

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

**AUDITED FINANCIAL STATEMENTS**

**June 30, 2019**

**Board of Commissioners**

**Craig Caster, Mayor  
Steve Barger, Mayor Pro Tem  
Guy Auger  
Mark Stewart  
Dana Witt**

**Administrative and Financial Staff**

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

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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, 2019, 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 did not audit the financial statements of the Town of Boiling Spring Lakes ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Boiling Spring Lakes ABC Board, is based solely on the report of another auditor. 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 and the report of the other auditor, 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, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on Exhibits A-1 through A-5, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor 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.

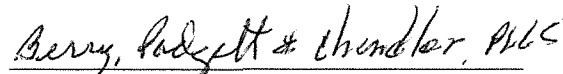
### *Supplementary and Other Information*

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, and Schedule of Expenditures of Federal and State Awards as required by *Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act*, are presented for purpose 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, and the Schedule of Expenditures of Federal and State Awards, 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, Schedule of Expenditures of Federal and State Awards, 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 January 27, 2020 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 & Chandler, PLLC  
Certified Public Accountants

Southport, North Carolina  
January 30, 2020

## **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, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

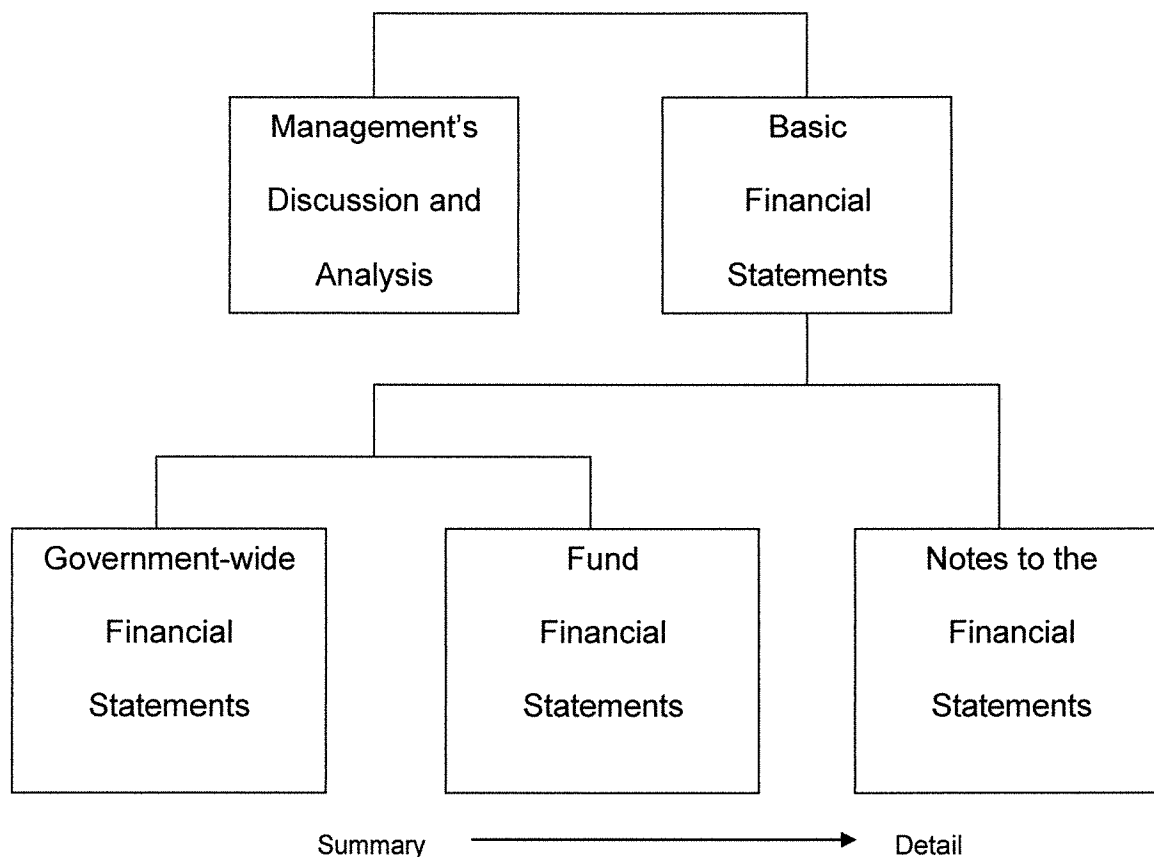
- *The assets of the City of Boiling Spring Lakes exceeded its liabilities at the close of the fiscal year by \$ 4,201,066 (net positions).*
- *As of the close of the current fiscal year, the City of Boiling Spring Lakes' governmental funds reported combined ending fund balances of \$ 4,265,788 an increase of \$ 1,848,361 for the fiscal year ending June 30, 2019, primarily as a result of a \$ 2,000,000 three year no interest loan from NCORR from Hurricane Florence.*
- *At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,407,879 or 22% of the General Fund expenditures (\$ 6,292,040) for the fiscal year ending June 30, 2019. If hurricane related expenses of \$ 2,187,981, which are subject to FEMA reimbursement, are removed the ending fund balance percentage would be 34%.*
- *The City's total long-term debt increased by \$ 2,118,486 to \$ 4,971,727 as of June 30, 2019, primarily as a result of the three year no interest loan from NCORR to assist in hurricane related expenses awaiting federal reimbursement.*

### Overview of the Financial Statements

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

## **Government-wide Financial Statements**

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. State shares revenues, property taxes and state and federal grant funds finance most of these activities. At June 30, 2019, the City does not operate any business-type activities. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the City.

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

## **Fund Financial Statements**

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

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

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

**Proprietary Funds** – The City is installing a sewer line in certain sections of Fifty Lakes Drive, which upon completion will be funded by a special assessment of the affected properties. The capital improvement will be transferred to Brunswick County to be included in their water and sewer operation.

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

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

## Government-Wide Financial Analysis

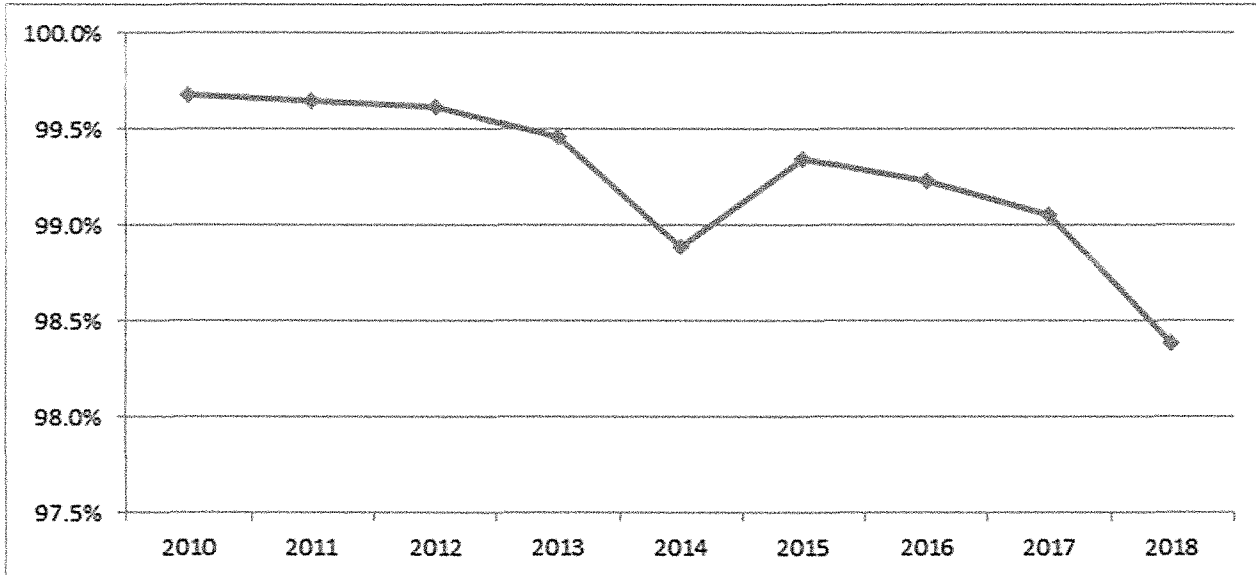
**City of Boiling Spring Lakes' Net Position**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	4,461,119	2,581,424	264,764	324,220	4,725,883	4,318,086
Capital assets	4,187,502	4,267,306	110,326	50,780	4,297,828	4,318,086
Deferred outflow s of revenue	500,695	321,208	-	-	500,695	321,208
Total assets and deferred outflow s of resources	9,149,316	7,169,938	375,090	375,000	9,524,406	8,957,380
					-	-
Long-term liabilities outstanding	4,971,730	2,853,241	-	-	4,971,730	2,853,241
Other liabilities	126,724	81,686	-	-	126,724	81,686
Deferred inflow s of resources	224,799	170,864	-	-	224,799	170,864
Total liabilities and deferred inflow s of resources	5,323,253	3,105,791	-	-	5,323,253	3,105,791
					-	-
Net Position					-	-
Investment in capital assets	3,342,046	3,320,974	110,236	50,780	3,452,282	3,371,754
Restricted	2,898,997	746,190	264,764	324,220	3,163,761	1,070,410
Unrestricted	(2,414,977)	(3,017)	-	-	(2,414,977)	(3,017)
Total Net Position	3,826,066	4,064,147	375,000	375,000	4,201,066	4,439,147

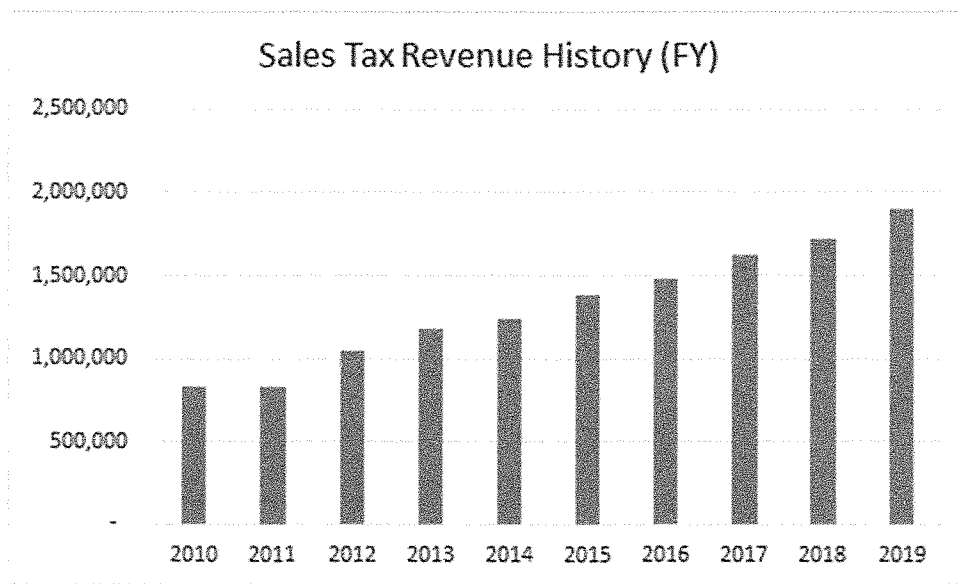
As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Boiling Spring Lakes exceeded liabilities by \$4,201,066 as of June 30, 2019. The City's net position decreased by \$ 238,081 for the fiscal year ended June 30, 2019. This net decrease resulted from a, increase of \$ 2,080,680 in restricted net assets, an increase in unrestricted net assets of \$ 2,339,833, and an increase of \$ 21,072 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. 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 (2010-2019) of 99.3%, 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.
- Increase in other Postemployment Benefits based on actuarial valuation.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program revenues:						
Charges for Services	271,644	252,653	-	-	271,644	252,653
Operating grants and contributions	2,377,270	317,062	-	-	2,377,270	317,062
Capital grants and contributions	4,048	1,460	-	-	4,048	1,460
General revenues	-	-	-	-	-	-
Property taxes	1,066,453	967,029	-	-	1,066,453	967,029
Other taxes	2,372,309	2,106,453	-	-	2,372,309	2,106,453
Unrestricted investment earnings	1,623	845	-	-	1,623	845
Other	40,206	68,094	-	-	40,206	68,094
<b>Total revenues</b>	<b>6,133,553</b>	<b>3,713,596</b>	<b>-</b>	<b>-</b>	<b>6,133,553</b>	<b>3,713,596</b>
<b>Expenses</b>						
General government	3,686,817	1,108,851	-	-	3,686,817	1,108,851
Public safety	1,448,097	1,414,299	-	-	1,448,097	1,414,299
Transportation	730,601	654,920	-	-	730,601	654,920
Health Sanitation and welfare	292	4,281	-	-	292	4,281
Culture and Recreation	471,780	464,043	-	-	471,780	464,043
Environmental protection	-	-	-	-	-	-
Interest on long-term debt	34,047	42,326	-	-	34,047	42,326
<b>Total expenses</b>	<b>6,371,634</b>	<b>3,688,720</b>	<b>-</b>	<b>-</b>	<b>6,371,634</b>	<b>3,688,720</b>
Change in net assets before transfers	(238,081)	24,876	-	-	(238,081)	24,876
Transfers	-	(375,000)	-	375,000	-	-
Change in net position	(238,081)	(350,124)	-	375,000	(238,081)	24,876
Net position, beginning	4,064,147	5,044,715	375,000	-	4,439,147	5,044,715
Restatement	-	(630,444)	-	-	-	(630,444)
<b>Netr Position, June 30</b>	<b>3,826,066</b>	<b>4,064,147</b>	<b>375,000</b>	<b>375,000</b>	<b>4,201,066</b>	<b>4,439,147</b>

**Governmental activities:** Governmental activities decreased the City's net position by \$ 238,081. 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 including \$ 2,187,981 in hurricane related expenses subject to reimbursement from FEMA.

## 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 \$1,335,752, while the total fund balance was \$ 4,265,788. The unassigned fund balance represents 22% of general fund expenditures, while total fund balance represents 81% of the same amount

At June 30, 2019, the governmental funds of City of Boiling Spring Lakes reported a combined fund balance of \$ 4,272,312, which is an increase in fund balance of \$ 1,854,905 from the fiscal year ending June 30, 2018. Again, the \$ 2,000,000 three year no interest loan from NCORR influence these numbers.

**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 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, 2019, totals \$ 4,187,502 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and improvements						
not being depreciated	196,255	196,255	-	-	196,255	196,255
Construction in Progress	316,746	309,944	110,236	50,780	426,982	360,724
Building and Other Improvements	1,775,197	1,810,080	-	-	1,775,197	1,810,080
Infrastructure	1,194,683	1,288,721	-	-	1,194,683	1,288,721
Machinery, Furniture and Fixtures	535,592	503,195	-	-	535,592	503,195
Vehicles	169,029	159,111	-	-	169,029	159,111
<b>Total</b>	<b><u>4,187,502</u></b>	<b><u>4,267,306</u></b>	<b><u>110,236</u></b>	<b><u>50,780</u></b>	<b><u>4,297,738</u></b>	<b><u>4,318,086</u></b>

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

**Long-term Debt:** The City's total long-term debt increased by \$ 2,118,486 to \$ 4,971,727 as of June 30, 2012, including the \$ 2,000,000 three year no interest loan from NCORR to assist in hurricane related expenses pending reimbursement from FEMA.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the year ending June 30, 2019 for the City of Boiling Spring Lakes is \$ 38,399,550.

### Outstanding Debt Figure 5

City of Boiling Spring Lakes Outstanding Debt

	Governmental Activities	
	2019	2018
Installment purchases	845,457	946,332
Note payable	2,000,000	
Compensated absences	65,218	80,289
OPEB	1,316,082	1,315,269
Pension related debt	744,970	511,351
Total	<u>4,971,727</u>	<u>2,853,241</u>

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

**Governmental Activities:** Due to the improving economic climate property taxes, sales taxes and revenues from permits, fees and street license fees are expected to show an increase in budgeted revenue from June 30, 2019. The City administration will monitor the economic conditions in Brunswick County and remain poised to make adjustments to the budget as warranted. Budgeted expenditures in the General Fund will be reduced if required.

#### Requests for Information

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

## **BASIC FINANCIAL STATEMENTS**

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
STATEMENT OF NET POSITION  
June 30, 2019

EXHIBIT 1

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Boiling Spring</u> <u>Lakes ABC</u> <u>Board</u>
<b>ASSETS</b>				
Current assets:				
Cash and equivalents	917,443	264,764	1,182,207	26,352
Taxes receivable (net)	56,417	-	56,417	-
Other receivables	160,400	-	160,400	366
Accrued interest receivable on taxes	8,141	-	8,141	-
Due from other governmental agencies	2,508,750	-	2,508,750	-
Due from component unit	6,649	-	6,649	-
Inventories	-	-	-	100,665
Prepaid expenses	-	-	-	3,337
Restricted cash and cash equivalents	803,319	-	803,319	-
Total current assets	<u>4,461,119</u>	<u>264,764</u>	<u>4,725,883</u>	<u>130,720</u>
Non-current assets:				
Capital assets				
Land and improvements not being depreciated	196,255	-	196,255	15,000
Construction in progress	316,746	110,236	426,982	-
Other capital assets, net of depreciation	3,674,501	-	3,674,501	135,650
Total capital assets	<u>4,187,502</u>	<u>110,236</u>	<u>4,297,738</u>	<u>150,650</u>
Total non-current assets	<u>4,187,502</u>	<u>110,236</u>	<u>4,297,738</u>	<u>150,650</u>
Total assets	<u>8,648,621</u>	<u>375,000</u>	<u>9,023,621</u>	<u>281,370</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	449,079	-	449,079	9,143
OPEB deferrals	51,616	-	51,616	12,528
Total deferred outflows of resources	<u>500,695</u>	<u>-</u>	<u>500,695</u>	<u>21,671</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued expenses	124,249	-	124,249	36,142
Due to primary government	-	-	-	6,649
Accrued interest	2,475	-	2,475	-
Current portion of long-term liabilities	1,141,022	-	1,141,022	6,465
Total current liabilities	<u>1,267,746</u>	<u>-</u>	<u>1,267,746</u>	<u>49,256</u>
Long-term liabilities				
Net pension liability	558,449	-	558,449	7,354
Total pension liability	186,521	-	186,521	-
Total OPEB liability	1,316,082	-	1,316,082	102,825
Due in more than one year	1,769,653	-	1,769,653	10,932
Total liabilities	<u>5,098,451</u>	<u>-</u>	<u>5,098,451</u>	<u>170,367</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	32,572	-	32,572	38
OPEB deferrals	192,227	-	192,227	8,395
Total deferred inflows of resources	<u>224,799</u>	<u>-</u>	<u>224,799</u>	<u>8,433</u>
<b>NET POSITION</b>				
Net investment in capital assets	3,342,046	110,236	3,452,282	150,650
Restricted for:				
Stabilization by State Statute	2,675,799	-	2,675,799	-
Streets - Powell Bill	223,198	-	223,198	-
Capital outlay	-	264,764	264,764	27,844
Unrestricted	<u>(2,414,977)</u>	<u>-</u>	<u>(2,414,977)</u>	<u>(54,253)</u>
Total net position	<u>3,826,066</u>	<u>375,000</u>	<u>4,201,066</u>	<u>124,241</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, 2019

EXHIBIT 2

		Program Revenue			Net (Expense) Revenue and Changes in Net Position			
			Operating Grants	Capital Grants	Primary Government			Boiling Spring
Functions/Programs	Expenses	Charges for	and	and	Governmental	Business-type	Total	Lakes ABC
		Services	Contributions	Contributions	Activities	Activities		Board
Primary government								
Governmental activities								
General Government	3,686,817	4,866	2,060,867	-	(1,621,084)		(1,621,084)	
Public Safety	1,448,097	107,317	-	-	(1,340,780)		(1,340,780)	
Transportation	730,601	-	314,539	-	(416,062)		(416,062)	
Health Sanitation and Welfare	292	-	1,398	-	1,106		1,106	
Culture and Recreation	471,780	159,461	466	4,048	(307,805)		(307,805)	
Interest on Long-term debt	34,047	-	-	-	(34,047)		(34,047)	
Total governmental activities	6,371,634	271,644	2,377,270	4,048	(3,718,672)		(3,718,672)	
Business-type activities								
Water and Sewer Operations	-	-	-	-		-	-	
Total primary government	6,371,634	271,644	2,377,270	4,048	(3,718,672)	-	(3,718,672)	
Component Units								
Boiling Spring Lakes ABC Board	714,073	719,129	-	-				5,056
Total component units	714,073	719,129	-	-				5,056
General revenues:								
Taxes:								
Property taxes, levied for general purposes					1,066,453	-	1,066,453	-
Other taxes					2,372,309	-	2,372,309	-
Unrestricted investment earnings					1,623	-	1,623	-
Miscellaneous					40,206	-	40,206	-
Transfers					-	-	-	-
Total general revenues and transfers					3,480,591	-	3,480,591	-
Change in net position					(238,081)	-	(238,081)	5,056
Net position - beginning					4,064,147	375,000	4,439,147	119,185
Net position - ending					3,826,066	375,000	4,201,066	124,241

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2019

EXHIBIT 3  
Page 1 of 2

	<u>Major Fund</u>	<u>Total Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Spillway Capital Project Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	910,919	6,524	917,443
Taxes receivable, net	56,417	-	56,417
Receivable from other governments	2,508,750	-	2,508,750
Receivable from other component unit	6,649		6,649
Other receivables	160,400	-	160,400
Restricted assets:			
Cash and cash equivalents	803,319		803,319
Total assets	<u>4,446,454</u>	<u>6,524</u>	<u>4,452,978</u>
<b>LIABILITIES</b>			
Accounts payable	124,249	-	124,249
Total liabilities	<u>124,249</u>	<u>-</u>	<u>124,249</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	56,417	-	56,417
Total deferred inflows of resources	<u>56,417</u>	<u>-</u>	<u>56,417</u>
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State Statute	2,675,799	-	2,675,799
Streets	223,198	-	223,198
Committed			
Capital outlay	31,039	6,524	37,563
Unassigned	1,335,752		1,335,752
Total fund balances	<u>4,265,788</u>	<u>6,524</u>	<u>4,272,312</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>4,446,454</u>	 <u>6,524</u>	 <u>4,452,978</u>

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

EXHIBIT 3  
Page 2 of 2

<b>Total fund balance, governmental funds</b>		<b>4,272,312</b>
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>		
<b>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.</b>		
Gross capital assets at historical costs	7,353,900	
Accumulated depreciation	<u>(3,166,398)</u>	4,187,502
 Deferred outflows of resources related to pensions are not reported in the funds		 449,079
Deferred outflows of resources related to OPEB are not reported in the funds		51,616
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.		8,141
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		56,417
 Long-term liabilities used in governmental activities are not financial uses and therefore, not reported in the funds		
Gross long-term debt	(2,910,675)	
Net pension liability	(558,449)	
Total pension liability	(186,521)	
Total OPEB liability	<u>(1,316,082)</u>	(4,971,727)
 Deferred inflows of resources related to pensions are not reported in the funds		 (32,572)
Deferred inflows of resources related to OPEB are not reported in the funds		(192,227)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(2,475)
 <b>Net position of governmental funds</b>		 <u><u>3,826,066</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, 2019**

EXHIBIT 4  
Page 1 of 2

	<u>Major Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Spillway Capital Project Fund</u>	
<b>REVENUES</b>			
Property taxes	1,086,647	-	1,086,647
Other taxes	114,167	-	114,167
Unrestricted intergovernmental revenues	2,263,009	-	2,263,009
Restricted intergovernmental revenues	2,375,966	3,141	2,379,107
Licenses and permits	100,963	-	100,963
Sales and services	168,393	-	168,393
Investment earnings	1,623	-	1,623
Miscellaneous	39,565	273	39,838
<b>Total revenues</b>	<u>6,150,333</u>	<u>3,414</u>	<u>6,153,747</u>
<b>EXPENDITURES</b>			
Current:			
General government	3,613,282	-	3,613,282
Public safety	1,431,594	-	1,431,594
Transportation	672,538	-	672,538
Health and welfare	292	-	292
Culture and recreation	438,860	6,802	445,662
Debt Service:			
Principal	100,875	-	100,875
Interest and other charges	34,599	-	34,599
<b>Total expenditures</b>	<u>6,292,040</u>	<u>6,802</u>	<u>6,298,842</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(141,707)</u>	<u>(3,388)</u>	<u>(145,095)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt, net	2,000,000	-	2,000,000
<b>Total other financing sources and uses</b>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
<b>Net change in fund balances</b>	1,858,293	(3,388)	1,854,905
<b>Fund balances - beginning</b>	2,407,495	9,912	2,417,407
<b>Fund balances - ending</b>	<u>4,265,788</u>	<u>6,524</u>	<u>4,272,312</u>

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019**

EXHIBIT 4  
Page 2 of 2

**Net change in fund balances - total governmental funds: 1,854,905**

**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	204,786
Depreciation expense for governmental assets	(284,590)
Capital project income used to reduce costs	-
Book value of fixed assets sold	-

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	117,881
--	---------

OPEB Benefit payments paid and administrative expense for the current ifscal year are not included on the Statement of Activities	47,542
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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	(20,194)
--	----------

**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	(2,000,000)
Principal payments on long-term debt	100,875
Accrued interest	552

**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	15,071
Pension expense	(158,087)
Net pension obligation	(22,606)
OPEB plan expense	(94,216)

<b>Total changes in net position of governmental activities</b>	<b><u>(238,081)</u></b>
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The accompanying notes are an integral part of the financial statements.

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, 2019

EXHIBIT 5

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Ad valorem taxes	1,072,577	1,072,577	1,086,647	14,070
Other taxes	143,650	143,650	114,167	(29,483)
Unrestricted intergovernmental revenues	2,212,351	2,212,351	2,263,009	50,658
Restricted intergovernmental revenues	618,788	2,677,788	2,375,966	(301,822)
Licenses and permits	73,250	73,250	100,963	27,713
Sales and services	160,963	160,963	168,393	7,430
Investment earnings	1,000	1,000	1,623	623
Miscellaneous	32,747	32,747	39,565	6,818
Total revenues	<u>4,315,326</u>	<u>6,374,326</u>	<u>6,150,333</u>	<u>(223,993)</u>
<b>EXPENDITURES</b>				
Current:				
General government	985,004	3,634,102	3,613,282	20,820
Public Safety	1,504,026	1,506,400	1,431,594	74,806
Transportation	775,130	775,129	672,538	102,591
Environmental protection	-	-	-	-
Health and welfare	6,250	6,250	292	5,958
Culture and recreation	907,846	911,171	438,860	472,311
Debt Service:				
Principal	100,876	100,876	100,875	1
Interest and other charges	34,608	34,609	34,599	10
Contingency	29,201	4,130	-	4,130
Total expenditures	<u>4,342,941</u>	<u>6,972,667</u>	<u>6,292,040</u>	<u>680,627</u>
Excess (deficiency) of revenues over expenditures	<u>(27,615)</u>	<u>(598,341)</u>	<u>(141,707)</u>	<u>456,634</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from installment financing	-	-	2,000,000	(2,000,000)
Transfers in	27,615	27,615	-	27,615
Transfers out	-	-	-	-
Total other financing sources and uses	<u>27,615</u>	<u>27,615</u>	<u>2,000,000</u>	<u>(1,972,385)</u>
 Fund balance appropriated	<u>0</u>	<u>570,726</u>	<u>-</u>	<u>(570,726)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>1,858,293</u>	<u>1,858,293</u>
Fund balances - beginning			2,376,456	
Fund balances - ending			4,234,749	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Transfer From General Fund			-	
Fund balance, beginning			31,039	
Fund balance, ending (Exhibit 4)			<u>4,265,788</u>	

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2019

EXHIBIT 6

	<u>Major Enterprise Funds</u>	
	<u>Fifty Lakes Drive Capital Project</u>	<u>Total</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	264,764	264,764
Total current assets	264,764	264,764
Capital assets:		
Construction in progress	110,236	110,236
Total non-current assets	110,236	110,236
Total assets	375,000	375,000
<b>LIABILITIES</b>		
Total liabilities	-	-
<b>NET POSITION</b>		
Net investment in capital assets	110,236	110,236
Restricted for capital projects	264,764	264,764
Total net position	375,000	375,000
Total net assets per Government-Wide financial statements		\$ 375,000

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2019**

EXHIBIT 7

	<u><b>Major Enterprise Funds</b></u>	
	<b>Fifty Lakes Drive Capital Project</b>	<b><u>Total</u></b>
<b>REVENUES</b>		
Total operating revenues	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSES</b>		
Total operating expenses	<u>-</u>	<u>-</u>
Operating income (loss)	<u>-</u>	<u>-</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Total non-operating revenue (expenses)	<u>-</u>	<u>-</u>
Income (loss) before contributions and transfers	-	-
Capital contributions	-	-
Transfers in	-	-
Change in net position	-	-
Total net position - beginning	<u>375,000</u>	<u>375,000</u>
Total net position - ending	<u>375,000</u>	<u>375,000</u>
Change in net assets, per above		0
Change in Business-Type Activities in Net Assets per Government-Wide Financial Statements		<u>0</u>

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2019

EXHIBIT 8

	<b>Major Enterprise Funds</b>	
	<b>Fifty Lakes Drive Capital Project</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net cash provided (used) by operating activities	-	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfer from other funds	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Net cash provided (used) by capital and related financing activities	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on assessments	-	-
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents, beginning	-	-
Cash and cash equivalents, ending	-	-
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income (loss)	-	-
Adjustments to reconcile operating income to net cash provided by operating activities:		
Total adjustments	-	-
Net cash provided (used) by operating activities	-	-

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

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2019

EXHIBIT 9  
Page 1 of 29

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**Town of Boiling Spring Lakes ABC Board**

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

**B. Basis of Presentation**

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

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

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

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

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

The City reports the following major governmental funds:

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

The City reports the following non-major governmental fund:

**Spillway Capital Project Fund.** This fund is used to account for the construction cost of updating the lakes and dam spillway. A grant has been approved for completion.

The City reports the following major enterprise fund – Water and Sewer Fund.

**Fifty Lakes Drive Capital Project Fund.** This fund is for installing a sewer line on certain sections of Fifty Lakes Drive which upon completion will be funded by a special assessment of the affected property. The capital improvement will be transferred to Brunswick County to be included in their Water and sewer operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources. Other receivables consist of Water Assessments 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 shared revenue for the City of Boiling Spring Lakes because the tax is levied by Brunswick County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. 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.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Money in the Capital Reserve Fund is classified as restricted assets because its use is restricted for future capital asset purchases per NC G.S. Chapter 159, Article 3, Part 2. Money in the NC State Revolving Loan Fund for temporary assistance to local governments is classified as restricted because its use is restricted for emergency use per Section 1.5(1) of North Carolina Session Law 2018-138. (See note IIIA2 for detail).

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

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.

6. Allowances for Doubtful Accounts

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

7. Inventory and Prepaid Items

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

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

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

8. Capital Assets

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

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

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

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

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, contributions made to the pension plan in the 2017 fiscal year and pension deferrals. In addition to

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

#### 10. Long-Term Debt

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

#### 11. Compensated Absences

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

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

#### 12. Net Position/Fund Balances

##### Net Position

Net position in government-wide financial statements is classified as invested in capital assets; restricted; and unrestricted. Restricted net position 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.

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

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

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

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

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

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

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

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

### 13. Defined Benefit Cost-Sharing Plans

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

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### Noncompliance with N.C. General Statutes

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

## 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, 2019, the City's deposits had a carrying amount of \$1,905,624 and a bank balance of \$1,901,721. The carrying amount of deposits of the ABC Board was \$26,352 and the bank balance was \$82,352. Of the bank balance \$82,352 of the ABC Board and \$250,000 of the City was covered by federal depository insurance. At June 30, 2019, the City's petty cash funds totaled \$600 and the ABC Board totaled \$600.

At June 30, 2019, the City had \$79,302 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

2. Restricted Assets

Restricted assets presented in the Balance Sheet and Statement of Net Position at June 30, 2019 are as follows:

**Restricted Cash:**

Governmental Activities

General Fund

Streets	223,198
Capital Outlay	31,039
NCORR Loan for emergency	549,082
Total Governmental Activities	<u>803,319</u>
Total Restricted Cash	<u>803,319</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, 2019 are net of the following allowances for doubtful accounts:

General Fund:

Taxes receivable	21,372
Utility billings receivable	<u>28,770</u>
Total	<u><u>50,142</u></u>

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
<b>Capital assets not being depreciated:</b>				
Land and improvements	196,255	-		196,255
Construction in progress	309,944	6,802	-	316,746
Total capital assets not being depreciated	506,199	6,802	-	513,001
<b>Capital assets being depreciated:</b>				
Buildings	2,435,025	27,303		2,462,328
Other improvements	76,738			76,738
Machinery equipment, furniture and fixtures	1,403,403	112,084	52,600	1,462,887
Vehicles	943,543	58,597	97,922	904,218
Infrastructure	1,934,728			1,934,728
Total capital assets being depreciated	6,793,437	197,984	150,522	6,840,899
<b>Less accumulated depreciation for:</b>				
Buildings	682,522	59,539		742,061
Other improvements	19,161	1,894	(753)	21,808
Machinery equipment, furniture and fixtures	900,208	79,687	52,600	927,295
Vehicles	784,432	48,679	97,922	735,189
Infrastructure	646,007	94,791	753	740,045
Total accumulated depreciation	3,032,330	284,590	150,522	3,166,398
Total capital assets being depreciated, net	3,761,107			3,674,501
<b>Governmental activities capital assets, net</b>	<u>4,267,306</u>			<u>4,187,502</u>

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

General government	148,434
Public safety	53,175
Transportation	62,578
Culture and recreation	20,403
Total depreciation expense	<u>284,590</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities</b>				
<b>Fifty Lakes Drive Capital Project</b>				
<b>Capital assets not being depreciated:</b>				
Construction in progress	50,780	59,456	-	110,236
Total capital assets not being depreciated	50,780	59,456	-	110,236
<b>Business-type activities capital assets, net</b>	<u>50,780</u>	<u>59,456</u>	<u>-</u>	<u>110,236</u>

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	15,000			15,000
Total capital assets not being depreciated	15,000	-	-	15,000
<b>Capital assets being depreciated:</b>				
Buildings and improvements	146,747	2,076	20,013	128,810
Furniture, fixtures and office equipment	20,973	36,032	15,174	41,831
Total capital assets being depreciated	167,720	38,108	35,187	170,641
<b>Less accumulated depreciation for:</b>				
Buildings	45,047	3,595	20,013	28,629
Furniture, fixtures and office equipment	14,247	2,483	10,368	6,362
Total accumulated depreciation	59,294	6,078	30,381	34,991
Total capital assets being depreciated, net	108,426	32,030	4,806	135,650
<b>ABC capital assets, net</b>	<b>128,879</b>	<b>32,030</b>	<b>4,806</b>	<b>150,650</b>

**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](http://www.osc.nc.gov).

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of

creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Boiling Spring Lakes employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Boiling Spring Lakes' contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 \$117,881 for the year ended June 30, 2019.

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

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

At June 30, 2019, the City reported a liability of \$558,449 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the City's proportion was 0.02354%, which was a decrease of 0.00077% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$158,089. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between actual and expected experience	86,155	2,891
Changes of assumptions	148,191	
Net difference between projected and actual earnings on pension plan investments	76,659	
Changes in proportion and differences between City contributions and proportionate share of contributions	-	17,112
City contributions subsequent to the measurement date	<u>117,881</u>	<u></u>
Total	<u><u>428,886</u></u>	<u><u>20,003</u></u>

\$117,881 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	142,654
2021	91,460
2022	12,566
2023	44,322
2024	-
Thereafter	-
	<hr/>
	291,002
	<hr/>

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 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%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	1,341,444	558,449	(95,833)

*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

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

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

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

***Summary of Significant Accounting Policies***

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

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

***Actuarial Assumptions***

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 Percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

### **Contributions**

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

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

At June 30, 2019, the City reported a total pension liability of \$186,521. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$22,603.

	<b><u>Deferred Outflows of</u></b>	<b><u>Deferred Inflows of</u></b>
Differences between expected and actual experience	10,200	1,012
Changes of assumptions	9,654	11,557
City benefit payments and plan administrative expense made subsequent to measurement date	<u>339</u>	<u>-</u>
Total	<u><u>20,193</u></u>	<u><u>12,569</u></u>

\$342 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	1,157
2021	1,157
2022	1,157
2023	1,157
2024	1,539
Thereafter	<u>1,118</u>
Total	<u><u>7,285</u></u>

No benefits came due and \$339 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*Sensitivity of the City's total pension liability to changes in the discount rate.* The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	208,389	186,521	166,813

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

	2019
Beginning balance	163,488
Service cost	16,280
Interest on the total pension liability	5,166
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	11,806
Changes of assumptions or other inputs	(10,219)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability.	186,521

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	158,089	22,603	180,692
Pension liability	558,449	186,521	744,970
Proportionate share of the net pension liability	0.02354%	n/a	
<b>Deferred Outflows of Resources</b>			
Difference between expected and actual experience	86,155	10,200	96,355
Changes of assumptions	148,191	9,654	157,845
Net differences between projected and actual earnings on plan investments	76,659	-	76,659
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	117,881	339	118,220
Total	<u>428,886</u>	<u>20,193</u>	<u>449,079</u>
<b>Deferred Inflows of Resources</b>			
Difference between expected and actual experience	2,891	1,012	3,903
Changes of assumptions	-	11,557	11,557
Net differences between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	17,112	-	17,112
Total	<u>20,003</u>	<u>12,569</u>	<u>32,572</u>

c. Supplemental Retirement Income Plan

*Plan Description* - The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. The City has elected to provide the same benefits to all employees of the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the 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, 2019 were \$111,532, which consisted of \$73,476 from the City, and \$38,056 from the employees.

d. Other Postemployment Benefits – Healthcare Benefits

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

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

Membership in the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Inactive members currently receiving benefits	6
Inactive members entitled to but not yet receiving benefits	0
Active Members	<u>27</u>
Total	<u>33</u>

Total OPEB Liability

The City's total OPEB liability of \$1,316,082 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases including wage inflation	
General employees	3.50% - 7.75%
Law enforcement officers	3.50% - 7.35%
Discount rate	3.89%
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

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

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2017	1,315,269
Changes for the year:	
Service cost	74,887
Interest	46,116
Changes on benefit terms	-
Difference between expected and actual experience	4,578
Changes of assumptions or other inputs	(84,638)
Benefit payments	(40,130)
Net Changes	813
Total OPEB Liability as of June 30, 2018	1,316,082

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the discount rate:

	<b><u>2.89%</u></b> <b><u>1% Decrease</u></b>	<b><u>3.89%</u></b> <b><u>Discount Rate</u></b>	<b><u>4.89%</u></b> <b><u>1% Increase</u></b>
<b>Total OPEB Liability</b>	1,597,839	1,316,082	1,100,212

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

	<b><u>1%</u></b> <b><u>Decrease</u></b>	<b><u>Current</u></b>	<b><u>1%</u></b> <b><u>Increase</u></b>
<b>Total OPEB Liability</b>	1,061,932	1,316,082	1,661,205

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$95,708. At June 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows</u></b> <b><u>of Resources</u></b>	<b><u>Deferred Inflows</u></b> <b><u>of Resources</u></b>
Differences between expected and actual experience	4,074	1,731
Changes of assumptions	-	190,496
Benefit payments and administrative costs made subsequent to the measurement date	47,542	
<b>Total</b>	<b>51,616</b>	<b>192,227</b>

\$47,542 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in healthcare costs as follows:

**Year Ended June 30:**

2020	(25,295)
2021	(25,295)
2022	(25,295)
2023	(25,295)
2024	(25,295)
Thereafter	<u>(61,678)</u>
Total	<u>(188,153)</u>

e. Other Employment Benefits

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

2. Deferred Outflows and Inflows of Resources

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

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

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

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

3. Commitments

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

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains insurance through commercial companies that provide the following types of major coverage for the amounts of retained risk noted: general liability, public official and law enforcement liability (\$1,000,000 per occurrence with \$3,000,000 aggregate); auto liability (\$1,000,000 per person with \$3,000,000 total); property (\$4,114,252 blanket coverage with limits for each property); workers' compensation (\$1,000,000 coverage each occurrence); wind and hail (policy amounts for each property). Employee health coverage is provided with 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, 2019, the City had no outstanding items in litigation.

6. Long-Term Obligations

a. Installment Purchase Contracts

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

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

Annual debt service payments of the installment purchases as of June 30, 2019, including \$153,463 of interest are as follows:

Governmental Activities		
Year Ending June 30	<u>Principal</u>	<u>Interest</u>
2020	101,396	30,979
2021	101,928	27,210
2022	102,480	23,548
2023	80,000	19,834
2024	80,000	16,706
2025-2029	379,653	35,186
Total	<u>845,457</u>	<u>153,463</u>

b. State Revolving Loan

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

Year Ending June 30,	<u>Principal</u>
2020	1,000,000
2021	1,000,000
Total	<u>2,000,000</u>

c. Changes in General Long-Term Liabilities

Government activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Installment purchases	946,332		100,875	845,457	101,396
State revolving loan		2,000,000		2,000,000	1,000,000
Compensated absences	80,289	39,626	54,697	65,218	39,626
Net pension obligation (LGERS)	347,863	210,586		558,449	-
Net pension obligation (LEO)	163,488	23,033		186,521	-
Other postemployment benefits	1,315,269	41,205	40,392	1,316,082	-
Government activity long-term liabilities	2,853,241	2,314,450	195,964	4,971,727	1,141,022

c. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2019 consists of the following:

	Governmental Activities	Business-type Activities
Capital assets	4,187,502	110,236
Less: Long-term debt	845,456	-
Net investment in capital assets	3,342,046	110,236

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	4,265,788
Less:	
Stabilization by State Statutes	2,675,799
Streets - Powell Bill	223,198
Capital outlay	31,039
Appropriated Fund Balance in 2019 budget	<u>-</u>
Remaining fund balance	<u>1,335,752</u>

e. Interfund Balances and Activity. There were no interfund activity during the year.

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 \$1,473 to the Council during the fiscal year ended June 30, 2019.

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. HURRICANE DAMAGE AND RESTORATION

On September 9, 2018, the City experienced the effects of Hurricane Florence and is included in a federally declared disaster zone. The City suffered extensive damage to its public areas, infrastructure of roads, Dams and Lakes. Debris removal and restoration expenditures incurred as of June 30, 2019, amounted to \$2,187,981 net of insurance recovery of \$48,132. Expenditures of \$2,058,541 have been submitted to FEMA of which \$1,889,911 has been awarded. The amounts submitted are reflected in general government grants and contributions while the expenditures of \$2,187,981 are included in general government expenses. The costs of Dams and Lakes repairs and restoration have not been determined pending various permitting and engineering. NC Dam Safety has determined that all four

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

VII. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS.

Events occurring after June 30, 2019 were evaluated by management to ensure that any subsequent events that met the criteria for recognition and/or disclosure to these financial statements have been included. In the opinion of management there are no significant subsequent evens requiring disclosure.

**REQUIRED  
SUPPLEMENTAL FINANCIAL DATA**

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

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

**Schedule of Contributions - Local Government Employee's Retirement System**

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

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

**Schedule of Changes in the Total OPEB Liability and Related Ratios**

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

EXHIBIT A-1

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
City of Boiling Spring Lakes' proportion of the net pension liability (asset) (%)	0.02340%	0.02277%	0.02438%	0.02321%	0.02252%	0.01820%
City of Boiling Spring Lakes' proportion of the net pension liability (asset) (\$)	558,449	347,863	517,427	104,165	(132,811)	219,380
City of Boiling Spring Lakes' covered-employee payroll	1,386,297.00	1,251,314	1,317,613	1,192,061	1,105,732	1,003,162
City of Boiling Spring Lakes' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.28%	27.80%	39.27%	8.74%	(12.01%)	21.86%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

EXHIBIT A-2

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
Contractually required Contribution	117,881	108,274	94,665	90,437	85,833	79,026
Contributions in relation to the contractually required contribution	117,881	108,274	94,665	90,437	85,833	79,026
Contribution deficiency (excess)	-	-	-	-	-	-
City of Boiling Spring Lakes' covered-employee payroll	1,467,304	1,386,297	1,251,314	1,317,613	1,192,061	1,105,732
Contributions as a percentage of covered-employee payroll	8.03%	7.81%	7.57%	6.86%	7.20%	7.15%

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS' SEPARATION ALLOWANCE**  
June 30, 2019

EXHIBIT A-3

	<u>2019</u>	<u>2018</u>
<b>Beginning balance</b>	<b>163,488</b>	<b>134,225</b>
<b>Service Cost</b>	<b>16,280</b>	<b>12,314</b>
<b>Interest on the total pension liability</b>	<b>5,166</b>	<b>5,181</b>
<b>Changes of benefit terms</b>	<b>-</b>	<b>-</b>
<b>Differences between expected and actual experience in the measurement of the total pension liability</b>	<b>11,806</b>	<b>(1,378)</b>
<b>Changes of assumptions or other inputs</b>	<b>(10,219)</b>	<b>13,146</b>
<b>Benefit payments</b>	<b>-</b>	<b>-</b>
<b>Other changes</b>	<u><b>-</b></u>	<u><b>-</b></u>
<b>Ending balance of the total pension liability</b>	<u><u><b>186,521</b></u></u>	<u><u><b>163,488</b></u></u>

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**  
**LAW ENFORCEMENT OFFICERS' SEPARATION ALLOWANCE**  
**June 30, 2019**

EXHIBIT A-4

	<u>2019</u>	<u>2018</u>
<b>Total pension liability</b>	<b>186,521</b>	<b>163,488</b>
<b>Covered payroll</b>	<b>569,161</b>	<b>514,153</b>
<b>Total pension liability as a percentage of covered payroll</b>	<b>32.77%</b>	<b>31.80%</b>

Notes to the schedules:

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

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
June 30, 2019

EXHIBIT A-5

	<u>2018</u>	<u>2017</u>
Service Cost	74,887	85,992
Interest	46,116	40,760
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	4,578	(2,219)
Changes of assumptions or other inputs	(84,638)	(147,657)
Benefit payments	(40,130)	(31,289)
Other changes	<u>-</u>	<u>-</u>
Net Change in the Total OPEB Liability	813	(54,413)
Total OPEB Liability - beginning	<u>1,315,269</u>	<u>1,369,682</u>
Total OPEB Liability - ending	<u><u>1,316,082</u></u>	<u><u>1,315,269</u></u>
Covered-employee payroll	1,111,300	1,111,300
Total OPEB Liability as a percentage of covered-employee payroll	118.43%	118.35%

Notes to the Schedule:

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

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

## **SUPPLEMENTARY STATEMENTS**

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**GENERAL FUND - BUDGETARY BASIS**  
**COMPARATIVE BALANCE SHEET**  
June 30, 2019 and 2018

EXHIBIT B-1

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	910,919	1,710,848
Receivables (net):		
Taxes	56,417	69,223
Accounts	160,400	160,955
Due from other governments	2,508,750	432,712
Due from component unit	6,649	6,250
Restricted cash and cash equivalents	<u>772,280</u>	<u>144,956</u>
Total assets	<u><u>4,415,415</u></u>	<u><u>2,524,944</u></u>
<b>LIABILITIES</b>		
Accounts payable	124,249	78,659
Accounts payable from restricted assets	<u>0</u>	<u>0</u>
Total liabilities	<u>124,249</u>	<u>78,659</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenues	56,417	69,223
Prepaid taxes	<u>-</u>	<u>606</u>
Total deferred inflows of resources	<u>56,417</u>	<u>69,829</u>
<b>FUND BALANCES</b>		
Restricted		
Stabilization by State Statute	2,675,799	599,917
Streets	223,198	146,273
Assigned		
Subsequent year's expenditure	-	-
Unassigned	<u>1,335,752</u>	<u>1,910,633</u>
Total fund balances	<u>4,234,749</u>	<u>2,376,456</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>4,415,415</u></u>	<u><u>2,524,944</u></u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
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With Comparative Actual Amounts for Year Ended June 30, 2018

EXHIBIT B-2  
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	2019			2018
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b><u>Revenues</u></b>				
Ad valorem				
Current year	1,016,177	1,046,134	29,957	937,364
Prior year	46,400	30,486	(15,914)	34,037
Penalties and interest	10,000	10,027	27	21,212
Total	<u>1,072,577</u>	<u>1,086,647</u>	<u>14,070</u>	<u>992,613</u>
Other taxes				
Privilege licenses	-	-	-	2,771
Vehicle tax	142,775	108,250	(34,525)	-
Dog tax	875	1,050	175	860
Total	<u>143,650</u>	<u>109,300</u>	<u>(34,350)</u>	<u>3,631</u>
Unrestricted intergovernmental revenues				
Local option sales tax	1,847,351	1,909,200	61,849	1,747,190
Franchise tax	312,000	299,582	(12,418)	302,062
Telecommunications sales tax	-	-	-	4
Beer and wine excise tax	28,000	29,227	1,227	28,566
ABC profit distribution	25,000	25,000	-	25,000
Total	<u>2,212,351</u>	<u>2,263,009</u>	<u>50,658</u>	<u>2,102,822</u>
Restricted intergovernmental revenues				
Grant revenue	303,200	1,399	(301,801)	1,014
FEMA Reimbursement	2,059,000	2,058,541	(459)	-
"State Street-aid" allocation	310,479	310,083	(396)	310,479
NC DOT Right of Way	4,567	4,456	(111)	4,570
Police equipment grant	-	-	-	305
ABC revenue for law enforcement	542	1,487	945	379
Total	<u>2,677,788</u>	<u>2,375,966</u>	<u>(301,822)</u>	<u>316,747</u>
Permits and fees				
Building permits and inspection fees	65,750	91,605	25,855	104,939
Code enforcement penalties	-	4,867	4,867	-
Planning and zoning fees	7,000	9,858	2,858	7,720
Planning and development fees	0	500	500	-
Board of adjustment fees	500	(1,000)	(1,500)	-
Total	<u>73,250</u>	<u>105,830</u>	<u>32,580</u>	<u>112,659</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
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EXHIBIT B-2  
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	2019			2018
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
<b>Sales and services</b>				
Rents and concessions	19,776	33,602	13,826	20,285
Planning fees	100	-	(100)	80
Assessment-Tax lien	-	1,000	1,000	3,000
Water assessment interest	9,000	8,051	(949)	8,348
Copies, maps. Etc.	-	27	27	-
Community center revenue				
Programs and rentals	84,500	92,418	7,918	88,623
Memberships	15,500	16,130	630	17,714
Gifts and donations	32,087	17,165	(14,922)	10,563
Total	<u>160,963</u>	<u>168,393</u>	<u>7,430</u>	<u>148,613</u>
<b>Investment earnings</b>				
Investment earnings - other	<u>1,000</u>	<u>1,623</u>	<u>623</u>	<u>845</u>
Total	<u>1,000</u>	<u>1,623</u>	<u>623</u>	<u>845</u>
<b>Miscellaneous revenue</b>				
Sales and gas tax refunds	17,088	12,495	(4,593)	15,886
Sale of fixed assets	7,600	13,551	5,951	13,025
Xpress pay income	1,000	1,865	865	1,818
Advertising fees	60	2	(58)	29
Bike runs	-	-	-	609
Brunswick Senior Resource Donation	-	1,876	1,876	-
Small fry fishing tournament	2,000	2,022	22	3,110
Fitness on demand	-	19	19	503
Contributions	-	1,549	1,549	1,545
Miscellaneous	<u>4,999</u>	<u>6,186</u>	<u>1,187</u>	<u>24,725</u>
Total	<u>32,747</u>	<u>39,565</u>	<u>6,818</u>	<u>61,250</u>
<b>Total revenues</b>	<u>6,374,326</u>	<u>6,150,333</u>	<u>(223,993)</u>	<u>3,739,180</u>
<b><u>Expenditures</u></b>				
<b>General government</b>				
Governing body				
Salaries	8,000	8,000		7,625
Payroll taxes	612	612		583
Professional fees - attorney	445,726	445,726		43,783
Professional fees - audit	25,800	25,800		24,800
Contracted servuces	1,000	1,385		1,085
Per diem/travel	145	145		120

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
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STATEMENT OF REVENUES, EXPENDITURES AND  
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EXHIBIT B-2  
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	2019			2018
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Ordinance codification	4,000	2,697		1,526
Collection fees (taxes)	7,139	7,289		6,222
Collection fees (vehicles)	7,440	5,685		1,745
Scholarship fund expenses	-	2,879		-
Miscellaneous	2,500	2,151		4,233
Capital outlay	-	-	-	-
Total	<u>502,362</u>	<u>502,369</u>	<u>(7)</u>	<u>91,722</u>
Administration				
Salaries	266,266	268,877		259,431
Professional services	340	340		8,927
Payroll taxes	20,467	19,948		19,639
Employees' group insurance	21,435	20,496		20,700
Retirement	30,893	31,873		30,079
Other fringe benefits	4,515	4,400		3,247
Telephone and postage	8,960	7,309		8,508
Volunteer appreciation	1,600	1,867		1,614
Utility - water	11,700	11,353		10,964
Travel and training	5,000	4,937		10,122
Office equipment maintenance	6,800	6,735		6,519
Legal advertising	3,700	3,790		8,659
Office supplies	3,500	3,710		4,396
Gas, oil and tires	1,050	1,041		941
Emergency response	3,750	3,750		3,750
Fire Department contingency	10,000	10,000		25,000
Contracted services	33,825	34,920		27,062
Dues and subscriptions	16,000	15,373		12,311
Insurance - general	58,185	58,185		54,114
Workmen's compensation insurance	65,952	65,952		67,617
Miscellaneous expense	7,898	7,788		5,865
Bank service charges	1,200	1,549		363
Hurricane Expenses	2,188,000	2,187,981		-
Express fees	1,920	2,463		2,214
Planning	12,500	11,812		18,629
Capital outlay - office equipment	40,635	40,185	-	28,872
Total	<u>2,826,091</u>	<u>2,826,634</u>	<u>(543)</u>	<u>639,543</u>

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	2019			2018
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Public buildings				
Salaries	124,823	125,591		118,057
Seasonal help	15,966	15,966		7,632
Payroll taxes	11,323	10,706		9,518
Group insurance	21,736	20,509		22,220
Retirement	14,367	14,329		13,998
Telephone	1,760	1,300		2,001
Travel and training	750	653		120
Electricity	2,537	2,239		1,195
Repairs and maintenance	21,848	21,208		19,397
Lawn care	4,373	3,412		6,600
Landscaping	5,100	1,612		4,027
Park repairs and maintenance	9,700	9,663		10,900
Specific projects	-	-		5,393
Fuel, oil and tires	7,392	7,783		4,860
Office supplies	200	-		-
Janitor supplies	4,000	3,223		4,195
Uniform allowance	649	649		583
Contracted services	6,285	3,935		5,954
Tool purchases and maintenance	2,400	2,572		6,327
Miscellaneous	500	51		160
Capital outlay	49,940	38,878	-	37,512
Total	<u>305,649</u>	<u>284,279</u>	<u>21,370</u>	<u>280,649</u>
 Total general government	 <u>3,634,102</u>	 <u>3,613,282</u>	 <u>20,820</u>	 <u>1,011,914</u>

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	2019			2018
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b>Public safety</b>				
<b>Police</b>				
Salaries	614,263	602,498		615,616
Salaries - part-time	23,088	22,654		5,427
Professional fees	10,600	10,565		27,780
Payroll taxes	49,706	46,856		46,646
Retirement	85,848	81,392		84,022
Employee group insurance	96,666	86,323		102,599
Retiree group insurance	22,441	21,215		20,136
Training and travel	4,000	1,646		9,066
Telephone and postage	12,520	11,103		11,840
Electricity and water	7,500	6,538		7,009
Vehicle maintenance	11,000	9,621		20,565
Police office equipment maintenance	5,600	5,508		1,137
Gas, oil and tires	37,200	36,747		37,862
Police office supplies	2,500	2,035		1,725
Uniform allowance	19,000	18,882		9,574
Small fry fishing tournament	4,000	3,496		5,041
Contracted services	48,900	47,629		43,358
Special investigations	2,100	1,833		490
Dues and subscriptions	1,000	522		971
Miscellaneous expense	1,500	1,129		3,404
Non-capital outlay	5,000	4,875		10,533
Capital outlay	<u>101,500</u>	<u>97,714</u>	<u>-</u>	<u>50,253</u>
Total	<u>1,165,932</u>	<u>1,120,781</u>	<u>45,151</u>	<u>1,115,054</u>
<b>Animal control</b>				
Training	800	-		1,358
Telephone	680	583		424
Vehicle maintenance	750	-		-
Gas, tires, oil	3,000	2,099		2,539
Office supplies	200	59		-
Supplies	1,000	717		525
Uniform allowance	450	192		298
Contracted services	750	-		-
Miscellaneous	455	46		220
Non-capital outlay	<u>2,000</u>	<u>1,326</u>	<u>-</u>	<u>3,106</u>
Total	<u>10,085</u>	<u>5,022</u>	<u>5,063</u>	<u>8,470</u>

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	2019			2018
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
<b>Inspections</b>				
Salaries	182,560	167,503		103,270
Salaries - part-time	17,920	15,487		21,258
Payroll taxes	15,398	13,417		9,514
Retirement	22,986	21,176		12,971
Employee group insurance	22,629	19,557		9,637
Retiree supplemental insurance	600	600		-
Telephone and postage	3,363	3,620		1,888
Training and travel	8,930	8,810		1,767
Vehicle maintenance	850	821		160
Gas, oil and tires	2,040	2,078		1,053
Office supplies	850	835		1,323
Office equipment	200	169		-
Departmental supplies	2,010	1,730		493
Contracted services	27,947	27,947		8,394
Dues and subscriptions	500	487		410
Uniform allowance	350	348		217
Capital outlay	21,250	21,206	-	12,865
<b>Total</b>	<b>330,383</b>	<b>305,791</b>	<b>24,592</b>	<b>185,220</b>
 <b><u>Total public safety</u></b>	 <b><u>1,506,400</u></b>	 <b><u>1,431,594</u></b>	 <b><u>74,806</u></b>	 <b><u>1,308,744</u></b>
 <b>Transportation</b>				
<b>Streets</b>				
Salaries	173,899	180,595		168,553
Seasonal employee	30,190	16,428		15,067
Payroll taxes	15,613	14,711		13,432
Employee group insurance	30,096	26,050		30,326
Retirement	21,894	23,089		21,142
Retiree supplemental insurance	14,000	13,673		12,874
Street lights	17,000	15,383		16,482
Telephone	3,300	3,146		3,013
Propane	2,500	1,727		2,115
Electricity	5,200	4,710		4,799
Travel and training	1,000	360		803
Street surfacing and maintenance	87,176	126,164		65,678
Resurfacing/Paving project	67,930	-		22,640
Maintenance - other equipment	51,650	52,731		23,041
Office supplies	126	126		126
Shop supplies	3,857	4,143		3,605
Fuel, oil and tires - grader	28,000	27,919		19,325
Street culverts	3,400	3,399		9,123
Street department supplies	2,500	1,597		2,047

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	2019			2018
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Safety supplies	1,100	-		32
Debris removal	6,074	7,220		633
Safety sign replacement	1,000	639		918
Uniforms	4,565	4,565		5,578
Contracted services	9,000	7,441		7,687
NCDOT Right of Way	4,506	1,776		3,017
Dues and subscriptions	500	-		-
Professional services	52,600	2,949		7,135
Miscellaneous expense	1,700	957		2,234
Street licenses	-	-		53,250
Non-capital outlay - streets	-	130,540		2,570
Powell Bill survey	500	500		300
Capital outlay - vehicle	-	-		71,576
Capital outlay	134,253	-	-	70,151
<u>Total transportation</u>	<u>775,129</u>	<u>672,538</u>	<u>102,591</u>	<u>659,272</u>
Health and welfare				
Mosquito control				
Travel and training	1,300	-		120
Fuel, oil - equipment	250	192		136
Maintenance - equipment	500	-		-
Vehicle supplies	100	-		-
Chemical supplies	4,000	-		3,925
Dues and subscriptions	100	100	-	100
<u>Total health and welfare</u>	<u>6,250</u>	<u>292</u>	<u>5,958</u>	<u>4,281</u>
Culture and recreation				
Parks and recreation				
Bike runs	587	508		2,495
Community fun day	1,355	818		732
Christmas tree lighting	368	368		442
Battle of the bands	-	-		1,384
Haunted hay ride	1,280	1,280		1,076
Mitch Prince hoops and heros	1,198	1,197		16
Office supplies	2,112	1,749		51
Storage unit	-	-		286
Miscellaneous	0	1,371	-	878
Non-capital outlay	-	-	-	4,278
<u>Total</u>	<u>6,900</u>	<u>7,291</u>	<u>(391)</u>	<u>11,638</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
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	2019			2018
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
<b>Community committees</b>				
Library committee	2,000	1,959		1,959
Community appearance	400	324	-	164
Total	<u>2,400</u>	<u>2,283</u>	<u>117</u>	<u>2,123</u>
<b>Dams and lakes</b>				
Contracted services	15,000	2,805		49,450
Equipment maintenance	1,000	765		2,854
Storm debris - lakes	2,500	-		-
Electricity	3,300	3,288		1,500
Operating expenses	200	113		1,238
Water testing	2,300	2,500		2,600
Total	<u>24,300</u>	<u>9,471</u>	<u>14,829</u>	<u>57,642</u>
<b>Community Center</b>				
Salaries	160,520	162,217		147,379
Part-time and temporary help	72,410	61,833		53,712
Payroll taxes	17,820	16,873		15,521
Retirement	20,209	20,483		18,666
Employees group insurance	30,660	30,380		26,927
Professional services	7,125	7,125		9,950
Telephone and postage	4,356	3,384		3,847
Electricity, water and oil	8,900	6,981		7,393
Travel and training	5,200	4,570		3,309
Repairs and maintenance - other	7,805	7,779		4,839
Advertising	1,150	814		3,044
Gas, oil, tires	8,997	8,636		5,319
Cleaning supplies	3,300	3,253		2,518
Office supplies	1,800	1,670		2,868
Uniform allowance	1,550	1,546		2,781
Contracted services	36,250	28,921		29,591
Grants and donations	16,800	1,728		1,963
Dues and subscriptions	1,500	924		2,211
Programs	51,583	46,740		47,469
Van rental	3,426	3,328		1,129
Miscellaneous expense	210	630		1,035
Non-capital outlay	-	-		3,985
Capital outlay	416,000	-	-	54,688
Total	<u>877,571</u>	<u>419,815</u>	<u>457,756</u>	<u>450,144</u>
<b>Total culture and recreation</b>	<u>911,171</u>	<u>438,860</u>	<u>472,311</u>	<u>521,547</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, 2019  
With Comparative Actual Amounts for Year Ended June 30, 2018

EXHIBIT B-2  
Page 9 of 9

	2019			2018
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Debt service				
Principal retirement	100,876	100,875	1	100,365
Interest	<u>34,609</u>	<u>34,599</u>	<u>10</u>	<u>38,260</u>
Total	<u>135,485</u>	<u>135,474</u>	<u>11</u>	<u>138,625</u>
Contingency	<u>4,130</u>	<u>-</u>	<u>4,130</u>	<u>-</u>
 <u>Total expenditures</u>	 <u>6,972,667</u>	 <u>6,292,040</u>	 <u>680,627</u>	 <u>3,644,383</u>
Revenues over (under) expenditures	<u>(598,341)</u>	<u>(141,707)</u>	<u>456,634</u>	<u>94,797</u>
Other financing sources (uses)				
Proceeds from loan	-	2,000,000	2,000,000	-
Transfer from Water Fund	27,615	-	(27,615)	-
Transfer to Capital Improvement Project	-	-	-	(375,000)
Transfer to Capital Reserve Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,980)</u>
Total other financing sources (uses)	<u>27,615</u>	<u>2,000,000</u>	<u>1,972,385</u>	<u>(376,980)</u>
Appropriated fund balance	<u>570,726</u>	<u>-</u>	<u>(570,726)</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>1,858,293</u>	<u>1,858,293</u>	<u>(282,183)</u>
Fund balance, beginning		<u>2,376,456</u>		<u>2,658,639</u>
Fund balance, ending		<u>4,234,749</u>		<u>2,376,456</u>

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
CAPITAL RESERVE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2019  
With Comparative Actual Amounts for Year Ended June 30, 2018

EXHIBIT B-3

	2019			2018
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
<u>Revenues</u>				
Miscellaneous				
Miscellaneous	-	-	-	-
Total	-	-	-	-
 Total revenues	-	-	-	-
 <u>Expenditures</u>				
<u>Total expenditures</u>	-	-	-	-
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Fund balance appropriated	-	-	-	-
Transfer from General Fund	-	-	-	1,980
Transfer to General Fund	-	-	-	-
Total other financing sources (uses)	-	-	-	1,980
Net change in fund balance	-	-	-	1,980
Fund balance, beginning		31,039		29,059
Fund balance, ending		31,039		31,039

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2019

EXHIBIT B-4

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenue</b>					
Restricted intergovernmental Grants	70,904	70,904	3,141	74,045	3,141
Miscellaneous revenue	9,024	9,024	273	9,297	273
<b>Total Revenue</b>	<b>79,928</b>	<b>79,928</b>	<b>3,414</b>	<b>83,342</b>	<b>3,414</b>
<b>Expenditures</b>					
Cultural and recreation					
Capital Outlay	171,003	161,091	6,802	167,893	3,110
<b>Total Expenditures</b>	<b>171,003</b>	<b>161,091</b>	<b>6,802</b>	<b>167,893</b>	<b>3,110</b>
Revenues over (under) expenditures	(91,075)	(81,163)	(3,388)	(84,551)	(6,524)
<b>Other financing sources (uses):</b>					
Transfer from General Fund	91,075	91,075	-	91,075	-
<b>Total other financing sources and uses</b>	<b>91,075</b>	<b>91,075</b>	<b>-</b>	<b>91,075</b>	<b>-</b>
<b>Excess (deficit) of revenues and other sources over expenditures and other uses</b>	<b>-</b>	<b>9,912</b>	<b>(3,388)</b>	<b>6,524</b>	<b>6,524</b>
<b>Fund Balance, beginning</b>			<b>9,912</b>		
<b>Fund Balance, ending</b>			<b>6,524</b>		

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2019**

EXHIBIT B-5

	<b><u>Spillway Capital Project Fund</u></b>	<b><u>Total Nonmajor Governmental Funds</u></b>
<b>ASSETS</b>		
Cash and cash equivalents	<u>6,524</u>	<u>6,524</u>
<b>Total assets</b>	<b><u>6,524</u></b>	<b><u>6,524</u></b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Accounts payable	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balance</b>		
Assigned		
Cultural and recreation	<u>6,524</u>	<u>6,524</u>
<b>Total fund balances</b>	<b><u>6,524</u></b>	<b><u>6,524</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>6,524</u></b>	<b><u>6,524</u></b>

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2019**

EXHIBIT B-6

	<u>Spillway Capital Project Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenue</b>		
Restricted intergovernmental	3,141	3,141
Miscellaneous revenue	<u>273</u>	<u>273</u>
<b>Total Revenue</b>	<u>3,414</u>	<u>3,414</u>
<b>Expenditures</b>		
Cultural and recreation		
Capital Outlay	<u>6,802</u>	<u>6,802</u>
<b>Total Expenditures</b>	<u>6,802</u>	<u>6,802</u>
<b>Revenues over (under) expenditures</b>	<u>(3,388)</u>	<u>(3,388)</u>
<b>Other financing sources (uses):</b>		
Transfer from General Fund	<u>-</u>	<u>-</u>
<b>Total other financing sources and uses</b>	<u>-</u>	<u>-</u>
<b>Excess (deficit) of revenues and other sources over expenditures and other uses</b>	(3,388)	(3,388)
<b>Fund Balance, beginning</b>	<u>9,912</u>	<u>9,912</u>
<b>Fund Balance, ending</b>	<u><u>6,524</u></u>	<u><u>6,524</u></u>

**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**FIFTY LAKES DRIVE SEWER 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, 2019**

EXHIBIT C-1

	Project Author- ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenue</b>					
Miscellaneous revenue					
Special assessments	<u>375,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(375,000)</u>
 <b>Total Revenue</b>	 <u>375,000</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>(375,000)</u>
<b>Expenditures</b>					
Engineering and administrative	94,000	35,523	58,126	93,649	351
Survey	20,000	15,257	-	15,257	4,743
Construction	240,000	-	-	-	240,000
Contingency	<u>21,000</u>	<u>-</u>	<u>1,330</u>	<u>1,330</u>	<u>19,670</u>
 <b>Total Expenditures</b>	 <u>375,000</u>	 <u>50,780</u>	 <u>59,456</u>	 <u>110,236</u>	 <u>264,764</u>
 <b>Revenues over (under) expenditures</b>	 <u>-</u>	 <u>(50,780)</u>	 <u>(59,456)</u>	 <u>(110,236)</u>	 <u>(110,236)</u>
 <b>Other financing sources (uses):</b>					
Transfer from General Fund	375,000	375,000	-	375,000	-
Transfer to General Fund	<u>(375,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,000</u>
 <b>Total other financing         sources (uses)</b>	 <u>-</u>	 <u>375,000</u>	 <u>-</u>	 <u>375,000</u>	 <u>375,000</u>
 <b>Excess (deficit) of revenues and other sources over expenditures and other uses</b>	 <u>-</u>	 <u>324,220</u>	 <u>(59,456)</u>	 <u>264,764</u>	 <u>264,764</u>
 <b>Fund Balance, beginning</b>			<u>324,220</u>		
 <b>Fund Balance, ending</b>			<u>264,764</u>		

## **OTHER SCHEDULES**

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
June 30, 2019

EXHIBIT D-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019		1,067,811	1,045,956	21,855
2017-2018	21,264		11,638	9,626
2016-2017	13,064		5,287	7,777
2015-2016	9,994		4,023	5,971
2014-2015	14,102		4,674	9,428
2013-2014	6,640		1,645	4,995
2012-2013	6,516		1,231	5,285
2011-2012	4,950		512	4,438
2010-2011	4,301		619	3,682
2009-2010	5,425		693	4,732
2008-2009	4,787		4,787	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>91,043</u>	<u>1,067,811</u>	<u>1,081,065</u>	<u>77,789</u>
Less allowance for doubtful accounts:				
General Fund				<u>21,372</u>
Ad valorem taxes receivable - net				<u>56,417</u>
Reconcilement with revenues:				
Ad valorem taxes - General Fund			1,086,647	
Reconciling items:				
Interest collected			(10,027)	
Amounts written off for tax				
year 2008-2009 per statute				
of limitations			4,412	
Tax releases/adjustments			<u>33</u>	
Total collections and credits			<u>1,081,065</u>	

CITY OF BOILING SPRING LAKES, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
For the Fiscal Year Ended June 30, 2019

EXHIBIT D-2

	City-Wide			Total Levy	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property excl Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	407,990,435	0.23	938,378	938,378	-
Motor vehicles taxed at current year's rate	56,163,913	0.23	129,177	-	129,177
Penalties	-		256	256	-
Total property valuation	<u>464,154,348</u>				
Net levy			1,067,811	938,634	129,177
Uncollected at June 30, 2017			<u>21,264</u>	<u>21,264</u>	<u>-</u>
Current year's taxes collected			<u>1,046,547</u>	<u>917,370</u>	<u>129,177</u>
Current levy collection percentage			98.0%	97.7%	100.0%

## **COMPLIANCE SECTION**

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Boiling Spring Lakes, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the City of Boiling Spring Lakes' basic financial statements, and have issued our report thereon, dated January 30, 2020. Our report includes a reference to other auditors who audited the financial statements of the Town of Boiling Spring Lakes ABC Board, as described in our report on the City of Boiling Spring Lakes' financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Boiling Spring Lakes Board of Alcoholic Control were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

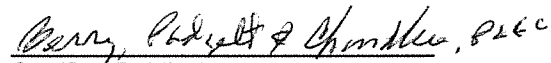
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did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

Compliance and Other Matters

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

Purpose of this Report

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

  
Certified Public Accountants

Southport, North Carolina  
January 30, 2020

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE; WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT  
IMPLEMENTATION ACT

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Boiling Spring lakes, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Boiling Spring Lakes' major federal programs for the year ended June 30, 2019. The City of Boiling Spring Lakes' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Boiling Spring Lakes' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Boiling Spring Lakes' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Boiling Lakes' compliance.

### Opinion on Each Major Federal Program

In our opinion, the City of Boiling Spring Lakes complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.


### Report on Internal Control Over Compliance

Management of the City of Boiling Spring Lakes is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Boiling Spring Lakes' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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



Certified Public Accountants

Southport, North Carolina

January 30, 2020

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE; AND THE STATE SINGLE  
AUDIT IMPLEMENTATION ACT**

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Board of Commissioners  
Boiling Spring Lakes, North Carolina 28461

**Report on Compliance for Each Major State Program**

We have audited the City of Boiling Spring Lakes, North Carolina, compliance with the types of compliance requirements<sup>1</sup> described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Boiling Spring Lakes major state programs for the year ended June 30, 2019. The City of Boiling Spring Lakes major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Boiling Spring Lakes major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the *State Single Audit Implementation Act*. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Boiling Spring Lakes compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Boiling Spring Lakes compliance.

**Opinion on Each Major State Program**

In our opinion, the City of Boiling Spring Lakes complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

**Report on Internal Control Over Compliance**

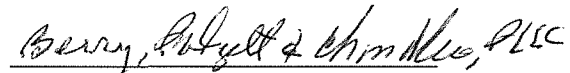
Management of the City of Boiling Spring Lakes is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Boiling Spring Lakes internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control

over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

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

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

  
Certified Public Accountants

Southport, North Carolina

January 30, 2020

**CITY OF BOILING SPRING LAKES NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2019**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>Federal Grants:</b>					
<b>Cash Programs:</b>					
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	019-06760-00	1,009,529	336,510	
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety Division of Emergency Magement Pre-Disaster Mityigation Grant: Stormwater Management	97.047	PDMC-PJ-04-NC- 2016-001	3,141	0	1047
Total assistance - federal programs			<u>1,012,670</u>	<u>336,510</u>	<u>1,047</u>
<b>State Grants:</b>					
<b>Cash Assistance:</b>					
<u>N. C. Department of Public Safety, Division of Emergency Management, Office of Recovery and Resiliency</u>					
State Revolving Loan for Temporary Cash Assistance to Local Governments (Note 4)		NCORR-TCALG- 005		1,452,464	
<u>N.C. Department of Transportation:</u>					
Powell Bill		26417	-	238,001	
Total assistance - State programs			<u>-</u>	<u>1,690,465</u>	<u>-</u>
Total assistance			<u>\$ 1,012,670</u>	<u>\$ 2,026,975</u>	<u>\$ 1,047</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Boiling Spring Lakes under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Boiling Spring Lakes, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Boiling Spring Lakes.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Indirect Cost Rate**

The City of Dogwood has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

City of Boiling Spring Lakes, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2019

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**Section I. Summary of Auditor's Results**

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Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) identified ☐ yes ☒ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ yes ☒ no

Identification of major federal programs:

<u>CFDA No(s).</u>	<u>Names of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

Auditee qualified as low-risk auditee? ☐ yes ☒ no

City of Boiling Spring Lakes, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2019

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State Awards

Internal control over major State programs:

- Material weakness(es) identified? \_\_\_\_yes      X no
- Significant Deficiency(s) identified  
that are not considered to be  
material weaknesses \_\_\_\_yes      X none reported

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

Any audit findings disclosed that are  
required to be reported in accordance  
with the State Single Audit Implementation Act \_\_\_\_yes      X no

Identification of major State programs:

ID Number	Program Name
NCORR- TCALG -005	State Revolving Loan for Temporary Cash Assistance to Local Governments

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**Section II – Financial Statement Findings**

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MATERIAL WEAKNESS

None reported

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**Section III – Federal Award Findings and Questioned Costs**

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None reported.

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**Section IV – State Award Findings and Questioned Costs**

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None reported.

City of Boiling Spring Lakes, North Carolina  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2019

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