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Darrell L. Keller, CPA, PA

TOWN OF BOILING SPRINGS
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

Town of Boiling Springs, North Carolina
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June 30, 2009

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FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Mayor
and Members of the Town Council
Boiling Springs, North Carolina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Boiling Springs, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Boiling Springs's management. My responsibility is to express opinions on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Boiling Springs, North Carolina as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Schedule of Expenditures of State Awards are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit this information and express no opinion thereon.

In accordance with Government Auditing Standards, I have also issued my report dated September 30, 2009 on my consideration of the Town of Boiling Springs internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of the Town of Boiling Springs, North Carolina, taken as a whole. The individual fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Darrell L Keller, CPA, PA

Darrell L Keller, CPA, PA
September 30, 2009

TOWN OF BOILING SPRINGS, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2009

As management of the Town of Boiling Springs, we offer readers of the Town of Boiling Springs' financial statements this narrative overview and analysis of the financial activities of the Town of Boiling Springs for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

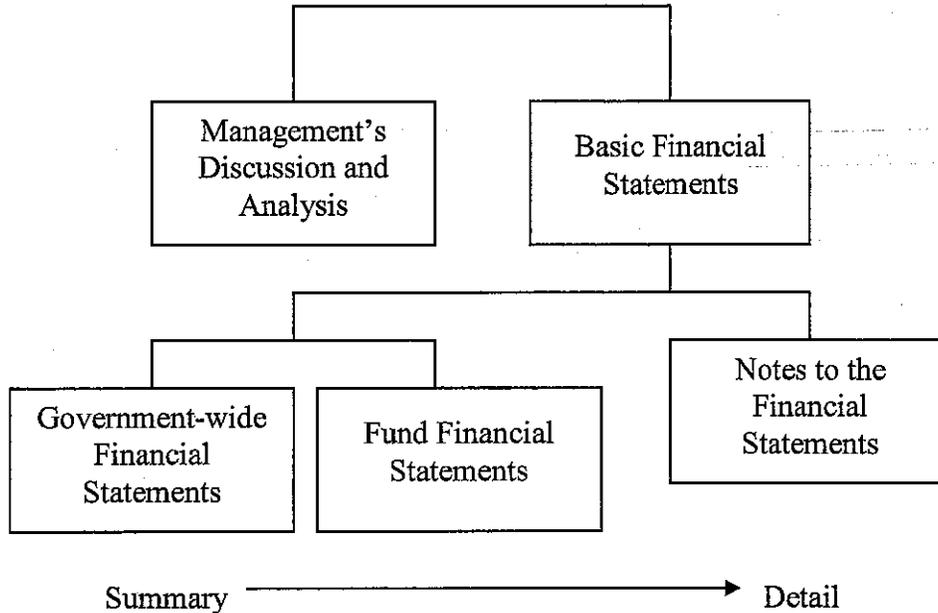
- The assets of the Town of Boiling Springs exceeded its liabilities at the close of the most recent fiscal year by \$6,608,258 (*net assets*). Of this amount, \$2,089,484 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$641,474, primarily due to increases in the governmental activities net assets.
- As of the close of the current fiscal year, the Town of Boiling Springs' governmental funds reported combined ending fund balances of \$2,000,407, an increase of \$11,014 in comparison with the prior year. Approximately 56.3 percent of this total amount, or \$1,127,169, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,127,169, or 65.6 % of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Boiling Springs' basic financial statements. The Town'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 Town 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 Town of Boiling Springs.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 13 through 14) 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 fund 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 Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town'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 Town's financial status as a whole.

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Boiling Springs.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town'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 Town of Boiling Springs, 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 Town's budget ordinance. The Town of Boiling Springs has two funds: governmental fund and proprietary fund.

Governmental Fund – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in the governmental fund. 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 Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Town of Boiling Springs maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund.

The Town of Boiling Springs 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 Town, the management of the Town, and the decisions of the board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town 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 budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is show at the end of the budgetary statement.

Proprietary Fund – The Town of Boiling Springs has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Boiling Springs uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 22 through 36 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information. Required supplementary information can be found on pages 36 through 41 of this report.

Government-Wide Financial Analysis

Boiling Springs Net Assets

Figure 2

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	2009	2008	2009	2008	2009	2008
Current and other assets	\$2,040,752	\$2,028,525	\$867,677	\$714,534	\$2,908,429	\$2,743,059
Capital assets	1,468,502	1,065,908	4,708,123	4,865,731	6,176,625	5,931,639
Total assets	<u>3,509,254</u>	<u>3,094,433</u>	<u>5,575,800</u>	<u>5,580,265</u>	<u>9,085,054</u>	<u>8,674,698</u>
Long term liabilities outstanding	-	37,706	2,416,466	2,606,504	2,416,466	2,644,210
Other liabilities	14,168	16,482	46,162	47,222	60,330	63,704
Total liabilities	<u>14,168</u>	<u>54,188</u>	<u>2,462,628</u>	<u>2,653,726</u>	<u>2,476,796</u>	<u>2,707,914</u>
Net assets:						
Invested in capital assets net of related debt	1,468,502	1,028,202	2,291,657	2,259,227	3,760,159	3,287,429
Restricted	758,615	774,634	-	-	758,615	774,634
Unrestricted	1,267,969	1,237,409	821,515	667,312	2,089,484	1,904,721
Total assets	<u>\$3,495,086</u>	<u>\$3,040,245</u>	<u>\$3,113,172</u>	<u>\$2,926,539</u>	<u>\$6,608,258</u>	<u>\$5,966,784</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Boiling Springs exceeded liabilities by \$6,608,258 as of June 30, 2009. The Town's net assets increased by \$641,474 for the fiscal year ended June 30, 2009. However, the largest portion (56.9%) reflects the Town's 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 Town of Boiling Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Boiling Springs' 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 Town of Boiling Springs' net assets (11.48%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,089,484 is unrestricted.

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

- Increased property tax revenue due to Town growth with a tax collection percentage of 97.04%.
- Increase in projected sales tax revenue for the county resulted in actual revenue from the Local Option Sales and Use Tax exceeding the budgeted amount.

The Town of Boiling Springs' Changes in Net Assets

Figure 3

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services	\$ 149,186	\$ 131,298	\$ 1,323,589	\$ 1,320,217	\$ 1,472,775	\$ 1,451,515
Operating grants and contributions	186,813	187,801	-	-	186,813	187,801
Capital grants and contributions					-	-
General revenues:						
Property taxes	775,020	723,147	-	-	775,020	723,147
Other taxes	299,696	305,753	-	-	299,696	305,753
Other	322,183	341,151	58,241	55,632	380,424	396,783
Total revenues	<u>1,732,898</u>	<u>1,689,150</u>	<u>1,381,830</u>	<u>1,375,849</u>	<u>3,114,728</u>	<u>3,064,999</u>
Expenses:						
General government	366,031	370,076	-	-	366,031	370,076
Public safety	556,512	493,841	-	-	556,512	493,841
Transportation	60,592	49,110	-	-	60,592	49,110
Environmental protection	166,444	170,849	-	-	166,444	170,849
Culture and recreation	127,017	116,966	-	-	127,017	116,966
Interest on long-term debt	1,461	3,194	-	-	1,461	3,194
Water and sewer	-	-	1,195,197	1,158,274	1,195,197	1,158,274
Total expenses	<u>1,278,057</u>	<u>1,204,036</u>	<u>1,195,197</u>	<u>1,158,274</u>	<u>2,473,254</u>	<u>2,362,310</u>
Increase in net assets	454,841	485,114	186,633	217,575	641,474	702,689
Net assets, beginning of year	<u>3,040,245</u>	<u>2,555,131</u>	<u>2,926,539</u>	<u>2,708,964</u>	<u>5,966,784</u>	<u>5,264,095</u>
Net assets, end of year	<u>\$ 3,495,086</u>	<u>\$ 3,040,245</u>	<u>\$ 3,113,172</u>	<u>\$ 2,926,539</u>	<u>\$ 6,608,258</u>	<u>\$ 5,966,784</u>

Governmental activities: Governmental activities increased the Town's net assets by \$454,841. Key elements of this increase are as follows:

- Powell Bill projects costing \$284,315 were completed this year.
- Property tax increased \$49,574 over last year.

Business-type activities: Business-type activities increased the Town of Boiling Springs' net assets by \$186,633.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Boiling Springs used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund is the chief operating fund of the Town of Boiling Springs. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,127,169, while total fund balance reached \$2,000,407. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 65.6% of total General Fund expenditures, while total fund balance represents 116.41% of that same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town 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.

The actual operating revenues for the General Fund were more than the budget amount by \$110,511. Factors concerning the finances of this fund have already been addressed in the discussion of the Town of Boiling Springs' governmental activities.

Proprietary Fund: The Town of Boiling Springs' proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets at the fiscal year-end in the Water and Sewer Fund were \$821,515. Factors concerning the finances of this fund have already been addressed in the discussion of the Town of Boiling Springs' business-type activities.

Capital Asset and Debt Administration

Capital assets: The Town of Boiling Springs' investment in capital assets for its governmental and business-type activities as of June 30, 2009 totals \$6,176,625 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

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

- Completion of a sidewalk project, 2 resurfacing projects and a drainage project.
- The Town disposed of two vehicles.

The Town of Boiling Springs' Capital Assets

Figure 4

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 291,945	\$ 292,865	\$ 33,342	\$ 33,342	\$ 325,287	\$ 326,207
Buildings and system	216,361	176,887	2,487,803	2,583,167	2,704,164	2,760,054
Machinery and equipment	176,079	118,010	2,158,050	2,211,045	2,334,129	2,329,055
Infrastructure	301,365	21,798	-	-	301,365	21,798
Vehicles and motorized equipment	482,752	456,348	28,928	38,177	511,680	494,525
Total capital assets (net of depreciation)	\$ 1,468,502	\$ 1,065,908	\$ 4,708,123	\$ 4,865,731	\$ 6,176,625	\$ 5,931,639

Additional information on the Town's capital assets can be found in note 4 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2009, the Town of Boiling Springs had total outstanding debt of \$2,416,466 of which \$411,000 is debt backed by the full faith and credit of the Town. The remaining \$2,005,466 is G.S 160A-20 financing that pledges the assets purchased as collateral instead of the taxing authority of the Town.

The Town of Boiling Springs' Outstanding Debt

Figure 5

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Installment purchase	\$ -	\$ 37,706	\$ -	\$ -	\$ -	\$ 37,706
State Revolving Loan Fund	-	-	946,212	998,780	946,212	998,780
BB&T Govt. Finance Center	-	-	960,643	1,008,328	960,643	1,008,328
State Revolving Loan Fund	-	-	411,000	493,200	411,000	493,200
State Revolving Loan Fund	-	-	98,611	106,196	98,611	106,196
Total capital assets (net of accumulated depreciation)	\$ -	\$ 37,706	\$ 2,416,466	\$ 2,606,504	\$ 2,416,466	\$ 2,644,210

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Boiling Springs is \$18,800,803.

Additional information regarding the Town of Boiling Springs' long-term debt can be found in note 5 of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town:

- The unemployment rate in the Cleveland County area increased from 7.9% in June 2008 to 15.4% in June 2009. The statewide average in June 2009 is 11.2%.
- The Town of Boiling Springs' reputation as a family-oriented, quiet town has made the Town a highly desired place to live in the last several years. This has resulted in higher property tax valuations and increased revenues for services provided.

Budget Highlights for Fiscal Year Ending June 30, 2010

Governmental Activities: The governmental fund's primary revenue resource is property taxes. The property tax rate remains \$.29 per \$100, economic growth is expected to increase property tax revenue by 4.0%. The Town began a series of sidewalk and drainage projects in the year ended June 30, 2008 that is expected to take approximately five years to complete and use approximately \$1,000,000 in Powell Bill funds.

Business-type Activities: The Town of Boiling Springs purchases water from the City of Shelby for resale to town residents. In an effort to not increase the financial burden on Town of Boiling Springs water and sewer customers, the Town has chosen to absorb a 5.0% water rate increase and also to not increase sewer rates.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Boiling Springs, P.O. Box 1014, Boiling Springs, NC 28017-1014.

Basic Financial Statements

Town of Boiling Springs, North Carolina
Statement of Net Assets
June 30, 2009

	Primary Government			Boiling Springs Tourism Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,969,754	\$ 699,075	\$ 2,668,829	\$ 15,123
Taxes receivables (net)	26,177	-	26,177	-
Accounts receivable (net)	-	162,054	162,054	-
Due from other governments	33,582	-	33,582	1,262
Prepaid Assets	11,239	6,548	17,787	-
Total current assets	2,040,752	867,677	2,908,429	16,385
Capital assets (Note 1):				
Land, non-depreciable improvements, and construction in progress	274,845	33,342	308,187	-
Construction In Progress	17,100	-	17,100	-
Other capital assets, net of depreciation	1,176,557	4,674,781	5,851,338	-
Total capital assets	1,468,502	4,708,123	6,176,625	-
Total assets	\$ 3,509,254	\$ 5,575,800	\$ 9,085,054	\$ 16,385
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 14,168	\$ 14,642	\$ 28,810	\$ -
Customer deposits	-	31,520	31,520	-
Long-term liabilities:				
Due within one year	-	192,012	192,012	-
Due in more than one year	-	2,224,454	2,224,454	-
Total liabilities	14,168	2,462,628	2,476,796	-
NET ASSETS				
Invested in capital assets, net of related debt	1,468,502	2,291,657	3,760,159	-
Restricted for:				
Streets	758,615	-	758,615	-
Unrestricted	1,267,969	821,515	2,089,484	16,385
Total net assets	\$ 3,495,086	\$ 3,113,172	\$ 6,608,258	\$ 16,385

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

Exhibit 2

Town of Boiling Springs, North Carolina
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Boiling Springs Tourism Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 366,031	\$ -	\$ -	\$ -	\$ (366,031)	\$ -	(366,031)
Public safety	556,512	-	20,553	-	(535,959)	-	(535,959)
Transportation	60,592	-	166,260	-	105,668	-	105,668
Environmental protection	166,444	149,186	-	-	(17,258)	-	(17,258)
Cultural and recreation	127,017	-	-	-	(127,017)	-	(127,017)
Interest on long-term debt	1,461	-	-	-	(1,461)	-	(1,461)
Total governmental activities (See Note 1)	1,278,057	149,186	186,813	-	(942,058)	-	(942,058)
Business-type activities:							
Water and sewer	1,195,197	1,323,589	-	-	-	128,392	128,392
Total business-type activities	1,195,197	1,323,589	-	-	-	128,392	128,392
Total primary government	\$ 2,473,254	\$ 1,472,775	\$ 186,813	\$ -	\$ (942,058)	\$ 128,392	\$ (813,666)
Component unit:							
Tourism Development Authority	\$ 4,302	-	-	-	-	-	(4,302)
Total component unit	\$ 4,302	\$ -	\$ -	\$ -	\$ -	\$ -	(4,302)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					775,020		775,020
Other taxes					299,696		299,696
Unrestricted investment earnings					46,764	11,418	58,182
Miscellaneous					275,419	46,823	322,242
Total general revenues and transfers					1,396,899	58,241	1,455,140
Change in net assets					454,841	186,633	641,474
Net assets, beginning					3,040,245	2,926,539	5,966,784
Net assets, ending					\$ 3,495,086	\$ 3,113,172	\$ 6,608,258

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

**Town of Boiling Springs
Balance Sheet
Governmental Fund
June 30, 2009**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,969,754
Receivables, net:	
Taxes	26,177
Accounts	-
Due from other governments	33,582
Prepaid Expenses	11,239
Total assets	\$ 2,040,752
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 14,168
Due to other funds	-
Deferred revenue	26,177
Total liabilities	40,345
Fund balances:	
Reserved for:	
State statute	33,584
Prepaid Expenses	11,239
Capital Projects	69,800
Streets-Powell bill	758,615
Unreserved, General Fund	1,127,169
Total fund balances	2,000,407
Total liabilities and fund balances	\$ 2,040,752

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,468,502
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	-
Liabilities for earned but deferred revenues in fund statements.	26,177
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	-
Net assets of governmental activities	\$ 3,495,086

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

Town of Boiling Springs
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2009

	General Fund
REVENUES	
Ad valorem taxes	\$ 771,493
Other taxes and licenses	299,696
Unrestricted intergovernmental	182,318
Restricted intergovernmental	186,813
Permits and fees	242,287
Investment earnings	46,764
Total revenues	1,729,371
EXPENDITURES	
Current:	
General government	389,492
Public safety	712,163
Transportation	334,342
Environmental protection	154,935
Culture and recreation	127,425
Total expenditures	1,718,357
Excess (deficiency) of revenues over expenditures	11,014
OTHER FINANCING SOURCES (USES)	
Transfers from other funds	-
Transfers to other funds	-
Total other financing sources (uses)	-
Net change in fund balance	11,014
Fund balances, beginning	1,989,393
Fund balances, ending	\$ 2,000,407

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

Town of Boiling Springs
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2009

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

Net changes in fund balances - total governmental funds	\$ 11,014
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<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period</p>	402,594
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<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> <p style="padding-left: 20px;">Change in deferred revenue for tax revenues</p>	3,527
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<p>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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	37,706
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<p>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.</p> <p style="padding-left: 20px;">Accrued Interest</p>	-
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Total changes in net assets of governmental activities	\$ 454,841
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**Town of Boiling Springs
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009**

<u>General Fund</u>				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	733,928	733,928	771,493	37,565
Other taxes and licenses	193,000	269,800	299,696	29,896
Unrestricted intergovernmental	194,000	194,000	182,318	(11,682)
Restricted intergovernmental	174,062	159,062	186,813	27,751
Permits and fees	220,870	228,070	242,287	14,217
Investment earnings	34,000	34,000	46,764	12,764
Total revenues	1,549,860	1,618,860	1,729,371	110,511
Expenditures:				
Current:				
General government	359,857	399,857	389,492	10,365
Public safety	681,125	755,625	712,163	43,462
Transportation	183,811	370,811	334,342	36,469
Environmental protection	195,464	175,464	154,935	20,529
Cultural and recreation	129,603	132,003	127,425	4,578
Total expenditures	1,549,860	1,833,760	1,718,357	115,403
Revenues over (under) expenditures	-	(214,900)	11,014	225,914
Other financing sources (uses):				
Fund Balance Appropriated	-	309,900	-	(309,900)
Transfer to Capital Reserve	-	(95,000)	-	-
Capital lease obligations issued	-	-	-	-
Total other financing sources (uses)	-	214,900	-	(309,900)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	11,014	\$ (83,986)
Fund balances, beginning			1,989,393	
Fund balances, ending			<u>2,000,407</u>	

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

**Town of Boiling Springs
Statement of Net Assets
Proprietary Fund
June 30, 2009**

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 699,075
Accounts receivable (net) - billed	108,928
Accounts receivable (net) - unbilled	53,126
Due from other governments	-
Prepaid Expenses	6,548
Total current assets	867,677
Capital assets:	
Land and other non-depreciable assets	33,342
Construction In Progress	-
Other capital assets, net of depreciation	4,674,781
Capital assets (net)	4,708,123
Total noncurrent assets	4,708,123
Total assets	\$ 5,575,800
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	14,642
Customer deposits	31,520
Compensated absences - current	-
General obligation bonds payable-current	49,659
State Revolving Loan Fund Payable-Current	142,353
Total current liabilities	238,174
Noncurrent liabilities:	
Compensated absences	-
General obligation bonds payable-noncurrent (net)	910,985
State Revolving Loan Fund	1,313,469
Total noncurrent liabilities	2,224,454
Total liabilities	2,462,628
NET ASSETS	
Invested in capital assets, net of related debt	2,291,657
Unrestricted	821,515
Total net assets	\$ 3,113,172

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

TOWN OF BOILING SPRINGS, NORTH CAROLINA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN NET ASSETS
 WATER AND SEWER FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	WATER AND SEWER FUND	
	June 30, 2009	June 30, 2008
OPERATING REVENUES		
Water and Sewer Charges	\$ 1,283,328	\$ 1,282,537
Water and Sewer Taps	40,261	37,680
Total Operating Income	1,323,589	1,320,217
OPERATING EXPENSES		
Salaries	244,284	233,211
Utilities	63,540	58,945
Repairs and Maintenance	20,511	24,963
Materials and Supplies	83,475	89,440
Retirement	25,132	21,751
Social Security	18,280	18,108
Group Insurance	41,494	33,423
Uniforms	5,474	4,810
Gas	11,303	14,828
Contracted and Professional Service	354,482	320,521
Depreciation	246,263	245,875
Total Operating Expenses	1,114,238	1,065,875
Operating Income (Loss)	209,351	254,342
NON-OPERATING REVENUES (EXPENSES)		
Miscellaneous Revenues	46,823	34,787
Investment Earnings	11,418	20,845
Interest on Long Term Debt	(80,959)	(92,399)
Total Non-Operating Revenues (Expenses)	(22,718)	(36,767)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	186,633	217,575
OPERATING TRANSFERS IN (OUT)	-	-
TRANSFER TO CAPITAL PROJECT FUND	-	-
CHANGE IN NET ASSETS	186,633	217,575
TOTAL NET ASSETS, BEGINNING	2,926,539	2,708,964
TOTAL NET ASSETS, ENDING	\$ 3,113,172	\$ 2,926,539

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

TOWN OF BOILING SPRINGS, NORTH CAROLINA
WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

EXHIBIT 9

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,290,163	\$ 1,330,761
Cash Paid for Goods and Services	(586,774)	(633,807)
Cash Paid to Employees	(244,284)	(233,211)
Customer Deposits - Net	(1,953)	2,334
Net Cash Provided by Operating Activities	<u>457,152</u>	<u>466,077</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:		
Rural Center Grant	-	-
Cash from Miscellaneous Revenues	46,821	34,787
Net Cash Provided By Noncapital Financing	<u>46,821</u>	<u>34,787</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Debt Proceeds	-	-
Acquisition of Capital Assets	(88,654)	(88,706)
Principal Paid	(190,037)	(188,140)
Interest Paid	(80,959)	(92,399)
Net Cash Used for Capital and Related Financing Activities	<u>(359,650)</u>	<u>(369,245)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Investments	11,418	20,845
Net Increase (Decrease) in Cash and Cash Equivalents	155,741	152,464
Cash and Cash Equivalents at Beginning of Year	543,334	390,870
Cash and Cash Equivalents at End of Year	<u>\$ 699,075</u>	<u>\$ 543,334</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	<u>\$ 209,351</u>	<u>\$ 254,342</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	246,263	245,875
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable and Accrued Interest	6,835	10,544
(Increase) Decrease in Due From Other Governments	-	-
(Increase) Decrease in Prepaid Assets	(4,237)	507
Increase (Decrease) in Accounts Payable	893	(47,525)
Increase (Decrease) in Customer Deposits	(1,953)	2,334
Total Adjustments	<u>1,538</u>	<u>(34,140)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 457,152</u>	<u>\$ 466,077</u>

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

Town of Boiling Springs, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

I. Summary of Significant Accounting Policies

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

Boiling Springs Tourism Development Authority

The members of the Authority's governing board are appointed by the Town. The Authority, which has a June 30 year end, is presented as a governmental fund (discrete presentation). Complete financial statements may be obtained at Town of Boiling Springs, P O Box 1014, Boiling Springs, NC 28017-1014.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town'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 Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. 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 public safety, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town 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.

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 Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Cleveland County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Boiling Springs. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered.

The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Cleveland County from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2009 because they are intended to finance the Town's operations during the 2010 fiscal year.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone Special Revenue Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial 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, and Fund Equity

1. Deposits and Investments

All deposits of the Town and the Authority are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may and the Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina.

Also, the Town and the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The Town's and the Authority's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, the Town and the Authority consider that all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2007. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date.

4. Allowances for Doubtful Accounts

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

5. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of three years. The minimum capitalization costs are \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	39
Improvements	39
Vehicles	5
Furniture and equipment	10
Computer equipment	3

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 240 hours of earned vacation leave with such leave being fully vested when earned. All hours accumulated above this level are converted to sick time. For the Town'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 Town 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.

The Town'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 Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

8. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for Capital Projects-portion of fund balance that is available for appropriation but is legally segregated for future capital expenditures.

Reserved by State statute - portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and inter-fund receivables, which have not been offset by deferred revenues.

Reserved for streets - Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Unreserved:

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2009 - 2010 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

1. No material violations noted.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the Authority's agents in the units' name. 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 Town and the Authority, these deposits are considered to be held by the Town's and the Authority's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the Authority, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the Authority 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 Town and the Authority have no policy regarding custodial credit risks for deposits.

At June 30, 2009, the Town's deposits had a carrying amount of \$2,668,629 and a bank balance of \$2,738,231. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2009, the Town's petty cash fund totaled \$200. The Authority's deposits had a carrying amount of \$15,123 and a bank balance amount of \$15,235.

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets is net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>6/30/2009</u>
General fund:	
Taxes Receivable	\$ 12,435
Accounts Receivable	-
Total	<u>\$ 12,435</u>
Enterprise Funds	24,825
Total	<u>\$ 37,260</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 274,845	\$ -	\$ -	\$ 274,845
Construction in progress	18,020	17,100	18,020	17,100
Total capital assets not being depreciated	292,865	17,100	18,020	291,945
Capital assets being depreciated:				
Buildings	334,105	46,511	-	380,616
Equipment	256,062	91,832	-	347,894
Vehicles and motorized equipment	1,108,908	85,683	34,076	1,160,515
Infrastructure	23,888	284,315	-	308,203
Total capital assets being depreciated	1,722,963	508,341	34,076	2,197,228
Less accumulated depreciation for:				
Buildings	157,218	7,037	-	164,255
Equipment	138,052	33,763	-	171,815
Vehicles and motorized equipment	652,560	59,279	34,076	677,763
Infrastructure	2,090	4,748	-	6,838
Total accumulated depreciation	949,920	104,827	34,076	1,020,671
Total capital assets being depreciated, net	773,043			1,176,557
Governmental activity capital assets, net	\$ 1,065,908			\$ 1,468,502

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

General Government	\$ 15,264
Public Safety	59,879
Transportation	10,565
Environmental protection	13,767
Cultural and recreational	5,352
Total depreciation expense	<u>\$ 104,827</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciate:				
Land	\$ 33,342	\$ -	\$ -	\$ 33,342
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	33,342	-	-	33,342
Capital assets being depreciated:				
Water lines & Equipment	4,433,445	79,977	-	4,513,422
Clean Water Facility	1,020,720	-	-	1,020,720
Waste Water Treatment Plant	2,503,492	8,678	-	2,512,170
Vehicles	88,049	-	8,843	79,206
Total capital assets being depreciated	8,045,706	88,655	8,843	8,125,518
Less accumulated depreciation for:				
Water lines & Equipment	2,222,400	132,972	-	2,355,372
Clean Water Facility	536,575	27,517	-	564,092
Waste Water Treatment Plant	404,470	76,525	-	480,995
Vehicles	49,872	9,249	8,843	50,278
Total accumulated depreciation	3,213,317	246,263	8,843	3,450,737
Total capital assets being depreciated, net				
Water and Sewer fund capital assets, net	\$ 4,865,731			\$ 4,708,123

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.94% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Boiling Springs is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$35,779, \$32,381, and \$31,043, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

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

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>8</u>
Total	<u>10</u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The Town 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.

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

3. *Contributions.*

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

The Law Enforcement Officers' Special Separation Allowance is a defined benefit pension plan. The Town has not obtained an actuarial valuation for the plan because its required contributions are considered immaterial. The Town funds the plan when the benefit payments are due and records these payments as General Fund Expenditures.

C. Supplemental Retirement Income Plan for Law Enforcement Officers

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town 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, 2009 were \$17,920, which consisted of \$10,972 from the Town and \$6,948 from the law enforcement officers.

The Town has elected to contribute to the Supplemental Retirement Income for general employees as well as for law enforcement officers. Contributions for the year ended June 30, 2009 for general employees were \$32,985, which consisted of \$25,317 from the Town and \$7,668 from the general employees.

2. Deferred Revenues

The balance in deferred revenues at year-end is composed of the following elements:

	<u>Deferred Revenue</u>
Prepaid taxes (General Fund)	\$ -
Taxes receivable (General Fund)	<u>26,177</u>
Total	<u><u>\$ 26,177</u></u>

3. Risk Management

The Town 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 Town carries commercial insurance to cover property, general liability and auto liability. Limits are \$ 1 million per occurrence, workmen's compensation of \$ 100,000 per accident and employee health coverage up to a \$ 1 million lifetime limit. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The Town does not have flood insurance. The finance officer is covered by a \$50,000 fidelity bond.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2009, the Town was not involved in any lawsuits.

5. Long-Term Obligations

a. General Obligation Indebtedness

General obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2009 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

BB&T Governmental Finance Center

\$1,200,500 loan due in semi-annual installments of \$44,271 with interest at 4.10%. There is a balloon payment due at December 23, 2018 of \$396,629 960,644

State Revolving Loan Fund

Loan due in annual installments of \$52,567 plus interest at 2.305% through May 2027. 946,213

Loan due in annual installments of \$82,200 through May 1, 2014 plus interest at 2.910%. 411,000

\$151,706 loan due in annual installments of \$7,585 through May 1, 2022 plus interest at 2.57%. 98,609

\$2,416,466

At June 30, 2009, the Town of Boiling Springs had a legal debt margin of \$18,800,803.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2010	\$ 192,012	\$ 75,187
2011	194,068	69,332
2012	196,210	63,191
2013	198,441	57,361
2014	200,764	53,632
2015-2019	991,474	207,346
2020-2024	285,791	152,677
2025-2028	157,706	12,113
Total	<u>\$ 2,416,466</u>	<u>\$ 690,839</u>

f. Changes in Long-Term Liabilities

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 37,706	\$ -	\$ 37,706	\$ -	\$ -
Governmental activity long-term liabilities	\$ 37,706	\$ -	\$ 37,706	\$ -	\$ -
Business-type activities:					
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -
BB&T Governmental Finance Center	1,008,328	-	47,685	960,643	49,659
State Revolving Loan Fund	493,200	-	82,200	411,000	82,200
State Revolving Loan Fund	998,780	-	52,568	946,212	52,568
State Revolving Loan Fund	106,196	-	7,585	98,611	7,585
Business-type activity long-term liabilities	\$ 2,606,504	\$ -	\$ 190,038	\$ 2,416,466	\$ 192,012

During the fiscal year ended June 30, 2004, the Town refinanced \$1,185,500 of general obligation bonds through BB&T Governmental Finance Center. This was a non-cash transaction and qualified as G.S. 160A-20 financing that pledges the assets as collateral instead of the taxing authority of the Town.

VIII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Supplementary Statements

This section contains additional statements required by the Local Government Commission in North Carolina.

TOWN OF BOILING SPRINGS, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

SCHEDULE 1

	June 30, 2009		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2008 ACTUAL
	BUDGET	ACTUAL		
REVENUES				
Advalorem Taxes:				
Current Year	\$ 720,128	\$ 747,601	\$ 27,473	\$ 708,851
Prior Years	14,000	18,978	4,978	14,373
Discounts & Interest-Net	(200)	4,914	5,114	(1,305)
Total	<u>733,928</u>	<u>771,493</u>	<u>37,565</u>	<u>721,919</u>
Other Taxes & Licenses:				
Local Option Sales Tax	268,000	297,631	29,631	303,880
Privilege License	1,800	2,065	265	1,873
Total	<u>269,800</u>	<u>299,696</u>	<u>29,896</u>	<u>305,753</u>
Unrestricted Intergovernmental Revenue:				
Franchise Tax	194,000	182,318	(11,682)	145,770
Restricted Intergovernmental Revenue:				
Grants	29,651	20,553	(9,098)	44,880
"State Street Aid" Allocation	129,411	166,260	36,849	142,921
	<u>159,062</u>	<u>186,813</u>	<u>27,751</u>	<u>187,801</u>
Permits, fees, other receipts:				
Court Fees	7,500	9,130	1,630	11,459
Cable TV	-	-	-	23,389
Zoning	3,500	2,145	(1,355)	3,435
Waste Fees	140,000	149,186	9,186	131,298
Other	77,070	81,826	4,756	78,896
Total	<u>228,070</u>	<u>242,287</u>	<u>14,217</u>	<u>248,477</u>
Investment Earnings:				
Interest-General Fund	25,000	27,703	2,703	43,159
Interest-Powell Bill	9,000	19,061	10,061	35,043
Total	<u>34,000</u>	<u>46,764</u>	<u>12,764</u>	<u>78,202</u>
TOTAL REVENUES	<u><u>\$ 1,618,860</u></u>	<u><u>\$1,729,371</u></u>	<u><u>\$ 110,511</u></u>	<u><u>\$ 1,687,922</u></u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

SCHEDULE 1

	June 30, 2009		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2008 ACTUAL
	BUDGET	ACTUAL		
EXPENDITURES:				
General Government:				
Operating Expenses	\$ 51,900	\$ 46,106	\$ 5,794	\$ 63,381
Dues	14,200	14,365	(165)	13,133
Professional Services	16,000	16,645	(645)	15,203
Total	<u>82,100</u>	<u>77,116</u>	<u>4,984</u>	<u>91,717</u>
Administration:				
Salaries	166,879	168,024	(1,145)	160,081
Operating Expenses	3,000	2,128	872	2,710
Social Security	12,858	12,188	670	11,605
Retirement	15,920	16,412	(492)	14,993
Capital Outlay	43,500	41,926	1,574	3,913
Group Insurance	15,700	15,604	96	13,155
General Insurance	48,000	43,659	4,341	52,168
Total	<u>305,857</u>	<u>299,941</u>	<u>5,916</u>	<u>258,625</u>
Public Buildings:				
Operating Expenses	3,600	3,676	(76)	1,661
Utilities	8,300	8,759	(459)	7,797
Total	<u>11,900</u>	<u>12,435</u>	<u>(535)</u>	<u>9,458</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 399,857</u>	<u>\$ 389,492</u>	<u>\$ 10,365</u>	<u>\$ 359,800</u>
Public Safety:				
Police:				
Salaries	271,039	269,743	1,296	250,965
Capital Outlay	128,200	123,705	4,495	29,419
Operating Expenses	194,003	164,331	29,672	167,235
Total	<u>593,242</u>	<u>557,779</u>	<u>35,463</u>	<u>447,619</u>
Fire:				
Capital Outlay	122,400	91,870	30,530	52,274
Operating Expenses	39,983	62,514	(22,531)	20,146
Total	<u>162,383</u>	<u>154,384</u>	<u>7,999</u>	<u>72,420</u>
TOTAL PUBLIC SAFETY	<u>\$ 755,625</u>	<u>\$ 712,163</u>	<u>\$ 43,462</u>	<u>\$ 520,039</u>
Transportation:				
Operating Expenses	39,400	38,051	1,349	37,478
Street Repair-Powell Bill	331,411	296,291	35,120	21,241
Total	<u>370,811</u>	<u>334,342</u>	<u>36,469</u>	<u>58,719</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
(With Comparative Actual Amounts for the Year Ended June 30, 2008)

SCHEDULE 1

	June 30, 2009		VARIANCE	6/30/2008
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
Environmental Protection:				
Salaries - Sanitation	\$ 64,157	\$ 60,019	\$ 4,138	\$ 60,522
Operating Expenses	69,307	54,536	14,771	54,164
Waste Fees	42,000	39,957	2,043	37,566
Capital Outlay	-	423	(423)	44,933
Total	<u>175,464</u>	<u>154,935</u>	<u>20,529</u>	<u>197,185</u>
Recreation:				
Salaries	55,683	53,440	2,243	49,921
Operating Expenses	70,820	68,547	2,273	63,381
Capital Outlay	5,500	5,438	62	-
	<u>132,003</u>	<u>127,425</u>	<u>4,578</u>	<u>113,302</u>
TOTAL EXPENDITURES	<u>1,833,760</u>	<u>1,718,357</u>	<u>115,403</u>	<u>1,249,045</u>
REVENUES OVER (UNDER) EXPENDITURES	(214,900)	11,014	225,914	438,877
OTHER FINANCING SOURCES				
Fund Balance Appropriated	309,900	-	309,900	-
Transfer to Water & Sewer Fund	-	-	-	-
Transfer to Capital Reserve	<u>(95,000)</u>	<u>-</u>	<u>(95,000)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	11,014	<u>\$ 11,014</u>	438,877
FUND BALANCE				
Beginning of Year, July 1		1,989,393		1,550,516
End of Year, June 30		<u>\$2,000,407</u>		<u>\$ 1,989,393</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA

Schedule 2

WATER AND SEWER FUND

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON GAAP)

FOR THE YEAR ENDED JUNE 30, 2009

(With Comparative Actual Amounts for the Year Ended June 30, 2008)

	June 30, 2009		Variable Favorable (Unfavorable)	06/30/08 Actual
	Budget	Actual		
OPERATING REVENUES				
Water & Sewer Charges	\$ 1,235,210	\$ 1,283,328	\$ 48,118	\$ 1,282,537
Water & Sewer Taps	31,000	40,261	9,261	37,680
Total Operating Revenue	<u>1,266,210</u>	<u>1,323,589</u>	<u>57,379</u>	<u>1,320,217</u>
NON OPERATING REVENUES				
Transfer from General Fund	-	-	-	-
Fund Balance Appropriated	-	-	-	-
Interest Income	12,000	11,418	(582)	20,845
Miscellaneous	37,000	46,823	9,823	34,787
TOTAL REVENUES	<u>\$ 1,315,210</u>	<u>\$ 1,381,830</u>	<u>\$ 66,620</u>	<u>\$ 1,375,849</u>
OPERATING EXPENDITURES				
Salaries	\$ 243,927	\$ 244,284	\$ (357)	\$ 233,211
Social Security	18,815	18,280	535	18,108
Retirement	24,489	25,132	(643)	21,751
Group Insurance	42,000	41,494	506	33,423
Utilities	64,200	63,540	660	58,945
Repairs & Maintenance	32,500	20,511	11,989	24,963
Materials & Supplies	43,000	36,926	6,074	35,775
Uniforms	5,500	5,474	26	4,810
Gas	16,000	11,303	4,697	14,828
Contracted Services	370,000	354,482	15,518	320,521
Insurance	22,000	19,958	2,042	20,188
Telephone & Postage	21,900	19,753	2,147	19,859
Travel and Training	3,000	525	2,475	2,499
Miscellaneous	5,500	6,313	(813)	11,119
Total Operating Expenditures	<u>912,831</u>	<u>867,975</u>	<u>44,856</u>	<u>820,000</u>
OTHER EXPENDITURES				
Transfer to Capital Reserve	24,429	-	24,429	-
Transfer to Capital Project Fund	-	-	-	-
Contingency	20,000	-	20,000	-
Capital Outlay	77,400	88,654	(11,254)	88,706
Debt Interest	81,000	80,959	41	92,399
Debt Principle	199,550	190,037	9,513	188,140
Total Other Expenditures	<u>402,379</u>	<u>359,650</u>	<u>42,729</u>	<u>369,245</u>
TOTAL EXPENDITURES	<u>\$ 1,315,210</u>	<u>\$ 1,227,625</u>	<u>\$ 87,585</u>	<u>\$ 1,189,245</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA
WATER AND SEWER FUND

Schedule 2

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON GAAP)
FOR THE YEAR ENDED JUNE 30, 2009

(With Comparative Actual Amounts for the Year Ended June 30, 2008)

Note: Prepared on the budgetary basis which is modified accrual.

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS

Total Revenues from page 1 of 2	\$ 1,381,830
Total Expenditures from page 1 of 2	<u>1,227,625</u>
Excess Revenues over (under) Expenditures	154,205
Depreciation	(246,263)
Transfer to Capital Project	-
Principle Payment on Debt	190,037
Capital Outlay	<u>88,654</u>
Net Income (Loss) at Exhibit 8	<u>\$ 186,633</u>

Other Schedules

This section contains additional information required on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

TOWN OF BOILING SPRINGS, NORTH CAROLINA
 SCHEDULE OF TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2009

SCHEDULE 3

	<u>Balance 7/1/2008</u>	<u>2008 Levy</u>	<u>Collections</u>	<u>Discoveries Adjustments</u>	<u>Balance 6/30/2009</u>
1998 Levy	\$ 563		\$ -	\$ (563)	\$ -
1999 Levy	1,487		783	1	705
2000 Levy	1,487		874	-	613
2001 Levy	1,590		850	-	740
2002 Levy	1,862		1,059	-	803
2003 Levy	1,946		163	-	1,783
2004 Levy	2,496		436	-	2,060
2005 Levy	2,837		313	-	2,524
2006 Levy	4,620		1,251	(18)	3,351
2007 Levy	17,880		13,251	(121)	4,508
2008 Levy	<u>-</u>	<u>769,126</u>	<u>747,601</u>	<u>-</u>	<u>21,525</u>
Totals	<u>\$ 36,768</u>	<u>\$769,126</u>	<u>\$ 766,581</u>	<u>\$ (701)</u>	<u>\$ 38,612</u>
					<u>12,435</u>
					<u>\$ 26,177</u>

Less: Allowance for uncollectible accounts
 Ad Valorem taxes receivable - net

Adjustments are to write off old taxes and adjust remaining balances to actual per reconciliations.

Reconcilement with revenues:	
Ad valorem taxes - general fund	\$ 771,493
Reconciling items:	
Interest collected	(6,844)
Discounts allowed	1,932
Total Collections	<u>\$ 766,581</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 TOWN WIDE LEVY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

SCHEDULE 4

	Town Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy: Property taxed at current year's rate	\$ 265,215,862	\$ 0.29	\$ 769,126	\$ 671,480
Discoveries:					
Current year taxes	-	0.29	-	-	-
Prior year taxes	-	-	-	-	-
Total	<u>265,215,862</u>	<u>0.29</u>	<u>769,126</u>	<u>671,480</u>	<u>97,646</u>
Abatements	-		-	-	-
Total property valuation	<u>\$ 265,215,862</u>				
Net Levy			726,731	671,480	97,646
Uncollected taxes at June 30, 2009			<u>21,525</u>	<u>13,139</u>	<u>8,386</u>
Current year's taxes collected			<u>\$ 705,206</u>	<u>\$ 658,341</u>	<u>\$ 89,260</u>
Current levy collection percentage			<u>97.04%</u>	<u>98.04%</u>	<u>91.41%</u>

Supplementary Information:

Compliance Section

September 30, 2009

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

To the Town Council
Town of Boiling Springs
Boiling Springs, North Carolina

I have audited the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Boiling Springs, Boiling Springs, North Carolina as of and for the year ended June 30, 2009, which collectively comprises the Town of Boiling Springs's basic financial statements, and have issued my report thereon dated September 30, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Boiling Springs's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Boiling Springs's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material

weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Boiling Springs's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, members of the Board of Directors and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Darrell L. Keller, CPA, PA
Kings Mountain, North Carolina

TOWN OF BOILING SPRINGS, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2009

SCHEDULE 6

Grantor/Pass Through <u>Grantor/Prog. Title</u>	State/ Federal CFDA Number	Program or Award Amount	Receipts/ Revenues Recognized	Fed-Dist & Pass/through Expenditures	State Expen.	Local Expenditures
<u>State Grant:</u>						
<u>Non-Major Programs</u>						
N C Dept of State						
Transportation:						
Powell Bill Award Amount		\$ 166,260	\$ 166,260	\$ 29,600	\$ 201,339	\$ -
Governor's Highway Safety Program		34,717	18,518	9,259	9,259.00	-
		<u>\$ 200,977</u>	<u>184,778</u>	<u>38,859</u>	<u>210,598</u>	<u>\$ -</u>
Interest Income			19,061	-	-	-
Total State Assistance			<u>\$ 203,839</u>	<u>\$ 38,859</u>	<u>\$ 210,598</u>	<u>\$ -</u>

The accompanying schedule of expenditures of state awards includes the State grant activity of the Town of Boiling Springs and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in the schedule may differ from amounts presented or used in the preparation of the basic financial statements.