

# **CITY OF BOILING SPRING LAKES**

Financial Statements

For the Year Ended June 30, 2024



**CITY OF BOILING SPRING LAKES, NORTH CAROLINA**  
**FINANCIAL STATEMENTS**  
June 30, 2024

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Board of Commissioners

Jeff Winecoff, Mayor  
David Mammay, Mayor Pro Tempore  
Teagan Perry Hall  
Justin Lovin  
Kimberly Sherwood

Administrative and Financial Staff

Gordon Hargrove, City Manager  
Brandon Stevens, Finance Director

**City of Boiling Spring Lakes**  
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## FINANCIAL SECTION



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**Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA**

## INDEPENDENT AUDITORS' REPORT

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

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of City of Boiling Spring Lakes, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Boiling Spring Lakes' basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of City of Boiling Spring Lakes, North Carolina as of June 30, 2024, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Boiling Spring Lakes ABC Board, which represent 100 percent, 100 percent, and 100 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component units as of June 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Boiling Spring Lakes ABC Board, is based solely on the report of the other auditors.

### Basis for Opinions

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

### Responsibilities of Management 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.

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

**Members**

**American Institute of CPAs - N.C. Association of CPAs - AICPA's Private Companies Practice Section**

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 36 through 37, respectively, 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 pages 38 and 39, respectively, and the Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 40, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of City of Boiling Spring Lakes, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2025 on our consideration of City of Boiling Spring Lakes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose 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.

*Thompson, Price, Scott, Adams & Co., P.A.*

Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
March 31, 2025

**City of Boiling Spring Lakes  
Management's Discussion and Analysis  
June 30, 2024**

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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, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

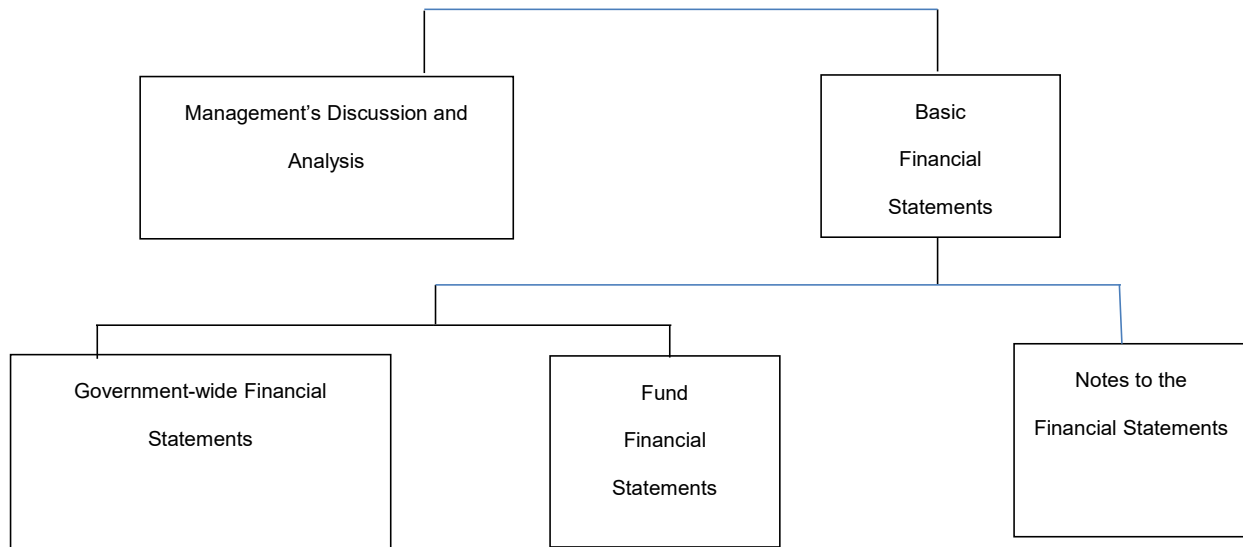
**Financial Highlights**

- The assets and deferred outflows of resources of City of Boiling Spring Lakes exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$41,473,795 (net position).
- As of the close of the current fiscal year, the City of Boiling Spring Lakes' governmental funds reported combined ending fund balances of \$7,070,011 with a net increase of \$222,964 in fund balance. Correction of an error in previously issued financial statements also increased the fund balance by \$209,587.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$352,687 or 6.22 percent of total general fund expenditures for the fiscal year.
- The City's total long-term debt increased by \$38,879. This is primarily due to a new loan issuance.

**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



Summary → Detail

**City of Boiling Spring Lakes**  
**Management's Discussion and Analysis**  
**June 30, 2024**

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**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, supplemental information is provided to show details about the City's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

**Government-wide Financial Statements**

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

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

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

The government-wide financial statements are on 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 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, which 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 government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start after Exhibit 5.

**City of Boiling Spring Lakes**  
**Management's Discussion and Analysis**  
**June 30, 2024**

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

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

**Government-Wide Financial Analysis**

The City of Boiling Spring Lakes' Net Position  
 Figure 2

	Governmental Activities		Total	
	2024	2023	2024	2023
Current and other assets	\$ 23,712,014	\$ 21,280,096	\$ 23,712,014	\$ 21,280,096
Capital Assets	39,317,564	10,395,467	39,317,564	10,395,467
Total Assets	<u>63,029,578</u>	<u>31,675,563</u>	<u>63,029,578</u>	<u>31,675,563</u>
Deferred Outflows of Resources	1,270,224	1,352,804	1,270,224	1,352,804
Total Assets and Deferred Outflows of Resources	<u>64,299,802</u>	<u>33,028,367</u>	<u>64,299,802</u>	<u>33,028,367</u>
Long-term Liabilities Outstanding	5,057,542	3,063,116	5,057,542	3,063,116
Other Liabilities	16,869,715	2,861,429	16,869,715	2,861,429
Total Liabilities	<u>21,927,257</u>	<u>5,924,545</u>	<u>21,927,257</u>	<u>5,924,545</u>
Deferred Inflows of Resources	898,750	14,987,839	898,750	14,987,839
Total Liabilities and Deferred Inflows of Resources	<u>22,826,007</u>	<u>20,912,384</u>	<u>22,826,007</u>	<u>20,912,384</u>
Net Position:				
Net Investment in capital assets	36,714,357	8,154,885	36,714,357	8,154,885
Restricted	6,752,764	3,501,613	6,752,764	3,501,613
Unrestricted	(1,993,326)	459,485	(1,993,326)	459,485
Total Net Position	<u>\$ 41,473,795</u>	<u>\$ 12,115,983</u>	<u>\$ 41,473,795</u>	<u>\$ 12,115,983</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Boiling Spring Lakes exceeded liabilities and deferred inflows by \$41,473,795 as of June 30, 2024. The City's net position increased by \$28,970,374 for the fiscal year ended June 30, 2024. Correction of error in previously issued financial statements also increased the net position by \$387,438. However, the largest portion (89%) reflects the City's net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Boiling Spring Lakes uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Boiling Spring Lakes' net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Boiling Spring Lakes' net position, \$6,752,764, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$1,993,326) is unrestricted.

**City of Boiling Spring Lakes  
Management's Discussion and Analysis  
June 30, 2024**

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

	Governmental Activities		Total	
	2024	2023	2024	2023
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 404,665	\$ 339,824	\$ 404,665	\$ 339,824
Operating grants and contributions	-	2,356,066	-	2,356,066
Capital grants and contributions	27,757,983	5,019,371	27,757,983	5,019,371
General revenues:				
Property taxes	1,959,915	1,867,552	1,959,915	1,867,552
Other taxes	350	2,950,720	350	2,950,720
Other	4,191,844	859,046	4,191,844	859,046
Total revenues	<u>34,314,757</u>	<u>13,392,579</u>	<u>34,314,757</u>	<u>13,392,579</u>
<b>Expenses:</b>				
General Government	1,578,048	1,452,219	1,578,048	1,452,219
Public Safety	1,792,279	1,952,760	1,792,279	1,952,760
Transportation	1,365,474	977,299	1,365,474	977,299
Health, Sanitation and Welfare	100	2,766	100	2,766
Culture and Recreation	529,648	746,059	529,648	746,059
Economic and Physical Development	19,658	270,333	19,658	270,333
Interest on long-term debt	59,176	19,378	59,176	19,378
Total expenses	<u>5,344,383</u>	<u>5,420,814</u>	<u>5,344,383</u>	<u>5,420,814</u>
Change in net position	28,970,374	7,971,765	28,970,374	7,971,765
Net position, beginning	12,115,983	4,144,218	12,115,983	4,144,218
Correction of error in previously issued financial statements	387,438	-	387,438	-
Net position, beginning, restated	<u>12,503,421</u>	<u>4,144,218</u>	<u>12,503,421</u>	<u>4,144,218</u>
Net position, ending	<u>\$ 41,473,795</u>	<u>\$ 12,115,983</u>	<u>\$ 41,473,795</u>	<u>\$ 12,115,983</u>

**Governmental activities.** Governmental activities increased the City's net position by \$28,970,374. Correction of error in previously issued financial statements also increased the net position by \$387,438. Key element of this increase are as follows:

- As new homes continue to be built in the City, property tax revenues increase.
- Large amount of expenditures associated with various capital projects such as Dam Restoration Project were captured as construction in progress, and will be capitalized upon projects completion. The projects are mostly funded by grants.

**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 City of Boiling Spring Lakes' financing requirements.

The general fund is the chief operating fund of the City of Boiling Spring Lakes. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$352,687, while total fund balance of the general fund was \$4,563,045. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 6.22 percent of total General Fund expenditures, while total fund balance represents 80.42 percent of that same amount.

At June 30, 2024, the governmental funds of City of Boiling Spring Lakes reported a combined fund balance of \$7,070,011 with a net increase of \$222,964 in fund balance. Correction of error in previously issued financial statements also increased the fund balance by \$209,587.

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

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

**City of Boiling Spring Lakes  
Management's Discussion and Analysis  
June 30, 2024**

**Capital Asset and Debt Administration**

**Capital Assets.** The City of Boiling Spring Lakes investment in capital assets for its governmental and business-type activities as of June 30, 2024, totals \$39,305,557 (net of accumulated depreciation and amortization) an increase of 275.80% over the prior year. These assets include buildings, land, construction in progress, machinery and equipment, vehicles, and right to use assets for leases.

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

- Various capital projects

City of Boiling Spring Lakes' Capital Assets  
(net of depreciation/amortization)  
Figure 4

	Governmental Activities		Total	
	2024	2023	2024	2023
Land	\$ 399,118	\$ 256,850	\$ 399,118	\$ 256,850
Construction in Progress	33,903,135	5,467,128	33,903,135	5,467,128
Buildings & Other Improvements	2,787,278	2,411,711	2,787,278	2,411,711
Equipment, Furniture & Fixtures	348,067	230,309	348,067	230,309
Vehicles	56,309	78,556	56,309	78,556
Infrastructure	1,753,161	1,913,004	1,753,161	1,913,004
Right to use assets:				
Leases	58,489	101,512	58,489	101,512
<b>Total</b>	<b>\$ 39,305,557</b>	<b>\$ 10,459,070</b>	<b>\$ 39,305,557</b>	<b>\$ 10,459,070</b>

Additional information on the City's capital assets can be found in Note III.A.5 to the Financial Statements.

**Long-term Debt.** As of June 30, 2024, the City had total debt of \$5,305,988. There was a net increase in total debt of \$38,879 (0.74% over the prior year).

City of Boiling Spring Lakes' Outstanding Debt  
Figure 5

	Governmental Activities		Total	
	2024	2023	2024	2023
Installment Purchase Agreements	\$ 2,529,388	\$ 2,359,653	\$ 2,529,388	\$ 2,359,653
Lease Liabilities	61,812	105,197	61,812	105,197
Net Pension Liability (LGERS)	1,415,420	1,442,513	1,415,420	1,442,513
Total Pension Liability (LEOSSA)	61,526	191,403	61,526	191,403
Total OPEB Liability	1,080,006	1,016,363	1,080,006	1,016,363
Compensated absences	157,836	151,980	157,836	151,980
<b>Total</b>	<b>\$ 5,305,988</b>	<b>\$ 5,267,109</b>	<b>\$ 5,305,988</b>	<b>\$ 5,267,109</b>

The City of Boiling Spring Lakes' total debt increased by \$38,879 during the fiscal year, primarily due to a new loan issuance.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Boiling Spring Lakes is \$79,211,579. The City of Boiling Spring Lakes does not have any authorized but un-issued debt at June 30, 2024.

Additional information regarding the City of Boiling Spring Lakes' long-term debt can be found in Note III.B.7 to the Financial Statements.

**Budget Highlights for the Fiscal Year Ending June 30, 2025**

**Governmental Activities:** Budgeted expenditures in the General Fund are expected to increase. The tax rate is a revenue-neutral rate of 0.19 per \$100 valuation.

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## BASIC FINANCIAL STATEMENTS

**City of Boiling Spring Lakes, NORTH CAROLINA**  
Statement of Net Position  
June 30, 2024

	Primary Government		Boiling Spring Lakes ABC Board
	Governmental Activities	Total	
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 620,584	\$ 620,584	\$ 91,265
Receivables (net):			
Taxes	32,631	32,631	-
Accounts	5,172,373	5,172,373	-
Leases	32,595	32,595	-
Accrued Interest Receivable on Taxes	1,953	1,953	-
Inventory	-	-	184,356
Due from Component Unit	4,000	4,000	-
Prepaid Items	1,756	1,756	4,189
Restricted Cash and Cash Equivalents	17,846,122	17,846,122	-
<b>Total Current Assets</b>	<b>23,712,014</b>	<b>23,712,014</b>	<b>279,810</b>
<b>Noncurrent Assets</b>			
Lease Receivable, non-current	12,007	12,007	-
Security Deposit	-	-	1,760
Capital Assets			
Right to use assets, net of amortization	58,489	58,489	-
Land, Nondepreciable Improvements, and Construction in Progress	34,302,253	34,302,253	889,984
Other Capital Assets, Net of Depreciation	4,944,815	4,944,815	-
<b>Total Noncurrent Assets</b>	<b>39,317,564</b>	<b>39,317,564</b>	<b>891,744</b>
<b>Total Assets</b>	<b>63,029,578</b>	<b>63,029,578</b>	<b>1,171,554</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Deferrals	1,005,956	1,005,956	67,015
OPEB Deferrals	264,268	264,268	40,108
<b>Total deferred outflows of resources</b>	<b>1,270,224</b>	<b>1,270,224</b>	<b>107,123</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable and Accrued Liabilities	1,725,672	1,725,672	182,898
Accrued Interest Payable	41,638	41,638	-
Unearned revenue	14,853,959	14,853,959	-
Due to Primary Government	-	-	4,000
Current Portion of Long-term Liabilities	248,446	248,446	42,632
<b>Total Current Liabilities</b>	<b>16,869,715</b>	<b>16,869,715</b>	<b>229,530</b>
<b>Long-term liabilities:</b>			
Net pension liability (LGERS)	1,415,420	1,415,420	98,419
Total pension liability (LEOSSA)	61,526	61,526	-
Total OPEB Liability	1,080,006	1,080,006	123,007
Compensated absences	157,836	157,836	-
Due in more than one year	2,342,754	2,342,754	468,328
<b>Total Long-Term Liabilities</b>	<b>5,057,542</b>	<b>5,057,542</b>	<b>689,754</b>
<b>Total Liabilities</b>	<b>21,927,257</b>	<b>21,927,257</b>	<b>919,284</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Deferrals	191,894	191,894	236
OPEB Deferrals	667,061	667,061	16,696
Leases	39,795	39,795	-
<b>Total deferred inflows of resources</b>	<b>898,750</b>	<b>898,750</b>	<b>16,932</b>
<b>NET POSITION</b>			
Net investment in capital assets	36,714,357	36,714,357	379,024
Restricted for:			
Stabilization by State Statute	4,017,957	4,017,957	-
Working Capital	-	-	53,137
Street	187,537	187,537	-
Capital Outlay	2,547,270	2,547,270	-
Unrestricted	(1,993,326)	(1,993,326)	(89,700)
<b>Total Net Position</b>	<b>\$ 41,473,795</b>	<b>\$ 41,473,795</b>	<b>\$ 342,461</b>

The notes to the financial statements are an integral part of this statement.

**City of Boiling Spring Lakes, NORTH CAROLINA**  
Statement of Activities  
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Boiling Spring Lakes ABC Board
					Governmental Activities	Total	
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General Government	\$ 1,578,048	\$ 49,737	\$ -	\$ -	\$ (1,528,311)	\$ (1,528,311)	\$ -
Public Safety	1,792,279	335,894	-	-	(1,456,385)	(1,456,385)	-
Transportation	1,365,474	-	-	470,819	(894,655)	(894,655)	-
Health and Welfare	100	-	-	-	(100)	(100)	-
Culture and Recreation	529,648	-	-	-	(529,648)	(529,648)	-
Economic and Physical Development	19,658	19,034	-	27,287,164	27,286,540	27,286,540	-
Interest on long-term debt	59,176	-	-	-	(59,176)	(59,176)	-
<b>Total governmental activities</b>	<u>5,344,383</u>	<u>404,665</u>	<u>-</u>	<u>27,757,983</u>	<u>22,818,265</u>	<u>22,818,265</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 5,344,383</u>	<u>\$ 404,665</u>	<u>\$ -</u>	<u>\$ 27,757,983</u>	<u>22,818,265</u>	<u>22,818,265</u>	<u>-</u>
<b>Component unit:</b>							
ABC Board	\$ 1,390,597	\$ 1,381,803	\$ -	\$ -	-	-	(8,794)
<b>Total Component Unit</b>	<u>\$ 1,390,597</u>	<u>\$ 1,381,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(8,794)</u>
General revenues:							
Property taxes, levied for general purpose					1,959,915	1,959,915	-
Other taxes and licenses					350	350	-
Grants and contributions not restricted to specific program					3,373,035	3,373,035	-
Investment Earnings					818,809	818,809	2,878
Gain (Loss) on Disposal					-	-	219,125
Miscellaneous					-	-	(22,229)
Transfers					-	-	-
Total general revenues, special items, and transfers					<u>6,152,109</u>	<u>6,152,109</u>	<u>199,774</u>
Change in Net Position					28,970,374	28,970,374	190,980
Net position, beginning					12,115,983	12,115,983	151,481
Prior period restatements (see Note VII)					387,438	387,438	-
Net position, beginning, restated					<u>12,503,421</u>	<u>12,503,421</u>	<u>151,481</u>
Net position, ending					<u>\$ 41,473,795</u>	<u>\$ 41,473,795</u>	<u>\$ 342,461</u>

**City of Boiling Spring Lakes, North Carolina**  
Balance Sheet  
Governmental Funds  
June 30, 2024

	<u>Major Funds</u>			<b>Total Governmental Funds</b>
	<u>General Fund</u>	<u>Dam Restoration Project Fund</u>	<u>Non-Major Funds</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 620,584	\$ -	\$ -	\$ 620,584
Restricted Cash and Cash Equivalents	287,537	17,304,806	253,779	17,846,122
Receivables (net):				
Ad Valorem Taxes	32,631	-	-	32,631
Other Receivables	1,093,137	4,077,537	1,699	5,172,373
Prepaid Expenses	1,756	-	-	1,756
Due from other Funds	2,919,121	-	76,973	2,996,094
Due from Component Unit	4,000	-	-	4,000
Lease Receivable	44,602	-	-	44,602
<b>Total assets</b>	<u>\$ 5,003,368</u>	<u>\$ 21,382,343</u>	<u>\$ 332,451</u>	<u>\$ 26,718,162</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 205,157	\$ 1,520,201	\$ 314	\$ 1,725,672
Unearned revenues	-	14,603,959	250,000	14,853,959
Due to other funds	162,740	2,791,665	41,689	2,996,094
<b>Total liabilities</b>	<u>367,897</u>	<u>18,915,825</u>	<u>292,003</u>	<u>19,575,725</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes Receivable	32,631	-	-	32,631
Leases	39,795	-	-	39,795
<b>Total Deferred Inflows of Resources</b>	<u>72,426</u>	<u>-</u>	<u>-</u>	<u>72,426</u>
<b>Fund balances:</b>				
Nonspendable:				
Leases	4,807	-	-	4,807
Prepays	1,756	-	-	1,756
Restricted:				
Stabilization by State statute	4,016,258	-	1,699	4,017,957
Street	187,537	-	-	187,537
Capital Outlay	-	2,466,518	80,752	2,547,270
Unassigned:	352,687	-	(42,003)	310,684
Total fund balances	<u>4,563,045</u>	<u>2,466,518</u>	<u>40,448</u>	<u>7,070,011</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 5,003,368</u>	<u>\$ 21,382,343</u>	<u>\$ 332,451</u>	<u>\$ 26,718,162</u>

The notes to the financial statements are an integral part of this statement.

**City of Boiling Spring Lakes, North Carolina**  
Balance Sheet  
Governmental Funds  
June 30, 2024

Amounts reported for governmental activities in the Statements of Net Position are different because:

Total Governmental Fund Balance	\$	7,070,011
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	44,404,179	
Accumulated depreciation	<u>(5,157,111)</u>	39,247,068
Right to use leased assets used in governmental activities are not financial resources and are therefore not reported in the funds.		
Right to Use Assets at historical costs	197,442	
Accumulated amortization	<u>(138,953)</u>	58,489
Deferred outflows of resources:		
Contributions to the pension plan in the current fiscal year		
LGERS		309,704
Deferred outflows of resources related to OPEB are not reported in the funds		
264,268		
Pension related deferrals		
LGERS		644,547
LEOSSA		51,705
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred		
Accrued interest - taxes		1,953
Deferred inflows of resources:		
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
Ad valorem Taxes		32,631
Deferred inflows of resources related to OPEB are not reported in the funds		
(667,061)		
Pension related deferrals		
LGERS	(61,269)	
LEOSSA	<u>(130,625)</u>	(191,894)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment purchase obligations	(2,529,388)	
Lease liabilities	(61,812)	
Accrued interest payable	(41,638)	
Compensated absences	(157,836)	
Total OPEB Liability	(1,080,006)	
Net pension liability (LGERS)	(1,415,420)	
Total pension liability (LEOSSA)	<u>(61,526)</u>	(5,347,626)
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>41,473,795</u></b>

The notes to the financial statements are an integral part of this statement.

**City of Boiling Spring Lakes, NORTH CAROLINA**  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2024

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Dam Restoration Project Fund</b>	<b>Non-Major Funds</b>	
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,953,384	\$ -	\$ -	\$ 1,953,384
Other taxes and licenses	350	-	-	350
Unrestricted intergovernmental	3,373,035	-	-	3,373,035
Restricted intergovernmental	366,780	26,825,599	565,604	27,757,983
Permits and fees	385,631	-	-	385,631
Sales and service	19,034	-	-	19,034
Investment earnings	32,815	782,215	3,779	818,809
<b>Total revenues</b>	<u>6,131,029</u>	<u>27,607,814</u>	<u>569,383</u>	<u>34,308,226</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	1,412,438	-	-	1,412,438
Public Safety	1,850,585	-	81,714	1,932,299
Transportation	1,467,468	-	104,039	1,571,507
Health and Welfare	100	-	-	100
Economic and Physical Development	166,050	27,735,527	318,006	28,219,583
Cultural and Recreation	1,125,174	-	-	1,125,174
Debt Service:				
Principal	108,544	-	196,721	305,265
Interest and Other Charges	18,862	-	-	18,862
<b>Total expenditures</b>	<u>6,149,221</u>	<u>27,735,527</u>	<u>700,480</u>	<u>34,585,228</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(18,192)</u>	<u>(127,713)</u>	<u>(131,097)</u>	<u>(277,002)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Installment Purchase Obligations Issued	2,375,000	-	-	2,375,000
USDA Debt Refinancing	(1,900,000)	-	-	(1,900,000)
Sale of Capital Assets	19,114	-	-	19,114
Insurance Proceeds	5,852	-	-	5,852
<b>Total other financing sources and uses</b>	<u>499,966</u>	<u>-</u>	<u>-</u>	<u>499,966</u>
<b>Net change in fund balance</b>	481,774	(127,713)	(131,097)	222,964
<b>Fund balance, beginning of year</b>	3,871,684	2,594,231	171,545	6,637,460
<b>Prior period restatements (see Note VII)</b>	209,587	-	-	209,587
<b>Fund balances-end of year</b>	<u>\$ 4,563,045</u>	<u>\$ 2,466,518</u>	<u>\$ 40,448</u>	<u>\$ 7,070,011</u>

The notes to the financial statements are an integral part of this statement.

**City of Boiling Spring Lakes, NORTH CAROLINA**  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2024

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

Net changes in fund balances - total governmental funds	\$	222,964
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay expenditures which are capitalized	29,283,667	
Depreciation Expense	<u>(394,157)</u>	28,889,510
Right to use assets used in governmental activities are not financial resources and are therefore not reported in the funds (net of accumulated amortization).		
Amortization Expense - Leased assets		(43,023)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		
LGERS		309,704
OPEB benefit payments paid and administrative costs made in the current year are not included on the Statement of Activities		
		44,006
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Change in unavailable revenue for tax revenues	6,490	
Interest earned on ad valorem taxes	<u>41</u>	6,531
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued	(2,375,000)	
Debt retirement	2,205,265	
Lease principal payments	43,385	
Decrease in accrued interest payable	<u>(40,314)</u>	(166,664)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Pension expense -LGERS	(400,652)	
Pension expense -LEOSSA	140,447	
OPEB expense (revenue)	(26,593)	
Compensated absences	<u>(5,856)</u>	<u>(292,654)</u>
Total Change in net position of governmental activities	\$	<u><u>28,970,374</u></u>

**City of Boiling Spring Lakes, NORTH CAROLINA**  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2024

	<b>General Fund</b>			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,718,000	\$ 1,872,200	\$ 1,953,384	\$ 81,184
Other taxes and licenses	-	-	350	350
Unrestricted intergovernmental	3,786,770	3,184,700	3,373,035	188,335
Restricted intergovernmental	250,000	330,000	366,780	36,780
Permits and fees	394,000	239,000	385,631	146,631
Sales and Service	149,850	20,000	19,034	(966)
Investment earnings	-	20,000	32,815	12,815
<b>Total revenues</b>	<u>6,298,620</u>	<u>5,665,900</u>	<u>6,131,029</u>	<u>465,129</u>
<b>Expenditures</b>				
General Government	1,288,250	1,664,750	1,412,438	252,312
Public Safety	1,608,470	1,991,970	1,850,585	141,385
Transportation	2,140,500	1,907,365	1,467,468	439,897
Health and Welfare	6,000	6,000	100	5,900
Economic and Physical Development	310,650	277,150	166,050	111,100
Cultural and Recreation	744,750	1,319,750	1,125,174	194,576
Debt Service	200,000	145,200	127,406	17,794
<b>Total expenditures</b>	<u>6,298,620</u>	<u>7,312,185</u>	<u>6,149,221</u>	<u>1,162,964</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>(1,646,285)</u>	<u>(18,192)</u>	<u>1,628,093</u>
<b>Other financing sources (uses):</b>				
Transfers to Other Funds	-	(100,000)	-	100,000
Sale of Capital Assets	-	2,500	19,114	16,614
USDA Debt Refinancing	-	-	(1,900,000)	(1,900,000)
Installment Purchase Obligations Issued	-	475,000	2,375,000	1,900,000
Fund Balance Appropriated	-	1,268,785	-	(1,268,785)
Insurance Proceeds	-	-	5,852	5,852
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>1,646,285</u>	<u>499,966</u>	<u>(1,146,319)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>481,774</u>	<u>\$ 481,774</u>
<b>Fund balance, beginning of year</b>			3,771,684	
<b>Prior period restatements (see Note VII)</b>			209,587	
<b>Fund balance, end of year</b>			<u>4,463,045</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
			100,000	
			<u>100,000</u>	
<b>Fund Balance - End of Year (Consolidated)</b>			<u>\$ 4,563,045</u>	

The notes to the financial statements are an integral part of this statement.

**City of Boiling Spring Lakes**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2024**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**City of Boiling Spring Lakes ABC Board**

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

**B. Basis of Presentation – Basis of Accounting**

*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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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.

*The City reports the following major governmental funds:*

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

**Dam Restoration Project Fund.** This fund is used to account for dam restoration project.

*The City reports the following non-major governmental funds:*

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

**C. Measurement Focus and Basis of Accounting**

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

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
For the Year Ended June 30, 2024**

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

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

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. 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, City of Boiling Spring Lakes 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 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

#### **D. Budgetary Data**

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

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

##### **1. Deposits and Investments**

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

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
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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; high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City and the Authority's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

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

**City of Boiling Spring Lakes Restricted Cash**

Governmental Activities	
General Fund:	
Streets	\$ 187,537
Capital Reserve	100,000
Dam Restoration Project Fund	
Capital Outlay- Project	17,304,806
Library Renovation	
Capital Outlay- Project	<u>253,779</u>
Total Governmental Activities	<u>17,846,122</u>
Total Restricted Cash	<u><u>\$ 17,846,122</u></u>

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S.105-347 and G.S.159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2023.

**5. Allowance for Doubtful Accounts**

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

**6. Lease Receivable**

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

**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.

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
For the Year Ended June 30, 2024**

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

The City's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the City reports a lease in accordance with the requirements of GASB 87.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

Capital assets of the City are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Automobiles	3
Computer Equipment	4
Light Trucks	5
Heavy Vehicles and Machinery	10
Furniture and Equipment	10
Infrastructure- Streets	20
Buildings and Improvements	40

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>Years</u>
Furniture and Equipment	3-10
Buildings and Improvements	39

**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 meets this criterion, pension deferrals and OPEB 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 Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – property taxes receivable, leases, pension deferral and OPEB deferrals.

**10. Long-Term Obligations**

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

**11. Compensated Absences**

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

**City of Boiling Spring Lakes**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2024**

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

## **12. Net Position/Fund Balances**

### Net Position

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

### Fund Balances

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

The governmental fund types classify fund balance as follows:

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

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

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

**Restricted Fund Balance** - This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

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

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

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

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

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

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

**City of Boiling Spring Lakes**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2024**

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**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**

**A. Deficit Fund Balance of Individual Funds**

The City experienced deficit fund balances in the following funds: the Police Department Building Renovation Project Fund (\$304) and the Golden Leaf HRW Stormwater Project (\$40,000). The deficits occurred because of the timing of payments. Management has appropriated funds necessary to cover deficit fund balance in the upcoming year.

**B. Timeliness of Audit**

The audit report was issued 5 months after the required due date of October 31, 2024. The City experienced key finance staff turnovers right after the fiscal year end, and was unable to provide information necessary to complete the audit timely as a result.

**C. General Statute Violation - Preaudit**

In accordance with North Carolina General Statutes § 159-28, if an obligation is reduced to a written contract or written agreement requiring the payment of money, or is evidenced by a written purchase order for supplies and materials, the written contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been preaudited ... the certificate, which shall be signed by the finance officer, or any deputy finance officer approved for this purpose by the governing board, shall take substantially the following form: "This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.". The City did not have the required preaudit certificate on the face of all written contract, agreement, and purchase orders.

**D. General Statute Violation - Fidelity Bonds**

In accordance with North Carolina General Statutes § 159-29, the finance officer shall give a true accounting and faithful performance bond with sufficient sureties in an amount to be fixed by the governing board not less than the greater of (1) \$50,000 or (2) an amount equal to 10% of the unit's annually budgeted funds, up to \$1,000,000. The City's finance officer position was only bonded for \$600,000 when the bond should have been for at least \$629,862.

**III. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent.

Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
For the Year Ended June 30, 2024**

At June 30, 2024, the City's deposits had a carrying amount of \$262,307 and a bank balance of \$288,812. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits of the ABC Board was \$44,958 and the bank balance was \$68,090. All of the bank balance for the ABC Board was covered by federal depository insurance. At June 30, 2024, the City's petty cash funds totaled \$600 and the ABC Board's totaled \$1,000.

**2. Investments**

At June 30, 2024, the City had \$18,203,799 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's (S&P). The City has no policy regarding credit risk.

At June 30, 2024, the ABC Board had \$44,807 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's (S&P). The ABC Board has no policy regarding credit risk.

At June 30, 2024, the City's investment balances were as follows:

<b>Investment by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2024</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 18,203,799	N/A	AAAm
Total:		\$ 18,203,799		

**3. Lease Receivable**

On 07/01/2021, the City entered into a 52-month lease as Lessor for the use of City's cell tower. An initial lease receivable was recorded in the amount of \$129,333. As of 06/30/2024, the value of the lease receivable is \$44,092. The lessee is required to make monthly fixed payments of \$2,814 with 3% increase every year. The lease has an interest rate of 4%. The value of the deferred inflow of resources as of 06/30/2024 was \$39,795. The lessee has 5 extension option(s), each for 60 months.

In fiscal year 2024, the City recognized \$30,356 of lease revenue and \$2,425 of interest revenue under the lease.

**4. Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2024 are net of the following allowances for doubtful accounts:

<b>Fund</b>	<b>June 30, 2024</b>
General Fund	
Taxes Receivable	\$ 8,822
Total General Fund	\$ 8,822

**City of Boiling Spring Lakes**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2024**

**5. Capital Assets**

**Primary Government**

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balances June 30, 2023	Additions	Retirements	Ending Balances June 30, 2024
<b>Governmental Activities</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 256,850	\$ 142,268	\$ -	\$ 399,118
Construction in Progress	5,467,128	28,436,007	-	33,903,135
Total capital assets not being depreciated	5,723,978	28,578,275	-	34,302,253
<b>Capital assets being depreciated:</b>				
Buildings & Other Improvements	3,514,278	478,950	-	3,993,228
Equipment, Furniture & Fixtures	1,616,299	226,442	-	1,842,741
Vehicles	1,069,090	-	-	1,069,090
Infrastructure	3,196,867	-	-	3,196,867
Total Capital assets being depreciated	9,396,534	705,392	-	10,101,926
<b>Less accumulated depreciation for:</b>				
Buildings & Other Improvements	1,102,567	103,383	-	1,205,950
Equipment, Furniture & Fixtures	1,385,990	108,684	-	1,494,674
Vehicles	990,534	22,247	-	1,012,781
Infrastructure	1,283,863	159,843	-	1,443,706
Total accumulated depreciation	4,762,954	394,157	-	5,157,111
Total capital assets being depreciated, net	4,633,580	311,235	-	4,944,815
<b>Capital assets being amortized:</b>				
Right to use assets:				
Leased Vehicles	197,442	-	-	197,442
Total Capital assets being amortized	197,442	-	-	197,442
<b>Less accumulated amortization for:</b>				
Right to use assets:				
Leased Vehicles	95,930	43,023	-	138,953
Total accumulated amortization	95,930	43,023	-	138,953
Total capital assets being amortized, net	101,512	(43,023)	-	58,489
<b>Governmental activities capital assets, net</b>	<b>\$ 10,459,070</b>	<b>\$ 28,846,487</b>	<b>\$ -</b>	<b>\$ 39,305,557</b>

Depreciation / amortization expenses were charged to functions of the primary government as follows:

	Depreciation / Amortization
Governmental activities	
General Government	\$ 156,304
Public Safety	75,645
Cultural & Recreational	43,200
Transportation	162,031
Total depreciation / amortization expense	<b>\$ 437,180</b>

Governmental activities include a net correction of error in previously issued financial statements of \$107,537 that increased the beginning balance of Capital Assets from \$10,351,533 to \$10,459,070 (see Note VII).

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
For the Year Ended June 30, 2024**

**Discretely presented component unit**

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balances June 30, 2023	Additions	Retirements	Ending Balances June 30, 2024
<b>Governmental Activities</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 15,000	\$ 171,113	\$ (15,000)	\$ 171,113
Total capital assets not being depreciated	15,000	171,113	(15,000)	171,113
<b>Capital assets being depreciated:</b>				
Buildings & Other Improvements	124,528	686,749	(124,528)	686,749
Equipment, Furniture & Fixtures	51,790	43,078	(24,882)	69,986
Total Capital assets being depreciated	176,318	729,827	(149,410)	756,735
<b>Less accumulated depreciation for:</b>				
Buildings & Other Improvements	38,759	21,189	(39,360)	20,588
Equipment, Furniture & Fixtures	20,980	6,430	(10,134)	17,276
Total accumulated depreciation	59,739	27,619	(49,494)	37,864
Total capital assets being depreciated, net	116,579	702,208	(99,916)	718,871
<b>ABC Board capital assets, net</b>	<b>\$ 131,579</b>	<b>\$ 873,321</b>	<b>\$ (114,916)</b>	<b>\$ 889,984</b>

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System of North Carolina**

*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 governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](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 of 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.

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
For the Year Ended June 30, 2024**

**Contributions.** Contribution provisions are established by General Stature 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, 2024, was 14.04% of compensation for law enforcement officers and 12.90% for general employees and firefighters, 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 \$309,704 for the year ended June 30, 2024.

**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, 2024, the City reported a liability of \$1,415,420 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2024, the City's proportion was 0.02137% (measured as of June 30, 2023), which was a decrease of 0.00420% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the City recognized pension expense of \$400,652. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 157,720	\$ 3,395
Changes of assumptions	60,147	-
Net difference between projected and actual earnings on pension plan investments	378,828	-
Changes in proportion and differences between City contributions and proportionate share of contributions	47,852	57,874
City contributions subsequent to the measurement date	309,704	-
Total	<u>\$ 954,251</u>	<u>\$ 61,269</u>

\$309,704 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, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2025	\$ 219,793
2026	112,731
2027	234,735
2028	16,019
2029	-
Thereafter	-
	<u>\$ 583,278</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50 percent	
Salary Increases	3.25 to 8.25 percent, including inflation and productivity factor	
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation	

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

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
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The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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 expectations of forward yields projected and interpolated for multiple tenor 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 for each major asset class as of June 30, 2024 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	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2024 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 2.38%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City's proportionate share of the net pension liability (asset)	\$ 2,452,159	\$ 1,415,420	\$ 561,879

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

**b. Law Enforcement Officers' Special Separation Allowance**

**1. Plan Description**

The City of Boiling Spring Lakes administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 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.

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
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All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2022 (valuation date), the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	1
Active plan members	0
Total	1

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

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

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

**3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2022 valuation. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.00 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index at the end of each month.

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

**4. Contributions**

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$21,967 as benefits came due for the reporting period.

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

At June 30, 2024, the City reported a total pension liability of \$61,526. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the City recognized pension income of \$140,447.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,170	\$ 90,990
Changes of assumptions	49,535	39,635
City benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 51,705	\$ 130,625

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
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\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2025	\$ (11,066)
2026	(12,034)
2027	(12,731)
2028	(22,804)
2029	(20,285)
Thereafter	-
	<u>\$ (78,920)</u>

*Sensitivity of the City's total pension liability to changes in the discount rate.* The following presents the City's total pension liability calculated using the discount rate of 4.00 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	<u>1% Decrease (3.00%)</u>	<u>Discount Rate (4.00%)</u>	<u>1% Increase (5.00%)</u>
<b>Total pension liability</b>	<u>\$ 62,367</u>	<u>\$ 61,526</u>	<u>\$ 60,708</u>

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

Beginning balance	\$ 191,403
Service Cost	-
Interest on the total pension liability	7,776
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(115,943)
Changes of assumptions or other inputs	257
Benefit payments	(21,967)
Other changes	-
Ending balance of the total pension liability	<u>\$ 61,526</u>

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

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five year period ending December 31, 2019.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense (Income)	\$ 400,652	\$ (140,447)	\$ 260,205
Pension Liability	1,415,420	61,526	1,476,946
Proportionate share of the net pension liability	0.02137%	n/a	n/a
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	157,720	2,170	159,890
Changes of assumptions	60,147	49,535	109,682
Net difference between projected and actual earnings on plan investments	378,828	-	378,828
Changes in proportion and differences between contributions and proportionate share of contributions	47,852	-	47,852
Benefit payments and administrative costs paid subsequent to the measurement date	309,704	-	309,704
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	3,395	90,990	94,385
Changes of assumptions	-	39,635	39,635
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	57,874	-	57,874

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
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**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description.* The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of the State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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) 981-1111.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2024 were \$51,272, which consisted of \$41,344 from the City and \$9,928 from law enforcement officers. The City has also elected to contribute four and one half a percent of general employees' salaries to the plan on their behalf. General employees may also make voluntary contributions to the plan. Contributions for general employees for the year ended June 30, 2024 were \$172,220, which consisted of \$95,794 from the City and \$76,426 from general employees.

**d. Other Postemployment Benefits (OPEB)**

**1. Healthcare Benefits**

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

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

Membership of the HCB Plan consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

Retirees receiving benefits	7
Active plan members	39
Total	46

**Total OPEB Liability**

The City's total OPEB liability of \$1,080,006 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2023.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases- General	3.25 – 8.41% percent, average, including wage inflation
Salary increases- Law Enforcement	3.25 – 7.90% percent, average, including wage inflation
Discount rate	3.65 percent
Healthcare cost trend rates	Pre-Medicare: 7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2033
	Medicare: 5.125% for 2023 decreasing to an ultimate rate of 4.50% by 2026

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

**City of Boiling Spring Lakes  
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Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2023	\$ 1,016,363
Changes for the year	
Service Cost	57,063
Interest	37,237
Changes of benefit terms	-
Differences between expected and actual experience	12,989
Changes of assumptions or other inputs	(228)
Benefit payments	(43,418)
Net Changes	63,643
Balance at June 30, 2024	\$ 1,080,006

Changes in assumptions and other inputs reflect a change in the discount rate from 3.54% to 3.65%.

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB Liability	\$ 1,289,459	\$ 1,080,006	\$ 918,292

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

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 902,538	\$ 1,080,006	\$ 1,316,692

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

For the year ended June 30, 2024, the City recognized OPEB income of \$26,593. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 19,274	\$ 364,808
Changes of assumptions	200,988	302,253
Benefit payments and administrative costs made subsequent to the measurement date	44,006	-
Total	\$ 264,268	\$ 667,061

\$44,006 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, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in healthcare costs as follows:

**Year ended June 30:**

2025	\$ (97,009)
2026	(97,009)
2027	(82,005)
2028	(68,293)
2029	(49,424)
Thereafter	(53,059)
	\$ (446,799)

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
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**2 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 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

**3 Deferred Outflows and Inflows of Resources**

Following are the deferred inflows of resources that are reported in the government-wide financial statements at June 30, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - difference between expected and actual experience		
LGERS	\$ 157,720	\$ 3,395
LEOSSA	2,170	90,990
OPEB	19,274	364,808
Changes of Assumptions		
LGERS	60,147	-
LEOSSA	49,535	39,635
OPEB	200,988	302,253
Pensions - difference between projected and actual investment		
LGERS	378,828	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	47,852	57,874
Contributions to pension plan in current fiscal year		
LGERS	309,704	-
Benefit payments/administration costs paid subsequent to the measurement date		
LEOSSA	-	-
OPEB	44,006	-
Lease Receivable (General Fund)	-	39,795
Government-wide deferred outflows and inflows	\$ 1,270,224	\$ 898,750

Following are the deferred inflows of resources that are reported in the governmental fund financial statements at June 30, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Taxes Receivable (General Fund)	\$ -	\$ 32,631
Lease Receivable (General Fund)	-	39,795
Governmental Funds deferred outflows and inflows	\$ -	\$ 72,426

**4 Commitments**

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

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
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**5 Risk Management**

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

The City is not required to purchase flood insurance, and accordingly has elected not to carry it. In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$600,000, this does not meet the minimum required amount of \$629,862.

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

**6 Claims, Judgments and Contingent Liabilities**

At June 30, 2024, the City did not have any litigation pending.

**7 Long-Term Obligations**

**a. Leases**

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

On 07/01/2021, the City entered into various leases as Lessee for the use of Enterprise vehicles ranged 32 to 58 months. An initial lease liability was recorded in the amount of \$197,442. As of 06/30/2024, the value of the lease liability is \$61,812. The City is required to make monthly fixed payments ranged from \$595 to \$620. These leases have an interest rate of 4%. The value of the right to use asset as of 06/30/2024 of \$197,442 with accumulated amortization of \$138,953 is included with Vehicle on the Lease Class activities table found below.

Amount of Lease Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-End	
	Lease Asset Value	Accumulated Amortization
Vehicles	\$ 197,442	\$ 138,953
Total Leases	<u>\$ 197,442</u>	<u>\$ 138,953</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2025	\$ 34,488	\$ 1,845	\$ 36,333
2026	27,324	471	27,795
	<u>\$ 61,812</u>	<u>\$ 2,316</u>	<u>\$ 64,128</u>

**b. Installment Purchases**

On September 12, 2007, the City entered into a direct placement agreement to provide financing in the amount of \$1,600,000 for the construction of the new city hall. The property is pledged as collateral for the debt while the debt is outstanding. The contract is currently held by First National Bank. The financing contract requires payments of interest at 3.94% payable monthly and beginning April 12, 2009, principal payments of \$6,667 per month for 20 years. The City made two early payments in June and July of 2024, the maturity is November 2027 based on the new amortization schedule. \$ 182,932

On February 15, 2024, the City entered into a direct placement agreement with First Bank to provide financing in the amount of \$475,000 for the purchase of a property. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires monthly payments of \$9,166 with 5.25% interest beginning March 2024 for 5 years. The maturity is February 2029. 446,456

**City of Boiling Spring Lakes**  
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On July 18, 2023, the City entered into a direct placement agreement with USDA to provide financing in the amount of \$1,200,000 for the construction of the new police station. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires annually payments of \$55,440 with 2.25% interest beginning July 2024 for 30 years. The maturity is July 2053. 1,200,000

On July 18, 2023, the City entered into a direct placement agreement with USDA to provide financing in the amount of \$700,000 for the construction of the new police station. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires annually payments of \$31,801 with 2.125% interest beginning July 2024 for 30 years. The maturity is July 2053. 700,000

Total Serviced by Governmental Activities \$ 2,529,388

Annual debt service payments of the installment purchases as of June 30, 2024 are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2025	\$ 213,958	\$ 77,017	\$ 290,975
2026	216,062	68,067	284,129
2027	171,831	58,811	230,641
2028	152,053	45,182	197,234
2029	112,533	38,870	151,404
2030-2034	264,342	171,863	436,205
2035-2039	294,781	141,424	436,205
2040-2044	328,727	107,478	436,205
2045-2049	366,586	69,619	436,205
2050-2054	408,515	27,396	435,911
Total	<u>\$ 2,529,388</u>	<u>\$ 805,727</u>	<u>\$ 3,335,115</u>

**c. Long-Term Obligation Activity**

Governmental Activities:	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Installment Purchase Agreements	\$ 2,359,653	\$ 2,375,000	\$ 2,205,265	\$ 2,529,388	\$ 213,958
Lease Liabilities	105,197	-	43,385	61,812	34,488
Net Pension Liability (LGRS)	1,442,513	-	27,093	1,415,420	-
Total Pension Liability (LEOSSA)	191,403	-	129,877	61,526	-
Total OPEB Liability	1,016,363	63,643	-	1,080,006	-
Compensated absences	151,980	5,856	-	157,836	-
Total	<u>\$ 5,267,109</u>	<u>\$ 2,444,499</u>	<u>\$ 2,405,620</u>	<u>\$ 5,305,988</u>	<u>\$ 248,446</u>

Governmental activities include a correction of error in previously issued financial statements of \$2,406 that increased the beginning balance of Lease Liabilities from \$102,791 to \$105,197 (see Note VII).

The City paid off a \$1,900,000 commercial loan established in the prior fiscal year for the police station construction with the proceeds received from a new USDA loan established in the current fiscal year per agreement with USDA.

Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.

At June 30, 2024, the City had a legal debt margin of \$79,211,579.

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
For the Year Ended June 30, 2024**

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2024, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Police Department Building Renovation Project Fund	\$ 1,689
General Fund	Golden Leaf HRW Stormwater Project Fund	40,000
General Fund	Dam Restoration Project Fund	2,791,665
Powell Bill Fund	General Fund	162,740
		<u>\$ 2,996,094</u>

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

**D. Net Investment in Capital Assets**

	<u>Governmental Activities</u>
Capital assets	\$ 39,305,557
Less: long-term debt	2,591,200
Net investment in capital assets	<u>\$ 36,714,357</u>

**E. Fund Balance**

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

<i>Total Fund Balance - General Fund</i>	<u>\$ 4,563,045</u>
Less:	
Nonspendable	
Leases	4,807
Prepaid	1,756
Restricted	
Stabilization by State Statute	4,016,258
Streets	187,537
Remaining Fund Balance	<u>\$ 352,687</u>

**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 \$1,526 to the council during the fiscal year ended June 30, 2024.

**V. SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

**A. 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 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. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 31, 2025, which is the date the financial statements were available to be issued.

**City of Boiling Spring Lakes  
Notes to the Financial Statements  
For the Year Ended June 30, 2024**

**VII. CORRECTION OF ERRORS IN PREVIOUSLY ISSUED FINANCIAL STATEMENTS AND ACCOUNTING CHANGES**

**A. Correction of Errors in Previously issued Financial Statements**

Corrections were made to the General Fund that increased fund balance by \$279,078, to record June 2023 ad valorem tax revenue and certain NCDOR shared revenues that were incorrectly recorded at June 30, 2023, which increased governmental activities net position by \$279,078.

Corrections were made to the governmental capital assets including \$327,537 decrease to land, \$1,431,540 decrease to construction in progress, \$1,975,536 increase to capital assets being depreciated, \$95,417 increase to accumulated depreciation, \$14,219 decrease to capital assets being amortized, and \$714 decrease to accumulated amortization, which increased governmental activities net position by \$107,537.

Additionally, corrections were made to the GASB 87 leases accounts including \$2,406 increase to lease liability, \$69,641 increase to deferred inflow - leases, \$72,870 increase to lease receivable, which increased governmental activities net position by \$823.

Overall, these corrections increased governmental activities net position by \$387,438.

**Accrual basis of accounting**

	Governmental Activities
Net position, beginning, as previously reported	\$ 12,115,983
Prior period adjustment - correction of errors in tax revenue, NCDOR shared revenue, capital assets, and GASB 87 leases	387,438
Net position, beginning, as restated	\$ 12,503,421

**Modified accrual basis of accounting**

	General Fund
Fund balances, beginning, as previously reported	\$ 3,771,684
Prior period adjustment - correction of errors in tax revenue and NCDOR shared revenue	209,587
Fund balances, beginning, as restated	\$ 3,981,271

**B. Changes in major and non-major funds**

In the current fiscal year, the City's MOTSU Railroad Culvert Project Fund, NCRS USDA Streambed Project Fund, Police Department Building Renovation Project Fund, Drayton Road Paving Project Fund, and Golden Leaf HRW Stormwater Project Fund no longer meet the definition of a major fund.

In the current fiscal year, the City's Dam Restoration Project Fund meets the definition of a major fund.

REQUIRED  
SUPPLEMENTAL FINANCIAL DATA

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**City of Boiling Spring Lakes**  
**City of Boiling Spring Lakes Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Ten Fiscal Years\***

<b>Local Government Employees' Retirement System</b>					
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Boiling Spring Lakes proportion of the net pension liability (asset) (%)	0.02137%	0.02557%	0.02136%	0.02186%	0.02449%
Boiling Spring Lakes proportion of the net pension liability (asset) (\$)	\$ 1,415,420	\$ 1,442,513	\$ 327,576	\$ 781,151	\$ 668,803
Boiling Spring Lakes covered payroll	\$ 2,223,068	\$ 1,910,715	\$ 1,617,743	\$ 1,587,123	\$ 1,467,304
Boiling Spring Lakes proportionate share of the net pension liability (asset) as a percentage of its	63.67%	75.50%	20.25%	49.22%	45.58%
Plan fiduciary net position as a percentage of the total pension liability**	82.49%	84.14%	95.51%	88.61%	90.86%
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Boiling Spring Lakes proportion of the net pension liability (asset) (%)	0.02340%	0.02277%	0.02438%	0.02321%	0.02252%
Boiling Spring Lakes proportion of the net pension liability (asset) (\$)	\$ 558,449	\$ 347,863	\$ 527,427	\$ 104,165	\$ (132,811)
Boiling Spring Lakes covered payroll	\$ 1,386,297	\$ 1,251,314	\$ 1,317,623	\$ 1,192,061	\$ 1,105,732
Boiling Spring Lakes proportionate share of the net pension liability (asset) as a percentage of its covered payroll	40.28%	27.80%	39.27%	8.74%	-12.01%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%

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

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

**City of Boiling Spring Lakes  
City of Boiling Spring Lakes Contributions  
Required Supplementary Information  
Last Ten Fiscal Years**

<b>Local Government Employees' Retirement System</b>					
	<u><b>2024</b></u>	<u><b>2023</b></u>	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>
Contractually required contribution	\$ 309,704	\$ 276,407	\$ 222,168	\$ 168,749	\$ 146,464
Contributions in relation to the contractually required contribution	309,704	276,407	222,168	168,749	146,464
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Boiling Spring Lakes's covered payroll	\$ 2,340,048	\$ 2,223,068	\$ 1,910,715	\$ 1,617,743	\$ 1,587,123
Contributions as a percentage of covered payroll	13.23%	12.43%	11.63%	10.43%	9.23%
	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 117,881	\$ 108,274	\$ 94,665	\$ 90,437	\$ 85,833
Contributions in relation to the contractually required contribution	117,881	108,274	94,665	90,437	85,833
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Boiling Spring Lakes's covered payroll	\$ 1,467,304	\$ 1,386,297	\$ 1,251,314	\$ 1,317,613	\$ 1,192,061
Contributions as a percentage of covered payroll	8.03%	7.81%	7.57%	6.86%	7.20%

**City of Boiling Spring Lakes, NORTH CAROLINA**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Eight Fiscal Years**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning Balance	\$ 191,403	\$ 310,486	\$ 302,398	\$ 191,346
Service Cost	-	22,238	27,318	15,461
Interest on the total pension liability	7,776	6,843	5,836	6,238
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(115,943)	(90,843)	(15,080)	(23,700)
Changes of assumptions or other inputs	257	(44,648)	(9,986)	113,053
Benefit payments	(21,967)	(12,673)	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 61,526</u>	<u>\$ 191,403</u>	<u>\$ 310,486</u>	<u>\$ 302,398</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 186,521	\$ 163,488	\$ 134,225	\$ 120,831
Service Cost	15,611	16,280	12,314	13,674
Interest on the total pension liability	6,789	5,166	5,181	4,314
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(24,798)	11,806	(1,378)	-
Changes of assumptions or other inputs	7,223	(10,219)	13,146	(4,594)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 191,346</u>	<u>\$ 186,521</u>	<u>\$ 163,488</u>	<u>\$ 134,225</u>

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

**City of Boiling Spring Lakes, NORTH CAROLINA**  
**Schedule of Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Eight Fiscal Years**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 61,526	\$ 191,403	\$ 310,486	\$ 302,398
Covered-employee payroll	\$ 792,079	\$ 633,259	\$ 635,546	\$ 590,684
Total pension liability as a percentage of covered payroll	7.77%	30.23%	48.85%	51.19%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 191,346	\$ 186,521	\$ 163,488	\$ 134,225
Covered-employee payroll	\$ 594,500	\$ 569,161	\$ 514,153	\$ 532,555
Total pension liability as a percentage of covered payroll	32.19%	32.77%	31.80%	25.20%

**Note to the schedules:**

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

**City of Boiling Spring Lakes, NORTH CAROLINA**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**last Seven Fiscal Years**

<b>Total OPEB Liability</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Service Cost	\$ 57,063	\$ 86,590	\$ 106,885	\$ 68,051
Interest	37,237	28,236	35,846	41,298
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	12,989	2,410	(417,763)	8,349
Changes of assumptions	(228)	(303,578)	25,487	337,196
Benefit payments	(43,418)	(35,631)	(54,143)	(49,102)
Net changes in Total OPEB Liability	63,643	(221,973)	(303,688)	405,792
Total OPEB Liability - Beginning	1,016,363	1,238,336	1,542,024	1,136,232
Total OPEB Liability - Ending	<u>\$ 1,080,006</u>	<u>\$ 1,016,363</u>	<u>\$ 1,238,336</u>	<u>\$ 1,542,024</u>
Covered Payroll	1,959,478	1,329,907	1,329,907	1,625,355
Total OPEB Liability as a percentage of covered payroll	55.12%	76.42%	93.11%	94.87%
<b>Total OPEB Liability</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	
Service Cost	\$ 70,006	\$ 74,887	\$ 85,992	
Interest	50,213	46,116	40,760	
Changes of benefit terms	-	-	-	
Differences between expected and actual experience	(227,152)	4,578	(2,219)	
Changes of assumptions	(21,899)	(84,638)	(147,657)	
Benefit payments	(51,018)	(40,130)	(31,289)	
Net changes in Total OPEB Liability	(179,850)	813	(54,413)	
Total OPEB Liability - Beginning	1,316,082	1,315,269	1,369,682	
Total OPEB Liability - Ending	<u>\$ 1,136,232</u>	<u>\$ 1,316,082</u>	<u>\$ 1,315,269</u>	
Covered Payroll	1,625,355	1,111,300	1,111,300	
Total OPEB Liability as a percentage of covered payroll	69.91%	118.43%	118.35%	

**Notes to Schedule**

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

<u>Fiscal Year</u>	<u>Rate</u>	<u>Fiscal Year</u>	<u>Rate</u>
2024	3.65%	2020	3.50%
2023	3.54%	2019	3.89%
2022	2.16%	2018	3.56%
2021	2.21%		

***Individual Fund Statements and Schedules***

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**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, 2024

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<b>Ad valorem Taxes</b>			
Taxes		\$ 1,944,873	
Penalties and Interest		8,511	
Total Ad Valorem Taxes	1,872,200	1,953,384	81,184
<b>Other Taxes and Licenses</b>			
Dog Tax & Animal Control Fees		350	
Total Other Taxes and Licenses	-	350	350
<b>Unrestricted Intergovernmental Revenues</b>			
Local Option Sales Tax		2,786,007	
Utility Sales Tax		295,306	
ABC Profit Distribution		8,000	
Beer and Wine Tax		31,433	
Miscellaneous		252,289	
Total Unrestricted Intergovernmental	3,184,700	3,373,035	188,335
<b>Restricted Intergovernmental Revenues</b>			
Powell Bill Allocation		366,780	
Total Restricted Intergovernmental	330,000	366,780	36,780
<b>Permits and Fees</b>			
Building Permits		314,919	
Inspection Fees		20,975	
Zoning Permits		45,537	
Miscellaneous		4,200	
Total Permits and Fees	239,000	385,631	146,631
<b>Sales and Service</b>			
Miscellaneous		19,034	
Total Investment Earnings	20,000	19,034	(966)
<b>Investment Earnings</b>			
General		32,815	
Total Investment Earnings	20,000	32,815	12,815
<b>Total Revenues</b>	5,665,900	6,131,029	465,129

**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, 2024

<b>Expenditures</b>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Governing Body</b>			
Salaries and Wages		16,000	
Other Expenditures		146,258	
Total Governing Body	<u>176,250</u>	<u>162,258</u>	<u>13,992</u>
<b>Administration</b>			
Salaries and Wages		530,697	
Other Expenditures		497,790	
Total Administration	<u>1,061,000</u>	<u>1,028,487</u>	<u>32,513</u>
<b>Public Buildings</b>			
Salaries and Wages		136,752	
Other Expenditures		84,941	
Total Public Buildings	<u>427,500</u>	<u>221,693</u>	<u>205,807</u>
<b>Police Department</b>			
Salaries and Wages		853,776	
Other Expenditures		615,686	
Total Police Department	<u>1,567,470</u>	<u>1,494,178</u>	<u>73,292</u>
<b>Animal Control</b>			
Other Expenditures		2,188	
Total Animal Control	<u>11,000</u>	<u>2,188</u>	<u>8,812</u>
<b>Inspections</b>			
Salaries and Wages		179,183	
Other Expenditures		91,669	
Total Inspections	<u>297,900</u>	<u>270,852</u>	<u>27,048</u>
<b>Code Enforcement</b>			
Salaries and Wages		47,049	
Other Expenditures		36,318	
Total Code Enforcement	<u>115,600</u>	<u>83,367</u>	<u>32,233</u>
<b>Street Department</b>			
Salaries and Wages		295,261	
Other Expenditures		239,785	
Other Expenditures - Powell Bill		634,145	
Capital Outlay		298,277	
Total Street	<u>1,907,365</u>	<u>1,467,468</u>	<u>439,897</u>
<b>Public Health</b>			
Other Expenditures		100	
Total Public Health	<u>6,000</u>	<u>100</u>	<u>5,900</u>
<b>Planning and Development</b>			
Salaries and Wages		97,140	
Other Expenditures		68,910	
Total Planning and Development	<u>277,150</u>	<u>166,050</u>	<u>111,100</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, 2024

	Final Budget	Actual	Variance Positive (Negative)
<b>Parks and Recreation</b>			
Salaries and Wages		279,875	
Other Expenditures		288,826	
Capital Outlay		537,634	
<b>Total Parks and Recreation</b>	<u>1,282,250</u>	<u>1,106,335</u>	<u>175,915</u>
<b>Library</b>			
Other Expenditures		2,999	
<b>Total Library</b>	<u>3,000</u>	<u>2,999</u>	<u>1</u>
<b>Dams and Lakes</b>			
Other Expenditures		9,997	
<b>Total Dams and Lakes</b>	<u>25,500</u>	<u>9,997</u>	<u>15,503</u>
<b>Special Events</b>			
Other Expenditures		5,843	
<b>Total Special Events</b>	<u>8,000</u>	<u>5,843</u>	<u>2,157</u>
<b>Community Appearance</b>			
Other Expenditures		-	
<b>Total Community Appearance</b>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<b>Debt Service</b>			
Principal Retirement		108,544	
Interest and Other Charges		18,862	
<b>Total Debt Service</b>	<u>145,200</u>	<u>127,406</u>	<u>17,794</u>
<b>Total Expenditures</b>	<u>7,312,185</u>	<u>6,149,221</u>	<u>1,162,964</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,646,285)</u>	<u>(18,192)</u>	<u>1,628,093</u>
<b>Other Financing Sources (Uses):</b>			
Transfers Out:			
Golden Leaf HRW Stormwater Project Fund	(100,000)	-	100,000
Sale of Capital Assets	2,500	19,114	16,614
Insurance Proceeds	-	5,852	5,852
Fund Balance Appropriated	1,268,785	-	(1,268,785)
USDA Debt Refinancing	-	(1,900,000)	(1,900,000)
Installment Purchase Obligations Issued	475,000	2,375,000	1,900,000
<b>Total Other Financing Sources (Uses)</b>	<u>1,646,285</u>	<u>499,966</u>	<u>(1,146,319)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>481,774</u>	<u>\$ 481,774</u>
<b>Fund balance, beginning of year</b>		3,771,684	
<b>Prior period restatements (see Note VII)</b>		209,587	
<b>Fund balance, end of year</b>		<u>\$ 4,463,045</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, 2024

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Investment Earnings	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>			
Capital Reserve			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess Revenue Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses)</b>			
Transfer in:			
General Fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u><u>\$ -</u></u>	<u>-</u>	<u><u>\$ -</u></u>
<b>Fund Balance - Beginning of Year</b>		<u>100,000</u>	
<b>Fund Balance - End of Year</b>		<u><u>\$ 100,000</u></u>	

**City of Boiling Spring Lakes, NORTH CAROLINA**  
 Dam Restoration Project Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 From Inception and For the Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues</b>					
Investment Earnings	\$ -	\$ 547,591	\$ 782,215	\$ 1,329,806	\$ 1,329,806
Grant Funds	57,794,770	2,607,366	26,825,599	29,432,965	(28,361,805)
<b>Total Revenues</b>	<u>57,794,770</u>	<u>3,154,957</u>	<u>27,607,814</u>	<u>30,762,771</u>	<u>(27,031,999)</u>
<b>Expenditures</b>					
Economic and Physical Development					
Professional Services	96,500	25,711	41,325	67,036	29,464
Engineering	8,335,236	276,465	1,380,109	1,656,574	6,678,662
Utility Relocation	1,089,338	26,513	436,078	462,591	626,747
Construction	44,749,248	144,788	25,429,475	25,574,263	19,174,985
Lakebed Management	917,815	87,249	448,540	535,789	382,026
Contingency	2,606,633	-	-	-	2,606,633
<b>Total Expenditures</b>	<u>57,794,770</u>	<u>560,726</u>	<u>27,735,527</u>	<u>28,296,253</u>	<u>29,498,517</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>2,594,231</u>	<u>(127,713)</u>	<u>2,466,518</u>	<u>2,466,518</u>
<b>Other financing sources (uses):</b>					
Transfers In:					
General Fund	-	-	-	-	-
<b>Total financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ 2,594,231</u>	<u>(127,713)</u>	<u>\$ 2,466,518</u>	<u>\$ 2,466,518</u>
<b>Fund Balance - Beginning of Year</b>			<u>2,594,231</u>	-	
<b>Fund Balance - End of Year</b>			<u>\$ 2,466,518</u>		

**City of Boiling Spring Lakes, NORTH CAROLINA**  
Combining Balance Sheet  
Nonmajor Capital Project Funds  
June 30, 2024

	MOTSU Railroad Culvert Project Fund	NCRS USDA Streambed Project Fund	Police Department Building Renovation Project Fund	Library Renovation Project Fund	Drayton Road Paving Project Fund	Golden Leaf HRW Stormwater Project Fund	June 30, 2024
<b>ASSETS</b>							
Restricted Cash	\$ -	\$ -	\$ -	\$ 253,779	\$ -	\$ -	\$ 253,779
Accounts Receivable	-	-	1,699	-	-	-	1,699
Due from other funds	-	76,973	-	-	-	-	76,973
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 76,973</b>	<b>\$ 1,699</b>	<b>\$ 253,779</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 332,451</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 314	\$ -	\$ -	\$ -	\$ 314
Unearned revenues	-	-	-	250,000	-	-	250,000
Due to Other Funds	-	0	1,689	-	-	40,000	41,689
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,003</b>	<b>250,000</b>	<b>-</b>	<b>40,000</b>	<b>292,003</b>
<b>Fund Balance</b>							
Restricted:							
Reserved by State Statute	-	-	1,699	-	-	-	1,699
Capital Outlay	-	76,973	-	3,779	-	-	80,752
Unassigned	-	-	(2,003)	-	-	(40,000)	(42,003)
<b>Total fund balances</b>	<b>-</b>	<b>76,973</b>	<b>(304)</b>	<b>3,779</b>	<b>-</b>	<b>(40,000)</b>	<b>40,448</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ -</b>	<b>\$ 76,973</b>	<b>\$ 1,699</b>	<b>\$ 253,779</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 332,451</b>

**City of Boiling Spring Lakes, NORTH CAROLINA**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Capital Project Funds  
For the Year Ended June 30, 2024

	MOTSU Railroad Culvert Project Fund	NCRS USDA Streambed Project Fund	Police Department Building Renovation Project Fund	Library Renovation Project Fund	Drayton Road Paving Project Fund	Golden Leaf HRW Stormwater Project Fund	June 30, 2024
<b>Revenues</b>							
Restricted Intergovernmental	\$ -	\$ 461,565	\$ -	\$ -	\$ 104,039	\$ -	\$ 565,604
Investment Earnings	-	-	-	3,779	-	-	3,779
<b>Total Revenue</b>	-	461,565	-	3,779	104,039	-	569,383
<b>Expenditures</b>							
Public Safety	-	-	278,435	-	-	-	278,435
Transportation	-	-	-	-	104,039	-	104,039
Economic and Physical Development	-	315,506	-	-	-	2,500	318,006
<b>Total Expenditures</b>	-	315,506	278,435	-	104,039	2,500	700,480
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	146,059	(278,435)	3,779	-	(2,500)	(131,097)
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	-	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-	-	-	-
<b>Net Change in Fund Balance</b>	-	146,059	(278,435)	3,779	-	(2,500)	(131,097)
<b>Fund balance - Beginning</b>	-	(69,086)	278,131	-	-	(37,500)	171,545
<b>Fund Balance - End of Year</b>	\$ -	\$ 76,973	\$ (304)	\$ 3,779	\$ -	\$ (40,000)	\$ 40,448

**City of Boiling Spring Lakes, NORTH CAROLINA**  
MOTSU Railroad Culvert Project Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
From Inception and For the Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues</b>					
Investment Earnings	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>					
Economic and Physical Development					
Engineering	40,600	6,300	-	6,300	34,300
Construction	739,082	732,777	-	732,777	6,305
<b>Total Expenditures</b>	<u>779,682</u>	<u>739,077</u>	<u>-</u>	<u>739,077</u>	<u>40,605</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(779,682)</u>	<u>(739,077)</u>	<u>-</u>	<u>(739,077)</u>	<u>40,605</u>
<b>Other financing sources (uses):</b>					
Transfers In:					
General Fund	779,682	739,077	-	739,077	(40,605)
<b>Total financing sources (uses)</b>	<u>779,682</u>	<u>739,077</u>	<u>-</u>	<u>739,077</u>	<u>(40,605)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance - Beginning of Year</b>			<u>-</u>		
<b>Fund Balance - End of Year</b>			<u>\$ -</u>		

**City of Boiling Spring Lakes, NORTH CAROLINA**  
NCRS USDA Streambed Project Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
From Inception and For the Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues</b>					
Grant Revenue	\$ 2,285,181	\$ 1,637,562	\$ 461,565	\$ 2,099,127	\$ (186,054)
<b>Total Revenues</b>	<u>2,285,181</u>	<u>1,637,562</u>	<u>461,565</u>	<u>2,099,127</u>	<u>(186,054)</u>
<b>Expenditures</b>					
Economic and Physical Development					
Engineering	282,604	87,666	-	87,666	194,938
Contract Services	5,000	2,340	-	2,340	2,660
Construction	1,997,577	1,616,642	315,506	1,932,148	65,429
<b>Total Expenditures</b>	<u>2,285,181</u>	<u>1,706,648</u>	<u>315,506</u>	<u>2,022,154</u>	<u>263,027</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>(69,086)</u>	<u>146,059</u>	<u>76,973</u>	<u>76,973</u>
<b>Other financing sources (uses):</b>					
Transfers In:					
General Fund	-	-	-	-	-
<b>Total financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (69,086)</u>	<u>146,059</u>	<u>\$ 76,973</u>	<u>\$ 76,973</u>
<b>Fund Balance - Beginning of Year</b>			<u>(69,086)</u>		
<b>Fund Balance - End of Year</b>			<u>\$ 76,973</u>		

**City of Boiling Spring Lakes, NORTH CAROLINA**  
Police Department Building Renovation Project Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
From Inception and For the Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues</b>					
Investment Earnings	\$ -	\$ 109	\$ -	\$ 109	\$ 109
<b>Total Revenues</b>	<u>-</u>	<u>109</u>	<u>-</u>	<u>109</u>	<u>109</u>
<b>Expenditures</b>					
Public Safety					
Professional Service	82,000	53,612	1,477	55,089	26,911
Building Purchase	300,000	-	196,721	196,721	103,279
Equipment Purchase	80,000	41,900	30,253	72,153	7,847
Construction	1,228,036	1,526,466	2,599	1,529,065	(301,029)
Interest	47,500	-	47,385	47,385	115
Contingency	162,464	-	-	-	162,464
<b>Total Expenditures</b>	<u>1,900,000</u>	<u>1,621,978</u>	<u>278,435</u>	<u>1,900,413</u>	<u>(413)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,900,000)</u>	<u>(1,621,869)</u>	<u>(278,435)</u>	<u>(1,900,304)</u>	<u>(304)</u>
<b>Other financing sources (uses):</b>					
Loan Proceeds	1,900,000	1,900,000	-	1,900,000	-
Transfers In:					
General Fund	-	-	-	-	-
<b>Total financing sources (uses)</b>	<u>1,900,000</u>	<u>1,900,000</u>	<u>-</u>	<u>1,900,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ 278,131</u>	<u>(278,435)</u>	<u>\$ (304)</u>	<u>\$ (304)</u>
<b>Fund Balance - Beginning of Year</b>			<u>278,131</u>		
<b>Fund Balance - End of Year</b>			<u>\$ (304)</u>		

**City of Boiling Spring Lakes, NORTH CAROLINA**  
 Library Renovation Project Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 From Inception and For the Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues</b>					
Investment Earnings	\$ -	\$ -	\$ 3,779	\$ 3,779	\$ 3,779
Grant Funds	250,000	-	-	-	(250,000)
<b>Total Revenues</b>	<u>250,000</u>	<u>-</u>	<u>3,779</u>	<u>3,779</u>	<u>(246,221)</u>
<b>Expenditures</b>					
Culture and Recreation					
Construction	250,000	-	-	-	250,000
<b>Total Expenditures</b>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>3,779</u>	<u>3,779</u>	<u>3,779</u>
<b>Other financing sources (uses):</b>					
Transfers In:					
General Fund	-	-	-	-	-
<b>Total financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>3,779</u>	<u>\$ 3,779</u>	<u>\$ 3,779</u>
<b>Fund Balance - Beginning of Year</b>			<u>-</u>		
<b>Fund Balance - End of Year</b>			<u>\$ 3,779</u>		

**City of Boiling Spring Lakes, NORTH CAROLINA**  
 Drayton Road Paving Project Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 From Inception and For the Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues</b>					
Grant Funds	\$ 922,000	\$ 801,199	\$ 104,039	\$ 905,238	\$ (16,762)
<b>Total Revenues</b>	<u>922,000</u>	<u>801,199</u>	<u>104,039</u>	<u>905,238</u>	<u>(16,762)</u>
<b>Expenditures</b>					
Transportation					
Engineering	15,000	24,000	-	24,000	(9,000)
Construction	907,000	777,199	104,039	881,238	25,762
<b>Total Expenditures</b>	<u>922,000</u>	<u>801,199</u>	<u>104,039</u>	<u>905,238</u>	<u>16,762</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses):</b>					
Transfers In:					
General Fund	-	-	-	-	-
<b>Total financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance - Beginning of Year</b>			<u>-</u>		
<b>Fund Balance - End of Year</b>			<u>\$ -</u>		

**City of Boiling Spring Lakes, NORTH CAROLINA**  
Golden Leaf HRW Stormwater Project Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
From Inception and For the Year Ended June 30, 2024

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues</b>					
Grant Funds	\$ 250,000	\$ -	\$ -	\$ -	\$ (250,000)
<b>Total Revenues</b>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
<b>Expenditures</b>					
Economic and Physical Development					
Engineering	45,000	37,500	2,500	40,000	5,000
Construction	475,000	-	-	-	475,000
<b>Total Expenditures</b>	<u>520,000</u>	<u>37,500</u>	<u>2,500</u>	<u>40,000</u>	<u>480,000</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(270,000)</u>	<u>(37,500)</u>	<u>(2,500)</u>	<u>(40,000)</u>	<u>230,000</u>
<b>Other financing sources (uses):</b>					
Transfers In:					
General Fund	270,000	-	-	-	(270,000)
<b>Total financing sources (uses)</b>	<u>270,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(270,000)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (37,500)</u>	<u>(2,500)</u>	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>
<b>Fund Balance - Beginning of Year</b>			<u>(37,500)</u>		
<b>Fund Balance - End of Year</b>			<u>\$ (40,000)</u>		

***Other Schedules***

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**City of Boiling Spring Lakes, NORTH CAROLINA**  
 Schedule of Ad Valorem Taxes Receivable  
 June 30, 2024

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2023</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2024</u>
2023-24	\$ -	\$ 1,943,999	\$ 1,920,531	\$ 23,468
2022-23	24,881	-	17,432	7,449
2021-22	7,411	-	4,531	2,880
2020-21	3,146	-	1,554	1,592
2019-20	2,298	-	912	1,386
2018-19	1,675	-	527	1,148
2017-18	1,173	-	319	854
2016-17	1,193	-	299	894
2015-16	1,068	-	244	824
2014-15	1,390	-	432	958
2013-14	1,106	-	1,106	-
	<u>\$ 45,341</u>	<u>\$ 1,943,999</u>	<u>\$ 1,947,887</u>	<u>41,453</u>
Less: Allowance for Uncollectible Accounts:				
General Fund				<u>8,822</u>
Ad Valorem Taxes Receivable, net				<u>\$ 32,631</u>
 <u>Reconciliation with Revenues</u>				
Ad Valorem Taxes - General Fund				\$ 1,953,384
Reconciling Items:				
Interest and Penalties Collected				(8,511)
Releases and adjustments				<u>3,014</u>
Total Collections and Credits				<u>\$ 1,947,887</u>

**City of Boiling Spring Lakes, NORTH CAROLINA**  
 Analysis of Current Tax Levy  
 For the Year Ended June 30, 2024

	City-Wide			Total Levy	
	Property Valuation	Rate per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property Taxed at					
Current Year's Rate	\$ 1,022,534,737	0.19	\$ 1,942,816	\$ 1,595,298	\$ 347,518
Penalties	-		-	-	-
	1,022,534,737		1,942,816	1,595,298	347,518
<b>Discoveries:</b>					
Current Year Taxes	-	0.19	867	867	-
Penalties	-		316	316	-
	-		1,183	1,183	-
<b>Abatements:</b>					
Property Taxes -					
Current Year's Rates	-	0.19	-	-	-
	-		-	-	-
<b>Total Property Valuations</b>	\$ 1,022,534,737				
<b>Net Levy</b>			\$ 1,943,999	\$ 1,596,481	\$ 347,518
<b>Uncollected Taxes at June 30, 2024</b>			23,468	23,468	-
<b>Current Year's Taxes Collected</b>			\$ 1,920,531	\$ 1,573,013	\$ 347,518
<b>Current Levy Collection Percentage</b>			98.79%	98.53%	100.000%

## COMPLIANCE SECTION



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**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  
Members of the City Council  
City of Boiling Spring Lakes, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Boiling Spring Lakes, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprises City of Boiling Spring Lakes' basic financial statements, and have issued our report thereon dated March 31, 2025.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs [2024-001, 2024-002, 2024-003, 2024-004] to be material weaknesses.

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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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items [2024-005] to be significant deficiencies.

#### Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items [2024-004, 2024-005].

#### City of Boiling Spring Lakes' Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Boiling Spring Lakes' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

#### 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 result 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.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
March 31, 2025



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**Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act**

**Independent Auditors' Report**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited 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, 2024. City of Boiling Spring Lakes' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Boiling Spring Lakes complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Boiling Spring Lakes and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Boiling Spring Lakes' compliance with the compliance requirements referred to above.

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### Responsibilities of Management for Compliance

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

### Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

### Report on Internal Control Over Compliance

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

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

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

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

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
March 31, 2025



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Gregory S. Adams, CPA

**Report On Compliance With Requirements Applicable To Each Major State  
Program And Internal Control Over Compliance In Accordance With  
OMB Uniform Guidance and the State Single Audit Implementation Act**

**Independent Auditors' Report**

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the City of Boiling Spring Lakes, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of City of Boiling Spring Lakes' major State programs for the year ended June 30, 2024. City of Boiling Spring Lakes' major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2024.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Boiling Spring Lakes and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of City of Boiling Spring Lakes' compliance with the compliance requirements referred to above.

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA's Private Companies Practice Section

### Responsibilities of Management for Compliance

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

### Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

### Report on Internal Control Over Compliance

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

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

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

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

*Thompson, Price, Scott, Adams & Co., P.A.*

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Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
March 31, 2025

**City of Boiling Spring Lakes, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

Section I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material Weakness(es) identified?  yes  no
- Significant Deficiency(s) identified?  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>AL #</u>	<u>Program Name</u>
12.600	Local Infrastructure Program - Community Investment
97.036	Disaster Grants - Public Assistance

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

Auditee qualified as low-risk auditee?  yes  no

State Awards

Internal control over major State programs:

- Material Weakness(es) identified?  yes  no
- Significant Deficiency(s) identified?  yes  none reported

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

**City of Boiling Spring Lakes, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

Section I. Summary of Auditors' Results (continued)

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:

Program Name  
 Powell Bill  
 State Capital Infrastructure Fund

Dollar threshold used to distinguish between Type A and Type B Programs \$ 500,000

Auditee qualified as low-risk auditee? \_\_\_yes   X  no

Section II. Financial Statement Findings

**Finding 2024-001**

**Reconciliation of Records**

**MATERIAL WEAKNESS**

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting and ensure the timeliness of financial reporting.

Condition: In reviewing records and testing certain account balances, we noted that several accounts were not reconciled and adjusted timely to include cash, receivables, payables, and other balance sheet accounts.

Effect: The City's management and other users of the financial statements do not have accurate and timely information for decision making and monitoring of the City's financial position and adherence to laws, regulations, and other requirements. Errors in financial reporting could occur and not be detected.

Cause: The City experienced key finance staff turnovers right after the fiscal year end, and was unable to provide information necessary to complete the audit timely as a result.

Recommendation: The City should evaluate the allocation of internal resources dedicated to financial reporting to ensure adequate resources are available for timely account reconciliations, year-end close and annual financial reporting purposes. Management should consult with outside accountants if additional assistance is required in order to prepare for the annual audit.



**City of Boiling Spring Lakes, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

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Section II. Financial Statement Findings (continued)

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**Finding 2024-003                      Late Submission of Audit**

**MATERIAL WEAKNESS**

Criteria:                      The audit report is expected to be submitted within five months plus one day from the fiscal year end per the contract with the Local Government Commission. As stewards of the public’s resources, the governing body is responsible for ensuring that the audited financial statements are available to the public in a timely manner.

Condition:                      The audit report was issued 5 months after the required due date of October 31, 2024.

Effect:                      External groups such as the North Carolina General Assembly, federal and State agencies that provide funding, and other public associations need current financial information about each unit of local government.

Cause:                      The City experienced key finance staff turnovers right after the fiscal year end, and was unable to provide information necessary to complete the audit timely as a result. Additionally, information was not available that was used for prior year balances, so additional work was required to test opening balances.

Recommendation:                      The City should allocate sufficient resources to ensure that all records are reconciled timely to allow time for the audit to be completed timely.

Views of responsible officials and planned corrective actions:                      The City agrees with this finding. Please refer to the corrective action plan for details.

**Finding 2024-004                      General Statute Violation - Preaudit**

**NONCOMPLIANCE / MATERIAL WEAKNESS**

Criteria:                      In accordance with North Carolina General Statutes § 159-28 (GS 159-28), if an obligation is reduced to a written contract or written agreement requiring the payment of money, or is evidenced by a written purchase order for supplies and materials, the written contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been preaudited to assure compliance with Incurring Obligations requirement. The certificate shall be signed by the finance officer, or any deputy finance officer approved for this purpose by the governing board.

**City of Boiling Spring Lakes, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

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Section II. Financial Statement Findings (continued)

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Condition: The City did not have preaudit certificate in the required form on the face of the written contract, agreement, purchase order or invoice that was signed by the finance officer or deputy finance officer approved for the purpose by the governing board.

Effect: An obligation incurred in violation of Incurring Obligations or Preaudit requirement of GS 159-28 is invalid and may not be enforced.

Cause: No effective internal controls were in place to ensure the preaudit process was performed and documented.

Recommendation: The City should establish internal control policies and procedures to ensure compliance with the preaudit requirement, in accordance with any rules adopted by the Local Government Commission. The governing board should formally designate the City manager as deputy finance officer for preaudit purpose if necessary.

Views of responsible officials and planned corrective actions: The City agrees with this finding. Please refer to the corrective action plan for details.

**Finding 2024-005                      General Statute Violation - Fidelity Bonds**

**NONCOMPLIANCE / SIGNIFICANT DEFICIENCY**

Criteria: In accordance with G.S. 159-29, the finance officer shall give a true accounting and faithful performance bond with sufficient sureties in an amount to be fixed by the governing board not less than the greater of (1) \$50,000 or (2) an amount equal to 10% of the unit's annually budgeted funds, up to \$1,000,000.

Condition: The City's finance officer position was only bonded for \$600,000 when the bond should have been for at least \$629,862.

Effect: There is an increased risk of financial loss due to fraudulent activities, mismanagement, or negligence by officers, employees, or agents.

Cause: Although the City did increase coverage as required by the Statute, the revised coverage amount did not meet the minimum coverage amounts.

Recommendation: The City should review the General Statutes Pronouncements more carefully to ensure implementation of any new requirements

**City of Boiling Spring Lakes, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2024**

Views of responsible officials and planned corrective actions:      The City agrees with this finding. Please refer to the corrective action plan for details.

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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*

9 East Boiling Spring Road  
Boiling Spring Lakes, NC 28461

Phone: 910-363-0025 Fax: 910-363-0029

### Corrective Action Plan For the Year Ended June 30, 2024

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#### Section II - Financial Statement Findings

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**Finding: 2024-001****Reconciliation of Records**

Name of contact person: Brandon Stevens, Finance Director

Corrective Action: Reconciliation will be done timely in the future in preparation to the audit. With the FY 2023-2024 audit being completed, the year-end process will be accomplished on time and will show financials from beginning balances from here on out.

Proposed Completion Date: Immediately.

**Finding: 2024-002****Correction of an Error in Previously Issued Financial Statements**

Name of contact person: Brandon Stevens, Finance Director

Corrective Action: Audit Adjustment Entries will be done immediately and our financials will correlate to FY 2023 -2024 final trial balance. This continue to be done in the future to avoid delay in the prior fiscal year auditing process.

Proposed Completion Date: Immediately.

**Finding: 2024-003****Late Submission of Audit**

Name of contact person: Brandon Stevens, Finance Director

Corrective Action: Audit will be timely for future fiscal years. Will discuss matters with auditors on what can be put in place to speed up the process. Internal records will be maintained and updated for calculations used in the financial statements.

Proposed Completion Date: Immediately.

**Finding: 2024-004****General Statute Violation - Preaudit**

Name of contact person: Brandon Stevens, Finance Director

Corrective Action: Will be discussion with financial software provider for a change in process to assist in compliance with purchasing. All current and future purchasing will be in compliance with GS 159-28.

Proposed Completion Date: Immediately.



## *City of Boiling Spring Lakes*

9 East Boiling Spring Road  
Boiling Spring Lakes, NC 28461

Phone: 910-363-0025 Fax: 910-363-0029

### Corrective Action Plan For the Year Ended June 30, 2024

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#### Section II - Financial Statement Findings

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**Finding: 2024-005**

**General Statute Violation - Fidelity Bonds**

Name of contact person: Brandon Stevens, Finance Director

Corrective Action: The current Finance Officer will be bonded for the required amount going forward, up to the \$1,000,000 maximum.

Proposed Completion Date: Immediately.

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#### Section III - Federal Award Findings and Question Costs

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None reported.

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#### Section IV - State Award Findings and Question Costs

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None reported.

**City of Boiling Spring Lakes, North Carolina  
Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2024**

None reported.

**City of Boiling Spring Lakes, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2024**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL # Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<b>Federal Awards</b>				
<u>U.S. Department of Agriculture</u>				
Emergency Watershed Protection Program	10.923		\$ 315,506	\$ -
<u>U.S. Department of Defense</u>				
Office of Local Defense Community Cooperation				
Local Infrastructure Program - Community Investment	12.600		7,860,484	-
<u>U.S. Department of Homeland Security</u>				
Disaster Grants - Public Assistance	97.036		11,745,594	-
Total Federal Awards			<u>\$ 19,921,584</u>	<u>\$ -</u>
<b>State Grants:</b>				
<b>Cash Assistance:</b>				
<u>N.C. Department of Transportation:</u>				
Powell Bill			\$ -	\$ 607,016
<u>NC Department of Public Safety</u>				
Emergency Management Transportation Infrastructure Resiliency (TIRG)			-	104,039
<u>N.C. Office of State Budget and Management</u>				
State Capital Infrastructure Fund			-	7,396,041
Total State Awards			<u>-</u>	<u>8,107,096</u>
Total Federal and State Awards			<u>\$ 19,921,584</u>	<u>\$ 8,107,096</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, 2024. 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 Boiling Spring Lakes has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.