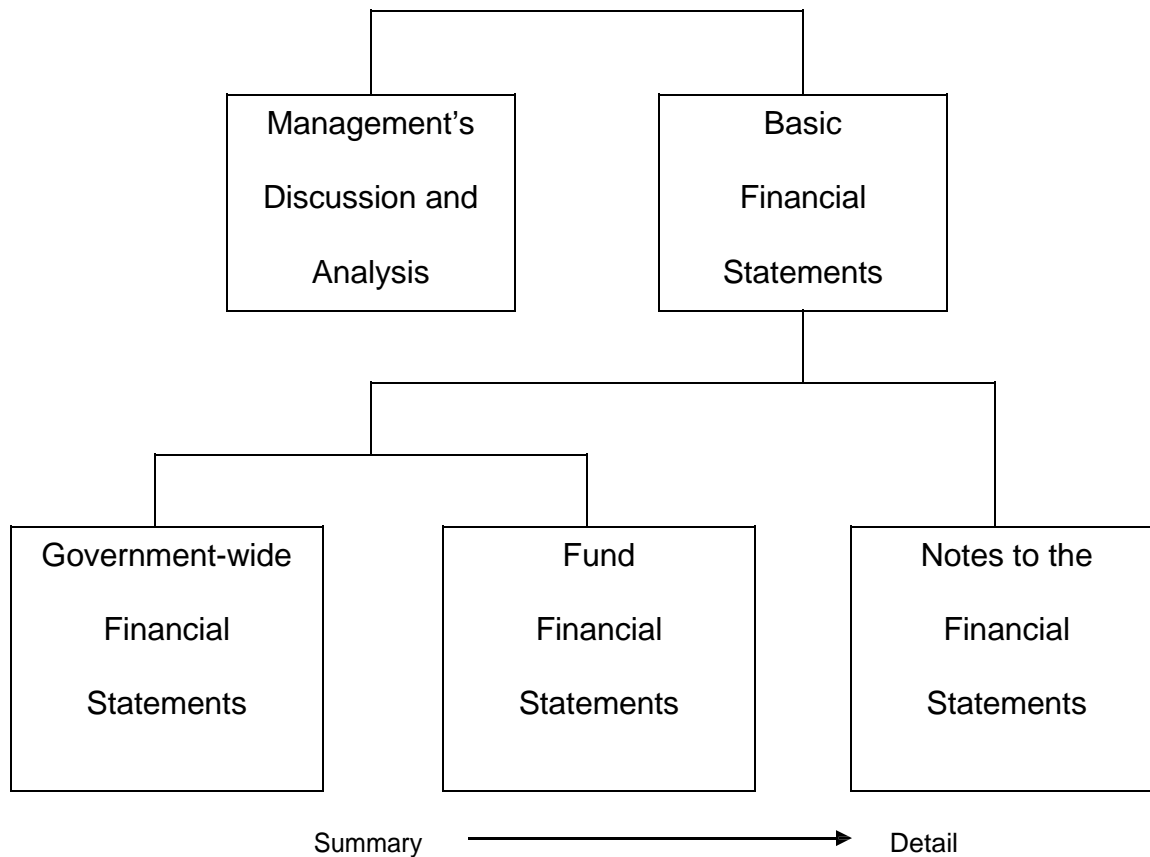
- *The assets of the City of Boiling Spring Lakes exceeded its liabilities at the close of the fiscal year by \$ 5,027,944 (net assets).*
- *As of the close of the current fiscal year, the City of Boiling Spring Lakes' governmental funds reported combined ending fund balances of \$ 3,047,018 a decrease of \$ 39,495 from the fiscal year ending June 30, 2015..*
- *At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,827,397 or 50% of the General Fund expenditures (\$ 3,650,062) for the fiscal year ending June 30, 2016.*
- *The ending fund balance includes a \$ 447,085 assigned amount that represents an obligation included in the FY 2016 budget for the purchase of equipment and reconstruction of Eden Road from unassigned fund balance.*
- *The City of Boiling Spring Lakes' total long term debt increased by \$46,904 to \$ 1,146,557 as of June 30, 2016 due to financing of a piece of equipment for street patching..*

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. State shares revenues, property taxes and state and federal grant funds finance most of these activities. At June 30, 2016, the City does not conduct any business-type activities. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits, which have continued to rise since a fire destroyed the store in late 2011 and a new facility opened in 2013, 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.

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

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

Government-Wide Financial Analysis

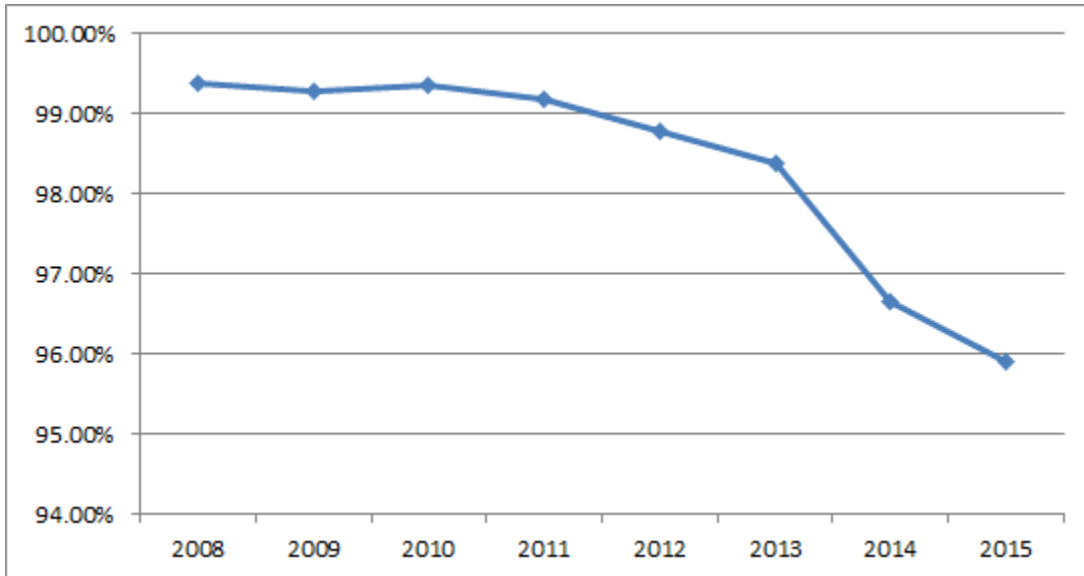
City of Boiling Spring Lakes' Net Position

Figure 2

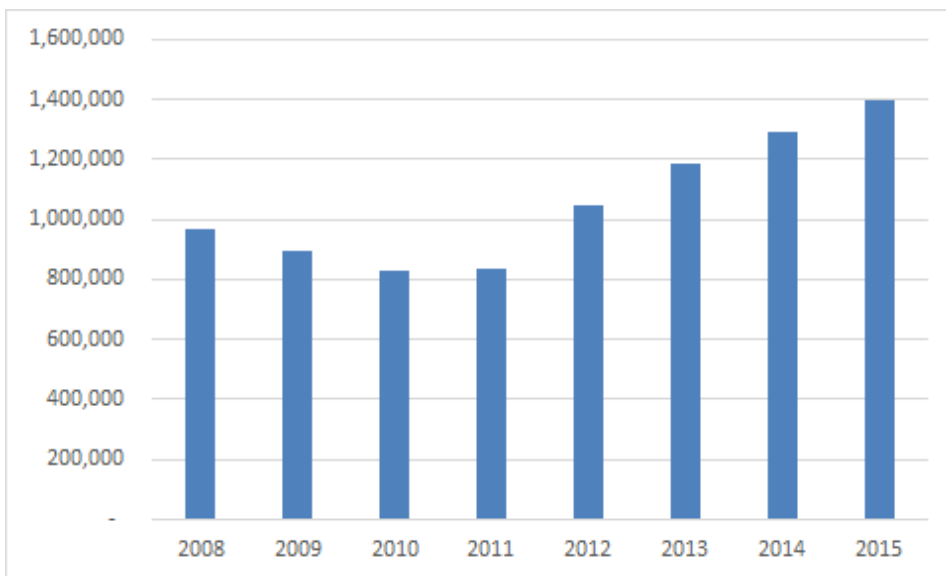
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current and other assets	3,259,724	3,435,971
Capital assets	3,758,015	3,463,399
Deferred outflows of revenue	<u>115,725</u>	<u>253,270</u>
Total assets and deferred outflows of resources	7,133,464	7,152,640
Long-term liabilities outstanding	1,981,385	1,740,137
Other liabilities	67,679	178,718
Deferred inflows of resources	<u>56,456</u>	<u>323,693</u>
Total liabilities and deferred inflows of resources	2,105,520	2,242,548
Net Position		
Investment in capital assets	2,611,459	2,363,746
Restricted	725,477	708,420
Unrestricted	<u>1,691,008</u>	<u>1,837,926</u>
Total Net Position	<u><u>5,027,944</u></u>	<u><u>4,910,092</u></u>

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 \$5,027,944 as of June 30, 2016. The City's net assets increased by \$ 117,852 for the fiscal year ended June 30, 2016. This net increase resulted from an increase of \$ 17,724 in restricted net assets, a decrease in unrestricted net assets of \$147,585, and an increase of \$247,713 invested in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Boiling Spring Lakes uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Boiling Spring Lakes' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$1,691,008 is unrestricted, a decrease of \$ 147,585 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 (2008-2015) of 98.4%, which is comparable to the statewide average of 97.5%.



- Increased sales tax revenues due to improving economic conditions in Brunswick County and increasing population of the City which is integral to the distribution method of sales tax revenue.



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

City of Boiling Spring Lakes Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program revenues:						
Charges for Services	239,326	210,494			239,326	210,494
Operating grants and contributions	332,991	350,554			332,991	350,554
Capital grants and contributions	67,718	879			67,718	879
General revenues					-	-
Property taxes	919,744	888,162			919,744	888,162
Other taxes	1,860,902	1,773,598			1,860,902	1,773,598
Unrestricted investment earnings	140	11			140	11
Other	54,449	41,790	-	-	54,449	41,790
Total revenues	<u>3,475,270</u>	<u>3,265,488</u>	<u>-</u>	<u>-</u>	<u>3,475,270</u>	<u>3,265,488</u>
Expenses						
General government	1,092,906	990,601			1,092,906	990,601
Public safety	1,203,600	1,063,565			1,203,600	1,063,565
Transportation	637,356	579,924			637,356	579,924
Health Sanitation and welfare	4,180	7,130			4,180	7,130
Culture and Recreation	375,279	354,865			375,279	354,865
Environmental protection	-	2,218			-	2,218
Interest on long-term debt	44,097	45,140	-	-	44,097	45,140
Total expenses	<u>3,357,418</u>	<u>3,043,443</u>	<u>-</u>	<u>-</u>	<u>3,357,418</u>	<u>3,043,443</u>
Change in net assets before transfers	117,852	222,045	-	-	117,852	222,045
Transfers	-	364,946	-	(364,946)	-	-
Change in net assets	117,852	586,991	-	(364,946)	117,852	222,045
Net position, beginning	<u>4,910,092</u>	<u>4,323,101</u>	<u>-</u>	<u>364,946</u>	<u>4,910,092</u>	<u>4,688,047</u>
Net position, June 30	<u><u>5,145,796</u></u>	<u><u>4,910,092</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>5,145,796</u></u>	<u><u>4,910,092</u></u>

Governmental activities: Governmental activities increased the City's net assets by \$117,852. Key elements of the government activities increase are as follows.

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

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Boiling Spring Lakes. At the end of the current fiscal year, the City's unassigned fund balance available in the General Fund was \$1,827,397, while the total fund balance was \$ 3,047,018. The unassigned fund balance represents 50% of general fund expenditures, while total fund balance represents 84% of the same amount. *It should be pointed out that \$ 447,085 of the assigned fund balance is an amount that is appropriated for the FY 2016 budget.*

At June 30, 2016, the governmental funds of City of Boiling Spring Lakes reported a combined fund balance of \$ 3,047,018 which is a decrease in fund balance of \$39,495 from the fiscal year ending June 30, 2015.

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

Revenues were more than the budgeted amounts primarily because intergovernmental revenues were more than anticipated. Expenditures were increased to fund additional activities with the new revenues not anticipated during the budget and the City was able to comply with its budgetary requirements.

Capital Asset and Debt Administration

Capital assets. The City of Boiling Spring Lakes' investment in capital assets for its governmental funds as of June 30, 2016, totals \$3,758,015 (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	
	2016	2015
Land and other nondepreciable assets	341,852	302,018
Building and Other Improvements	1,842,193	1,896,297
Infrastructure	927,816	847,347
Machinery, Furniture and Fixtures	480,712	242,081
Vehicles	166,442	175,656
Total	<u>3,759,015</u>	<u>3,463,399</u>

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 increased by \$46,904 to \$ 1,146,557 as of June 30, 2016.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the year ending June 30, 2016 for the City of Boiling Spring Lakes is \$ 34,664,633.

**Outstanding Debt
Figure 5**

City of Boiling Spring Lakes Outstanding Debt

	Governmental Activities	
	2016	2015
Notex payable	1,146,557	1,099,653
Compensated absences	69,841	57,481
OPEB	626,935	562,776
Pension related debt	138,053	20,227
Total	<u>1,981,386</u>	<u>1,740,137</u>

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, 2016

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, 2016. 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.

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. Copies of the audit and past three fiscal year audits are available on the city's website at www.cityofbsl.org.

BASIC FINANCIAL STATEMENTS

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2016

EXHIBIT 1

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Current assets:				
Cash and equivalents	2,342,999	-	2,342,999	89,956
Taxes receivable (net)	112,163	-	112,163	-
Other receivables	198,247	-	198,247	-
Accrued interest receivable on taxes	23,784	-	23,784	-
Due from other governmental agencies	409,352	-	409,352	-
Due from component unit	11,293	-	11,293	-
Inventories	-	-	-	80,799
Prepaid expenses	-	-	-	5,078
Restricted cash and cash equivalents	161,886	-	161,886	-
Total current assets	<u>3,259,724</u>	<u>-</u>	<u>3,259,724</u>	<u>175,833</u>
Non-current assets:				
Capital assets				
Land and improvements not being depreciated	192,255	-	192,255	15,000
Construction in progress	149,597	-	149,597	-
Other capital assets, net of depreciation	3,416,163	-	3,416,163	119,915
Total capital assets	<u>3,758,015</u>	<u>-</u>	<u>3,758,015</u>	<u>134,915</u>
Total non-current assets	<u>3,758,015</u>	<u>-</u>	<u>3,758,015</u>	<u>134,915</u>
Total assets	<u>7,017,739</u>	<u>-</u>	<u>7,017,739</u>	<u>310,748</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	115,725	-	115,725	3,681
Total deferred outflows of resources	<u>115,725</u>	<u>-</u>	<u>115,725</u>	<u>3,681</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	56,136	-	56,136	86,130
Due to primary government	-	-	-	11,293
Accrued interest	3,302	-	3,302	-
Accounts payable from restricted assets	8,241	-	8,241	-
Current portion of long-term liabilities	192,229	-	192,229	-
Total current liabilities	<u>259,908</u>	<u>-</u>	<u>259,908</u>	<u>97,423</u>
Long-term liabilities				
Net pension liability	104,165	-	104,165	2,154
Due in more than one year	1,684,991	-	1,684,991	-
Total liabilities	<u>2,049,064</u>	<u>-</u>	<u>2,049,064</u>	<u>99,577</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	56,456	-	56,456	1,271
Total deferred inflows of resources	<u>56,456</u>	<u>-</u>	<u>56,456</u>	<u>1,271</u>
NET POSITION				
Net investment in capital assets	2,611,459	-	2,611,459	133,151
Restricted for:				
Stabilization by State Statute	618,892	-	618,892	-
Streets - Powell Bill	106,585	-	106,585	-
Capital outlay	-	-	-	21,524
Unrestricted	1,691,008	-	1,691,008	58,906
Total net position	<u>5,027,944</u>	<u>-</u>	<u>5,027,944</u>	<u>213,581</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, 2016

EXHIBIT 2

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General Government	1,092,906	12,847	350	-	(1,079,709)	-	(1,079,709)	
Public Safety	1,203,600	61,827	18,311	38,268	(1,085,194)	-	(1,085,194)	
Transportation	637,356	33,750	312,709	-	(290,897)	-	(290,897)	
Health Sanitation and Welfare	4,180	-	1,210	-	(2,970)	-	(2,970)	
Culture and Recreation	375,279	130,902	411	29,450	(214,516)	-	(214,516)	
Environmental protection	-	-	-	-	-	-	-	
Interest on Long-term debt	44,097	-	-	-	(44,097)	-	(44,097)	
Total governmental activities	<u>3,357,418</u>	<u>239,326</u>	<u>332,991</u>	<u>67,718</u>	<u>(2,717,383)</u>		<u>(2,717,383)</u>	
Total primary government	<u>3,357,418</u>	<u>239,326</u>	<u>332,991</u>	<u>67,718</u>	<u>(2,717,383)</u>	<u>-</u>	<u>(2,717,383)</u>	
Component Units								
Boiling Spring Lakes ABC Board	558,288	558,288	-	-	-	-	-	-
Total component units	<u>558,288</u>	<u>558,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					919,744	-	919,744	-
Other taxes					1,860,902	-	1,860,902	-
Unrestricted investment earnings					140	-	140	-
Miscellaneous					54,449	-	54,449	-
Transfers					-	-	-	-
Total general revenues and transfers					<u>2,835,235</u>	<u>-</u>	<u>2,835,235</u>	<u>-</u>
Change in net position					<u>117,852</u>	<u>-</u>	<u>117,852</u>	<u>-</u>
Net position - beginning					<u>4,910,092</u>	<u>-</u>	<u>4,910,092</u>	<u>213,581</u>
Net position - ending					<u>5,027,944</u>	<u>-</u>	<u>5,027,944</u>	<u>213,581</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, 2016

EXHIBIT 3
Page 1 of 2

	Major Fund	Total Nonmajor Funds	Total Governmental Funds
	General Fund	Spillway Capital Project Fund	
ASSETS			
Cash and cash equivalents	2,330,617	12,382	2,342,999
Taxes receivable, net	112,163	-	112,163
Receivable from other governments	409,352	-	409,352
Receivable from other component unit	11,293	-	11,293
Other receivables	198,247	-	198,247
Restricted assets:			
Cash and cash equivalents	161,886	-	161,886
Total assets	3,223,558	12,382	3,235,940
LIABILITIES			
Accounts payable	56,136	-	56,136
Accounts payable from restricted assets	8,241	-	8,241
Total liabilities	64,377	-	64,377
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	112,163	-	112,163
Total deferred inflows of resources	112,163	-	112,163
FUND BALANCES			
Restricted			
Stabilization by State Statute	618,892	-	618,892
Streets	106,585	-	106,585
Committed			
Capital outlay	47,059	12,382	59,441
Assigned			
Subsequent year's expenditure	447,085	-	447,085
Unassigned	1,827,397	-	1,827,397
Total fund balances	3,047,018	12,382	3,059,400
Total liabilities, deferred inflows of resources and fund balances	3,223,558	12,382	3,235,940

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, 2016

Total fund balance, governmental funds		3,059,400
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
Gross capital assets at historical costs	6,300,623	
Accumulated depreciation	<u>(2,542,608)</u>	3,758,015
Deferred outflows of resources related to pensions are not reported in the funds		115,725
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		23,784
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		112,163
Long-term liabilities used in governmental activities are not financial uses and therefore, not reported in the funds		
Gross long-term debt	(1,877,220)	
Net pension liability	<u>(104,165)</u>	(1,981,385)
Deferred inflows of resources related to pensions are not reported in the funds		(56,456)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(3,302)
Net position of governmental funds		<u><u>5,027,944</u></u>

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

EXHIBIT 4
Page 1 of 2

	Major Fund	Total Non-Major Funds	Total Governmental Funds
	General Fund	Spillway Capital Project Fund	
REVENUES			
Property taxes	944,292	-	944,292
Other taxes	1,155	-	1,155
Unrestricted intergovernmental revenues	1,859,747	-	1,859,747
Restricted intergovernmental revenues	360,422	-	360,422
Licenses and permits	94,136	-	94,136
Sales and services	142,692	-	142,692
Investment earnings	140	-	140
Miscellaneous	58,966	-	58,966
Total revenues	3,461,550	-	3,461,550
EXPENDITURES			
Current:			
General government	945,275	-	945,275
Public safety	1,099,101	-	1,099,101
Transportation	896,673	-	896,673
Health and welfare	4,180	-	4,180
Culture and recreation	559,788	-	559,788
Debt Service:			
Principal	102,113	-	102,113
Interest and other charges	42,932	-	42,932
Total expenditures	3,650,062	-	3,650,062
Excess (deficiency) of revenues over expenditures	(188,512)	-	(188,512)
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net	149,017	-	149,017
Total other financing sources and uses	149,017	-	149,017
Net change in fund balances	(39,495)	-	(39,495)
Fund balances - beginning	3,086,513	12,382	3,098,895
Fund balances - ending	3,047,018	12,382	3,059,400

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, 2016**

Net change in fund balances - total governmental funds: (39,495)

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	583,898
Depreciation expense for governmental assets	(327,550)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	90,437
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Change in unavailable revenue for tax revenues	(24,548)
Amount of donated assets	38,268

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.

New long-term debt issued	(149,017)
Principal payments on long-term debt	102,113
Accrued interest	(1,165)

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	(12,360)
Pension expense	(78,571)
Unfunded OPEB benefits	(64,158)

Total changes in net position of governmental activities	117,852
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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, 2016**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	862,131	894,365	944,292	49,927
Other taxes	2,000	2,000	1,155	(845)
Unrestricted intergovernmental revenues	1,781,064	1,781,064	1,859,747	78,683
Restricted intergovernmental revenues	324,146	355,014	360,422	5,408
Licenses and permits	57,925	57,925	94,136	36,211
Sales and services	116,934	131,084	142,692	11,608
Investment earnings	-	-	140	140
Miscellaneous	29,964	55,982	58,966	2,984
Total revenues	3,174,164	3,277,434	3,461,550	184,116
EXPENDITURES				
Current:				
General government	824,093	979,615	945,275	34,340
Public Safety	1,065,514	1,107,904	1,099,101	8,803
Transportation	779,673	932,268	896,673	35,595
Environmental protection	-	-	-	-
Health and welfare	5,250	5,415	4,180	1,235
Culture and recreation	502,736	576,074	559,788	16,286
Debt Service:				
Principal	97,826	102,152	102,113	39
Interest and other charges	46,907	42,932	42,932	-
Contingency	25,000	-	-	-
Total expenditures	3,346,999	3,746,360	3,650,062	96,298
Excess (deficiency) of revenues over expenditures	(172,835)	(468,926)	(188,512)	280,414
OTHER FINANCING SOURCES (USES)				
Proceeds from installment financing	-	149,017	149,017	-
Transfers in	68,000	68,000	-	68,000
Total other financing sources and uses	68,000	217,017	149,017	68,000
Fund balance appropriated	104,835	251,909	-	(251,909)
Net change in fund balances	-	-	(39,495)	(39,495)
Fund balances - beginning			2,972,898	
Fund balances - ending			2,933,403	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Transfer to General Fund			113,615	
Fund balance, beginning			3,047,018	
Fund balance, ending (Exhibit 4)			3,047,018	

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Town of Boiling Spring Lakes ABC Board

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

B. Basis of Presentation

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Boiling Spring Lakes because the tax is levied by Brunswick County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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. All annual appropriations lapse at the fiscal-year end. A project ordinance is adopted for the Spillway Capital Project. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The City Budget Officer is authorized to transfer appropriations within departmental budgets up to \$20,000. All such transfers shall be reported to the Board of Commissioners at its next regular monthly meeting. Any other revisions that shall be made to any portion of the Budget must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015.

5. Other Receivables

Other receivables include uncollected utility billings and water assessments which were transferred to the General Fund upon the closing of the Water Fund. The utility billings are significant past due and are included in the allowance for doubtful accounts. The water assessments are considered fully collectible as liens against the related property.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Allowances for Doubtful Accounts

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

7. Inventory and Prepaid Items

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

The inventory of the ABC Board 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.

8. Capital Assets

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, contributions made to the pension plan in the 2015 fiscal year and pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflow of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – property taxes receivable and deferral of pension expense that results from the implementation of GASB Statement 68.

10. 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.

11. Compensated Absences

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

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

12. Net Position/Fund Balances

Net Position

Net position in government-wide 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). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Pensions

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Noncompliance with N.C. General Statutes

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

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2016, the City's deposits had a carrying amount of \$2,439,951 and a bank balance of \$2,492,635. The carrying amount of deposits of the ABC Board was \$89,556 and the bank balance was \$86,372. Of the bank balance \$86,372 of the ABC Board and \$250,000 of the City was covered by federal depository insurance. At June 30, 2016, the City's petty cash funds totaled \$500 and the ABC Board totaled \$600.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

At June 30, 2016, the City had \$64,434 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

2. Restricted Assets

Restricted assets presented in the Balance Sheet and Statement of Net Position at June 30, 2016 are as follows:

Restricted Cash:

Governmental Activities

General Fund

Streets	114,827
Capital Outlay	47,059
Total Governmental Activities	<u>161,886</u>
Total Restricted Cash	<u><u>161,886</u></u>

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 are net of the following allowances for doubtful accounts:

General Fund:

Taxes receivable	27,910
Utility billings receivable	<u>31,479</u>
Total	<u><u>59,389</u></u>

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2016 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land and improvements	152,421	39,834		192,255
Construction in progress	149,597	-	-	149,597
Total capital assets not being depreciated	<u>302,018</u>	<u>39,834</u>	<u>-</u>	<u>341,852</u>
Capital assets being depreciated:				
Buildings	2,363,536			2,363,536
Other improvements	54,003	5,500		59,503
Machinery equipment, furniture and fixtures	1,040,456	340,196	73,978	1,306,674
Vehicles	768,704	92,076	35,825	824,955
Infrastructure	1,259,543	144,560		1,404,103
Total capital assets being depreciated	<u>5,486,242</u>	<u>582,332</u>	<u>109,803</u>	<u>5,958,771</u>
Less accumulated depreciation for:				
Buildings	506,356	58,256		564,612
Other improvements	14,886	1,348		16,234
Machinery equipment, furniture and fixtures	798,375	101,565	73,978	825,962
Vehicles	593,048	102,290	35,825	659,513
Infrastructure	412,196	64,091		476,287
Total accumulated depreciation	<u>2,324,861</u>	<u>327,550</u>	<u>109,803</u>	<u>2,542,608</u>
Total capital assets being depreciated, net	<u>3,161,381</u>			<u>3,416,163</u>
Governmental activities capital assets, net	<u><u>3,463,399</u></u>			<u><u>3,758,015</u></u>

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

General government	150,111
Public safety	106,216
Transportation	37,248
Culture and recreation	33,975
Total depreciation expense	<u><u>327,550</u></u>

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2016, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Capital assets not being depreciated:				
Land	15,000			15,000
Total capital assets not being depreciated	<u>15,000</u>	-	-	<u>15,000</u>
Capital assets being depreciated:				
Buildings and improvements	146,747			146,747
Furniture, fixtures and office equipment	20,973	-		20,973
Total capital assets being depreciated	<u>167,720</u>	-	-	<u>167,720</u>
Less accumulated depreciation for:				
Buildings	32,913	4,319		37,232
Furniture, fixtures and office equipment	8,458	2,115		10,573
Total accumulated depreciation	<u>41,371</u>	<u>6,434</u>	-	<u>47,805</u>
Total capital assets being depreciated, net	<u>126,349</u>	<u>(6,434)</u>	-	<u>119,915</u>
ABC capital assets, net	<u>141,349</u>	<u>(6,434)</u>	-	<u>134,915</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Government Employees' Retirement System

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

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Boiling Spring Lakes employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Boiling Spring Lakes' contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Boiling Spring Lakes were \$90,437 for the year ended June 30, 2016.

Refunds of Contributions – City employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

At June 30, 2016, the City reported a liability of \$104,165 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.02321%, which was an increase of 0.00069% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$55,409. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience		24,485
Net difference between projected and actual earnings on pension plan investments		29,657
Changes in proportion and differences between City contributions and proportionate share of contributions	25,288	2,314
City contributions subsequent to the measurement date	<u>90,437</u>	<u> </u>
Total	<u><u>115,725</u></u>	<u><u>56,456</u></u>

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

\$86,715 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	(26,702)
2018	(26,702)
2019	(26,750)
2020	48,986
2021	-
Thereafter	-
	(31,168)
	(31,168)

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability (asset)	726,357	104,165	(420,018)

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

b. Law Enforcement Officers' Special Separation Allowance

(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, 2015, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

(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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

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, 2015 actuarial valuation using the entry age normal 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.

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	14,427
Interest on net pension obligation	1,011
Adjustment to annual required contribution	<u>(1,777)</u>
Annual pension cost	13,661
Contributions made	-
Increase (decrease) in net pension obligation	<u>13,661</u>
Net pension obligation beginning of year	20,227
Net pension obligation end of year	<u><u>33,888</u></u>

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

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>
2014	13,391	114.51%	13,084
2015	14,810	51.77%	20,227
2016	13,661	0.00%	33,888

(4) Funded Status and Funding Progress.

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$120,831. The covered payroll (annual payroll of active employees covered by the plan) was \$532,555, and the ratio of the UAAL to the covered payroll was 22.69 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 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, 2016 were \$77,916, which consisted of \$59,045 from the City, \$5,456 from the law enforcement officers and \$13,415 from the other employees.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

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, 2015, the date of the latest actuarial valuation:

Law enforcement officers	13
General Employees	20
Retirees	<u>6</u>
Total	<u>39</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 8.05% of covered payroll. For the current year, the City contributed \$34,716 or 2.50%. 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	97,868
Interest on OPEB obligation	22,511
Adjustment to annual required contribution	(21,505)
Annual OPEB cost (expense)	98,874
Contributions made	34,716
Increase (decrease) in OPEB obligation	64,158
Net OPEB obligation, beginning of year	562,776
Net OPEB obligation, end of year	626,934

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, 2016 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
2015	98,384	26.6%	562,776
2016	98,874	35.1%	626,934

Funded Status and Funding Progress. As of December 31, 2015, 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 \$1,002,395. The covered payroll (annual payroll of active employees covered by the plan) was \$1,307,104, and the ratio of the UAAL to the covered payroll was 76.7 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.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

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.

In the December 31, 2015 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 payrolls on an open basis. The remaining amortization period at December 31, 2015, 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

The City has several deferred outflows of resources.

Source	Amount
Deferred outflows of resources is comprised of the following:	
Contribution to pension plan in current fiscal year	90,437
Pension deferrals	<u>25,288</u>
	<u>120,459</u>
Deferred inflows of resources at year-end are composed of the following:	
Taxes receivable (General Fund)	112,163
Pension deferrals	56,456

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

3. Commitments

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

4. Risk Management

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

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

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

5. Claims, Judgments and Contingent Liabilities

At June 30, 2016, the City was a defendant to three items of litigation. In the opinion of the City's management the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. Installment Purchase Contracts

On September 12, 2007, the City entered into an agreement to provide financing in the amount of \$1,600,000 for the construction of the new city hall. This contract is currently held by 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.

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

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

Annual debt service payments of the installment purchase as of June 30, 2016, including \$269,197 of interest are as follows:

Governmental Activities		
Year Ending June 30	<u>Principal</u>	<u>Interest</u>
2017	99,860	41,867
2018	100,365	38,270
2019	100,875	34,609
2020	101,396	30,979
2021	101,928	27,210
2022-2026	422,480	83,974
2027-2029	219,653	12,288
Total	<u>1,146,557</u>	<u>269,197</u>

b. Changes in General Long-Term Liabilities

Government activities:	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Current Portion of <u>Balance</u>
Installment purchases	1,099,653	149,017	102,113	1,146,557	99,860
Compensated absences	57,481	57,516	45,156	69,841	57,098
Net pension obligation (LGERS)	-	104,165	-	104,165	-
Net pension obligation (LEO)	20,227	13,661	-	33,888	-
Other postemployment benefits	562,776	99,429	35,270	626,935	35,271
Government activity long-term liabilities	<u>1,740,137</u>	<u>423,788</u>	<u>182,539</u>	<u>1,981,386</u>	<u>192,229</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

c. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2016 consists of the following:

Capital assets	3,758,015
Less: Long-term debt	<u>1,146,556</u>
Net investment in capital assets	<u><u>2,611,459</u></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	3,047,018
Less:	
Stabilization by State Statutes	618,892
Streets - Powell Bill	106,585
Capital outlay	47,059
Appropriated Fund Balance in 2016 budget	<u>447,085</u>
Remaining fund balance	<u><u>1,827,397</u></u>

e. Interfund Balances and Activity

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 \$1,359 to the Council during the fiscal year ended June 30, 2016.

V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

VI. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS.

On August 2, 2016, the Board of Commissioners authorized the negotiation of a professional design contract with Stewart Cooper and Newell Architects for the design of an addition to City Hall not to exceed \$184,000.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

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

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.

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

Schedule of Contributions to Local Government Employee's Retirement System

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%
12/31/2014	0	68,789	0%	68,789	465,526	14.78%
12/31/2015	0	120,831	0%	120,831	532,555	22.69%

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%
2015	15,261	50.23%
2016	14,427	0.00%

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	12/31/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return	3.57%
Projected salary increases	3.50 - 7.35%
*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%
12/31/2015	0	1,002,395	0%	1,002,395	1,307,104	76.70%

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

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>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%
2015	95,017	27.58%
2016	97,868	35.47%

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	12/31/2015
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	2022
*Includes inflation at	3.00%

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

EXHIBIT A-5

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Boiling Spring Lakes' proportion of the net pension liability (asset) (%)	0.02321%	0.02252%	0.01820%
City of Boiling Spring Lakes' proportion of the net pension liability (asset) (\$)	104,165	(132,811)	219,380
City of Boiling Spring Lakes' covered-employee payroll	1,192,061	1,105,732	1,003,162
City of Boiling Spring Lakes' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.74%	(12.01%)	21.86%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA
CITY OF BOILING SPRING LAKES' CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS**

EXHIBIT A-6

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

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

SUPPLEMENTARY STATEMENTS

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND - BUDGETARY BASIS
COMPARATIVE BALANCE SHEET
June 30, 2016 and 2015

EXHIBIT B-1

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	2,330,617	2,357,129
Receivables (net):		
Taxes	112,163	133,817
Accounts	198,247	214,164
Due from other governments	409,352	346,916
Due from component unit	11,293	13,147
Restricted cash and cash equivalents	<u>114,827</u>	<u>216,923</u>
Total assets	<u><u>3,176,499</u></u>	<u><u>3,282,096</u></u>
LIABILITIES		
Accounts payable	56,136	92,651
Accounts payable from restricted assets	<u>8,241</u>	<u>82,730</u>
Total liabilities	<u>64,377</u>	<u>175,381</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenues	<u>112,163</u>	<u>133,817</u>
Total deferred inflows of resources	<u>112,163</u>	<u>133,817</u>
FUND BALANCES		
Restricted		
Stabilization by State Statute	618,892	574,227
Streets	106,585	134,193
Assigned		
Subsequent year's expenditure	447,085	95,405
Unassigned	<u>1,827,397</u>	<u>2,169,073</u>
Total fund balances	<u>2,999,959</u>	<u>2,972,898</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>3,176,499</u></u>	<u><u>3,282,096</u></u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

EXHIBIT B-2
Page 1 of 9

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

With Comparative Actual Amounts for Year Ended June 30, 2015

	2016		Variance Positive (Negative)	2015
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<u>Revenues</u>				
Ad valorem				
Current year	866,853	871,012	4,159	813,033
Prior year	23,512	62,920	39,408	41,909
Penalties and interest	4,000	10,360	6,360	11,132
Total	<u>894,365</u>	<u>944,292</u>	<u>49,927</u>	<u>866,074</u>
Other taxes				
Privilege licenses	-	165	165	150
Dog tax	2,000	990	(1,010)	1,910
Total	<u>2,000</u>	<u>1,155</u>	<u>(845)</u>	<u>2,060</u>
Unrestricted intergovernmental revenues				
Local option sales tax	1,409,014	1,500,524	91,510	1,399,261
Franchise tax	194,936	179,470	(15,466)	165,319
Telecommunications sales tax	61,300	61,050	(250)	72,352
Video programing sales tax	68,014	68,014	-	70,454
Beer and wine excise tax	24,900	26,398	1,498	28,034
ABC profit distribution	22,900	24,291	1,391	36,118
Total	<u>1,781,064</u>	<u>1,859,747</u>	<u>78,683</u>	<u>1,771,538</u>
Restricted intergovernmental revenues				
Grant revenue	15,000	15,251	251	38,410
Governor Highway Grant	5,968	3,262	(2,706)	
"State Street-aid" allocation	300,522	307,824	7,302	303,559
NC DOT Right of Way	4,324	4,324	-	4,324
Police equipment grant	-	324	324	1,077
Parks & Lake Grant	29,000	29,000	-	-
ABC revenue for law enforcement	200	437	237	887
Total	<u>355,014</u>	<u>360,422</u>	<u>5,408</u>	<u>348,257</u>
Permits and fees				
Building permits and inspection fees	37,675	60,386	22,711	50,136
Street license fees	20,250	33,750	13,500	23,250
Total	<u>57,925</u>	<u>94,136</u>	<u>36,211</u>	<u>73,386</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

EXHIBIT B-2
Page 2 of 9

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

With Comparative Actual Amounts for Year Ended June 30, 2015

	2016		Variance Positive (Negative)	2015
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Sales and services				
Rents and concessions	14,520	21,820	7,300	14,450
Planning fees	-	200	200	-
Assessment-Tax lien	3,914	3,496	(418)	17,963
Water assessment interest	0	9,592	9,592	-
Community center revenue				
Programs and rentals	89,000	89,200	200	94,840
Memberships	17,500	12,215	(5,285)	17,686
Gifts and donations	6,150	6,169	19	4,620
Total	<u>131,084</u>	<u>142,692</u>	<u>11,608</u>	<u>149,559</u>
Investment earnings				
Investment earnings - other	-	140	140	11
Total	<u>-</u>	<u>140</u>	<u>140</u>	<u>11</u>
Miscellaneous revenue				
Sales and gas tax refunds	17,450	18,240	790	11,559
Sale of fixed assets	26,914	26,913	(1)	3,609
Xpress pay income	200	493	293	381
Advertising fees	-	66	66	83
Bike runs	695	695	-	884
Brunswick Senior Resource Donation	-	200	200	138
Small fry fishing tournament	2,723	2,723	-	2,724
Fitness on demand	3,000	1,498	(1,502)	3,469
Contributions	0	1,000	1,000	2,795
Miscellaneous	5,000	7,138	2,138	6,873
Total	<u>55,982</u>	<u>58,966</u>	<u>2,984</u>	<u>32,515</u>
Total revenues	<u>3,277,434</u>	<u>3,461,550</u>	<u>184,116</u>	<u>3,243,400</u>
Expenditures				
General government				
Governing body				
Salaries	10,000	10,000		6,000
Payroll taxes	612	765		459
Professional fees - attorney	123,678	123,678		121,806
Professional fees - audit	23,400	23,400		22,500
Contracted servuces	2,311	2,311		1,086
Per diem/travel	185	210		140

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

EXHIBIT B-2
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STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

With Comparative Actual Amounts for Year Ended June 30, 2015

	2016		Variance Positive (Negative)	2015
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Ordinance codification	900	900		3,730
Collection fees (taxes)	6,165	6,151		5,899
Collection fees (vehicles)	3,395	3,395		2,415
Noncapital purchases	-	-		552
Scholarship fund expenses	-	60		1,180
Miscellaneous	3,950	3,887		2,459
Capital outlay	1,566	1,566	-	-
Total	<u>176,162</u>	<u>176,323</u>	<u>(161)</u>	<u>168,226</u>
Administration				
Salaries	224,075	224,075		219,520
Professional services	35,000	31,950		2,680
Payroll taxes	17,497	17,497		16,419
Employees' group insurance	31,610	31,225		27,697
Retirement	25,910	25,910		26,317
Other fringe benefits	10,226	10,180		3,203
Telephone and postage	8,200	8,065		8,503
Volunteer appreciation	2,200	1,394		574
Utility - water	11,700	11,582		12,012
Travel and training	5,870	5,870		8,183
Office equipment maintenance	8,300	8,210		6,305
Office equipment rental	-	-		-
Legal advertising	2,000	1,514		3,422
Motor vehicle collection fees	-	-		-
Office supplies	3,750	3,715		3,415
Gas, oil and tires	1,034	1,034		815
Emergency response	3,750	3,750		3,750
Fire Department contingency	-	-		-
Contracted services	28,880	28,880		27,335
Woodpecker Habitat Conservation Pro	-	-		-
Dues and subscriptions	10,463	10,463		9,129
Insurance - general	46,156	46,156		42,889
Workmen's compensation insurance	71,178	71,178		68,637
Water assessments refunded	-	(2,753)		782
Miscellaneous expense	7,067	4,226		6,293
Bank service charges	923	977		3,847
Express fees	600	895		312
Planning	10,881	10,881		-
Noncapital purchases	499	499	-	2,914
Total	<u>567,769</u>	<u>557,373</u>	<u>10,396</u>	<u>504,953</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

EXHIBIT B-2
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STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

With Comparative Actual Amounts for Year Ended June 30, 2015

	2016		Variance Positive (Negative)	2015
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Public buildings				
Salaries	109,753	109,682		97,883
Seasonal help	6,800	5,339		4,543
Payroll taxes	8,916	8,999		7,501
Group insurance	17,725	17,589		22,891
Retirement	12,940	12,384		11,232
Telephone	2,300	1,819		1,967
Travel and training	600	125		-
Repairs and maintenance	22,557	15,034		11,653
Lawn care	3,730	3,265		5,231
Landscaping	4,000	3,888		3,196
Park repairs and maintenance	4,443	1,479		4,209
Fuel, oil and tires	7,500	4,066		4,849
Office supplies	400	-		-
Janitor supplies	4,000	2,670		2,957
Uniform allowance	400	0		390
Contracted services	6,850	4,601		5,921
Tool purchases and maintenance	5,000	4,614		3,151
Miscellaneous	500	16		40
Capital outlay	17,270	16,009	-	-
Total	<u>235,684</u>	<u>211,579</u>	<u>24,105</u>	<u>187,614</u>
<u>Total general government</u>	<u>979,615</u>	<u>945,275</u>	<u>34,340</u>	<u>860,793</u>
Public safety				
Police				
Salaries - G. H. S. P.	1,868	1,868		44,616
Salaries	555,699	555,699		422,676
Salaries - part-time	7,500	3,694		-
Separation allowance	-	-		8,257
Professional fees	700	697		12,572

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

EXHIBIT B-2
Page 5 of 9

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

With Comparative Actual Amounts for Year Ended June 30, 2015

	2016		Variance Positive (Negative)	2015
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Payroll taxes	43,078	43,078		35,538
Retirement	67,925	67,925		56,143
Employee group insurance	77,671	77,671		86,570
Retiree group insurance	22,416	22,413		13,633
Training and travel	7,000	6,409		6,494
Telephone and postage	10,870	9,854		10,280
Electricity and water	6,250	5,749		5,504
Vehicle maintenance	15,351	15,351		8,397
Police office equipment maintenance	1,300	1,221		506
Gas, oil and tires	32,728	32,728		37,482
Police office supplies	1,842	1,760		1,477
Uniform allowance	7,700	7,677		11,615
Small fry fishing tournament	3,770	3,530		4,417
Contracted services	41,467	41,467		37,189
Special investigations	2,100	2,007		903
Miscellaneous expense	1,730	1,728		1,594
GCC Block Grant	15,000	14,978		20,001
Non-capital outlay	7,183	7,183		11,310
Capital outlay	40,116	40,116	-	135,342
Total	<u>971,264</u>	<u>964,803</u>	<u>6,461</u>	<u>972,516</u>
Animal control				
Salaries	-	-		24,809
Payroll taxes	-	-		1,852
Retirement	-	-		3,000
Employee group insurance	-	-		3,408
Telephone	480	374		280
Vehicle maintenance	750	130		-
Gas, tires, oil	2,397	2,070		2,072
Office supplies	147	147		-
Supplies	596	621		424
Uniform allowance	600	549		820
Contracted services	275	237		217
Miscellaneous	415	132		1,210
Non-capital outlay	200	(187)		-
Capital outlay	-	-	-	-
Total	<u>5,860</u>	<u>4,073</u>	<u>1,787</u>	<u>38,092</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
GENERAL FUND

EXHIBIT B-2
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STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

With Comparative Actual Amounts for Year Ended June 30, 2015

	2016		Variance Positive (Negative)	2015
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Inspections				
Salaries	86,884	86,884		85,910
Payroll taxes	6,839	6,839		6,558
Retirement	10,491	10,491		10,369
Employee group insurance	10,721	10,721		11,628
Telephone and postage	1,400	1,146		1,305
Training and travel	1,350	1,232		1,362
Vehicle maintenance	100	90		1,540
Gas, oil and tires	650	651		926
Office supplies	500	449		289
Office equipment	500	500		-
Departmental supplies	100	64		-
Contracted services	10,944	10,944		5,283
Uniform allowance	215	214		252
Miscellaneous expense	86	-	-	-
Total	<u>130,780</u>	<u>130,225</u>	<u>555</u>	<u>125,422</u>
<u>Total public safety</u>	<u>1,107,904</u>	<u>1,099,101</u>	<u>8,803</u>	<u>1,136,030</u>
Transportation				
Streets				
Salaries	234,187	227,667		216,757
Seasonal employee	4,160	1,746		-
Payroll taxes	19,228	17,474		15,866
Employee group insurance	46,134	41,700		37,428
Retirement	27,610	27,059		26,029
Retiree supplemental insurance	11,200	10,302		9,116
Street lights	21,500	17,146		19,891
Telephone	5,672	5,668		5,067
Propane	3,000	1,704		2,536
Electricity	4,800	4,070		4,863
Travel and training	2,900	2,674		3,820
Street surfacing and maintenance	92,721	92,005		71,769
Resurfacing/Paving project	7,289	6,681		195,792
Maintenance - other equipment	21,500	21,392		35,301
Office supplies	850	814		291
Shop supplies	1,300	1,127		2,557
Fuel, oil and tires - grader	26,227	22,573		21,818
Street culverts	4,000	3,958		-
Street department supplies	2,500	2,631		2,055

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, 2016
With Comparative Actual Amounts for Year Ended June 30, 2015

EXHIBIT B-2
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	2016		Variance Positive (Negative)	2015
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Safety supplies	1,800	856		-
Debris removal	1,500	774		-
Safety sign replacement	2,500	1,124		4,230
Uniforms	4,000	3,311		818
Contracted services	12,520	10,279		10,278
NCDOT Right of Way	1,239	309		-
Dues and subscriptions	700	405		-
Professional services	2,590	2,590		1,500
Miscellaneous expense	1,035	1,131		1,793
Non-capital outlay - streets	4,992	4,960		7,936
Powell Bill survey	850	850		6,500
Capital outlay - vehicle	309,564	309,493		-
Capital outlay	<u>52,200</u>	<u>52,200</u>	<u>-</u>	<u>13,999</u>
<u>Total transportation</u>	<u>932,268</u>	<u>896,673</u>	<u>35,595</u>	<u>718,010</u>
Environmental protection				
Sanitation				
Electricity	-	-		1,482
Debris removal	-	-		736
Contractual services	-	-	-	-
<u>Total environmental protection</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,218</u>
Health and welfare				
Mosquito control				
Travel and training	1,265	1,265		990
Fuel, oil - equipment	800	250		560
Maintenance - equipment	150	16		-
Vehicle supplies	100	-		41
Chemical supplies	3,000	2,649		5,439
Dues and subscriptions	100	-		-
NPDES Permit fees	-	-	-	100
<u>Total health and welfare</u>	<u>5,415</u>	<u>4,180</u>	<u>1,235</u>	<u>7,130</u>
Culture and recreation				
Parks and recreation				
Bike runs	1,893	1,891		2,084
Community fun day	990	987		1,548
Christmas tree lighting	278	277		617
Battle of the bands	175	14		943
Haunted hay ride	612	612		757
Storage unit	594	594		594
Miscellaneous	-	194	-	1,093
Capital outlay	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>-</u>
<u>Total</u>	<u>10,542</u>	<u>10,569</u>	<u>(27)</u>	<u>7,636</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, 2016

EXHIBIT B-2
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With Comparative Actual Amounts for Year Ended June 30, 2015

	2016		Variance Positive (Negative)	2015
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Community committees				
Library committee	1,000	997		-
Community appearance	200	175	-	175
Total	1,200	1,172	28	175
Dams and lakes				
Contracted services	58,540	58,540		41,791
Equipment maintenance	1,000	144		-
Repairs and maintenance	3,200	94		-
Electricity	1,510	1,295		-
Big lake spillway	200	-		-
Operating expenses	2,300	2,262		2,625
Water testing	2,000	1,975		2,925
Non-capital outlay	-	43	-	3,208
Capital outlay - boat	500	-	-	-
Total	69,250	64,353	4,897	50,549
Community Center				
Salaries	99,691	99,486		107,342
Part-time and temporary help	58,744	59,411		47,748
Payroll taxes	12,480	12,892		11,470
Retirement	13,056	12,438		12,669
Employees group insurance	18,057	16,348		23,021
Telephone and postage	3,935	3,669		3,956
Electricity, water and oil	8,700	7,886		8,097
Travel and training	1,300	1,033		1,208
Repairs and maintenance - other	6,000	5,770		4,488
Advertising	1,500	1,484		560
Gas, oil, tires	5,950	6,075		5,491
Cleaning supplies	2,000	2,077		1,840
Office supplies	1,500	1,341		1,859
Uniform allowance	2,200	2,059		312
Contracted services	30,800	28,422		31,283
Grants and donations	6,150	4,984		4,363
Dues and subscriptions	1,200	1,097		1,017
Programs	41,883	39,946		41,934
Van rental	9,507	9,444		3,653
Miscellaneous expense	1,500	1,821		750
Non-capital outlay	10,203	7,497		11,465
Capital outlay	158,726	158,514	-	21,026
Total	495,082	483,694	11,388	345,552
<u>Total culture and recreation</u>	576,074	559,788	16,286	403,912

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, 2016
With Comparative Actual Amounts for Year Ended June 30, 2015

EXHIBIT B-2
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	2016			2015
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Debt service				
Principal retirement	102,152	102,113	39	80,000
Interest	42,932	42,932	-	45,040
Total	145,084	145,045	39	125,040
Contingency	-	-	-	-
<u>Total expenditures</u>	3,746,360	3,650,062	96,298	3,253,133
Revenues over (under) expenditures	(468,926)	(188,512)	280,414	(9,733)
Other financing sources (uses)				
Proceeds from loan	149,017	149,017	-	-
Transfer from Capital Reserve Fund	68,000	66,556	(1,444)	8,440
Transfer from Water Fund	-	-	-	364,946
Total other financing sources (uses)	217,017	215,573	(1,444)	373,386
Appropriated fund balance	251,909	-	(251,909)	-
Net change in fund balance	-	27,061	27,061	363,653
Fund balance, beginning		2,972,898		2,609,245
Fund balance, ending		2,999,959		2,972,898

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, 2016
 With Comparative Actual Amounts for Year Ended June 30, 2015

EXHIBIT B-3

	2016		Variance Positive (Negative)	2015
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>	<u>Actual</u>
<u>Revenues</u>				
Total revenues	-	-	-	-
<u>Expenditures</u>				
Total expenditures	-	-	-	-
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Fund balance appropriated	113,615	-	(113,615)	-
Transfer from General Fund	-	-	-	-
Transfer to General Fund	(113,615)	(66,556)	47,059	(8,440)
Total other financing sources (uses)	-	(66,556)	(66,556)	(8,440)
Net change in fund balance	-	(66,556)	(66,556)	(8,440)
Fund balance, beginning		113,615		122,055
Fund balance, ending		47,059		113,615

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, 2016

EXHIBIT B-4

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenue					
Restricted intergovernmental					
NCDNER Grant	70,904	70,904	-	70,904	-
Miscellaneous revenue					
Refunds	9,024	9,024	-	9,024	-
Total Revenue	79,928	79,928	-	79,928	-
Expenditures					
Cultural and recreation					
Capital Outlay	171,003	158,621	-	158,621	12,382
Total Expenditures	171,003	158,621	-	158,621	12,382
Revenues over (under) expenditures	(91,075)	(78,693)	-	(78,693)	12,382
Other financing sources (uses):					
Transfer from General Fund	91,075	91,075	-	91,075	-
Total other financing sources (uses)	91,075	91,075	-	91,075	-
Excess (deficit) of revenues and other sources over expenditures and other uses	-	12,382	-	12,382	12,382
Fund Balance, beginning			12,382		
Fund Balance, ending			12,382		

OTHER SCHEDULES

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2016

EXHIBIT C-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016		910,321	871,012	39,309
2014-2015	64,570	7,499	41,757	30,312
2013-2014	19,965		6,757	13,208
2012-2013	18,449		5,980	12,469
2011-2012	11,488		3,222	8,266
2010-2011	8,363		2,024	6,339
2009-2010	8,521		1,323	7,198
2008-2009	6,400		588	5,812
2007-2008	12,145		1,083	11,062
2006-2007	6,384		347	6,037
2005-2006	4,248		4,248	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>160,533</u>	<u>917,820</u>	<u>938,341</u>	140,012
Less allowance for doubtful accounts:				
General Fund				<u>25,849</u>
Ad valorem taxes receivable - net				<u>114,163</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	944,292
Reconciling items:	
Interest collected	(10,360)
Amounts written off for tax year 2005-2006 per statute of limitations	4,130
Tax releases/adjustments	<u>279</u>
Total collections and credits	<u>938,341</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 For the Fiscal Year Ended June 30, 2016

EXHIBIT C-2

	City-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excl Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	387,117,643	0.21	812,947	812,947	-
Motor vehicles taxed at current year's rate	46,398,362	0.21	97,437	-	97,437
Penalties	-		374	374	-
 Total property valuation	 433,516,005		 910,758	 813,321	 97,437
Releases					
Current year rate	(208,095)		(437)	(437)	-
 Net levy	 <u>433,307,910</u>		 910,321	 812,884	 97,437
 Uncollected at June 30, 2015			 <u>39,309</u>	 <u>39,309</u>	 <u>-</u>
 Current year's taxes collected			 <u>871,012</u>	 <u>773,575</u>	 <u>97,437</u>
 Current levy collection percentage			 95.7%	 95.2%	 100.0%

COMPLIANCE SECTION

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

Independent Auditors' Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina, as of and for the year ended June 30, 2016, which collectively comprises the City of Boiling Spring Lakes' basic financial statements, and have issued our report thereon, dated November 30, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Town of Boiling Spring Lakes Board of Alcoholic Control were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

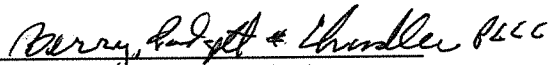
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Boiling Spring Lakes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the City of Boiling Spring Lakes in a separate letter dated November 30, 2016.

Purpose of this Report

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


Certified Public Accountants

Southport, North Carolina
November 30, 2016