



**Darrell L. Keller, CPA, PA**

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**TOWN OF BOILING SPRINGS, NORTH CAROLINA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**(704) 739-0771**

**Town of Boiling Springs, North Carolina**  
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**FINANCIAL SECTION**

INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Boiling Springs, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Boiling Springs, North Carolina's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Boiling Springs, North Carolina, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As described in note VII to the financial statements the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 41 and 42, respectively, 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.

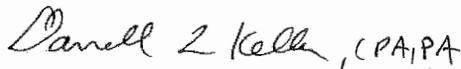
### *Supplementary and Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 1, 2016, on our consideration of the Town of Boiling Springs, North Carolina's 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 of that 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 the Town of Boiling Springs, North Carolina's internal control over financial reporting and compliance.

Darrell L. Keller, CPA, PA

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

January 1, 2016

# TOWN OF BOILING SPRINGS, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2015

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, 2015. We encourage readers to consider the information presented. All amounts, unless otherwise indicated, are expressed in dollars.

### Financial Highlights

- The assets and deferred outflows of resources of the Town of Boiling Springs exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,569,806 (*net position*). Of this amount, \$1,644,973 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$386,626, primarily due to increases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Boiling Springs' governmental funds reported combined ending fund balances of \$1,708,731, an decrease of \$865,464 in comparison with the prior year. Approximately 49.6 % of this total amount, or \$830,114, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$830,114, or 47.2 % of total general fund expenditures for the fiscal year.
- The Town of Boiling Springs adopted a capital project ordinance to construct a Town Hall facility. The project will be financed by a \$1,050,000 loan from BB&T and transfers will be made to the Capital Project Fund from the Town's Unassigned Fund Balance in the amount of \$1,325,000, the Water/Sewer Fund reserve in the amount of \$360,000 and the Powell Bill Fund reserve in the amount of \$105,000 in fiscal year ending June 30, 2015.

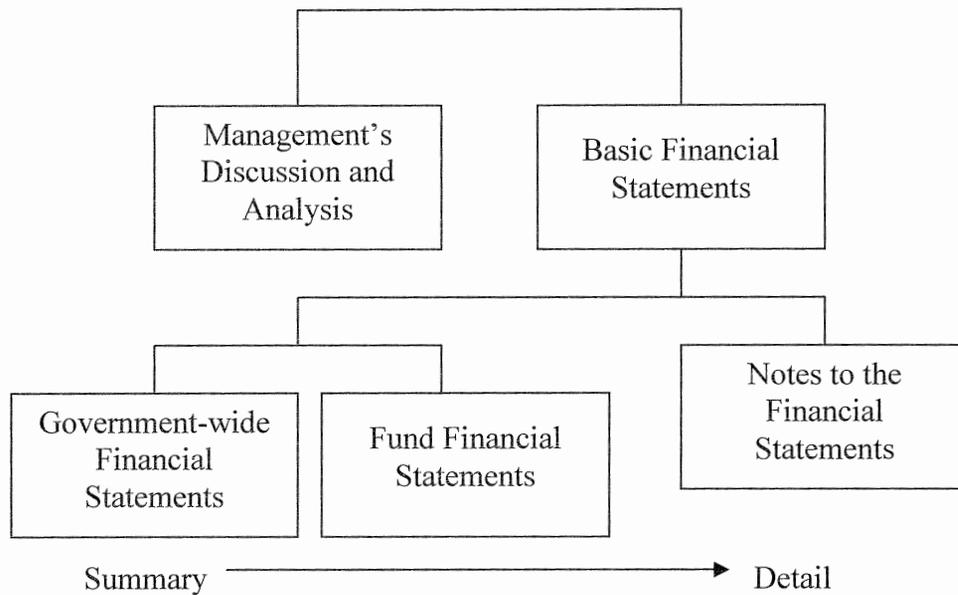
### Overview of the Financial Statements

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 (Exhibits 1 and 2) in the basic financial statements are **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status. The next statements (Exhibits 3-9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town'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 position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town'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 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. The final category is the Component Unit. Although legally separate from the Town, the Authority is important to the Town. The Town exercises control over the Authority by appointing its members.

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

## **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 Position 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 Position 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 begin on page 21.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

**Interdependence with Other Entities:** The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**Government-Wide Financial Analysis**

**Boiling Springs Net Position**

**Figure 2**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Current and other assets	\$ 1,963,416	\$ 2,638,654	\$ 955,997	\$ 1,291,800	\$ 2,919,413	\$ 3,930,454
Net pension asset	\$ 63,472	\$ -	\$ 21,157	\$ -	84,629	-
Capital assets	2,868,103	1,249,073	5,583,682	4,792,121	8,451,785	6,041,194
<b>Total assets</b>	<b>4,894,991</b>	<b>3,887,727</b>	<b>6,560,836</b>	<b>6,083,921</b>	<b>11,455,827</b>	<b>9,971,648</b>
Deferred outflows of resources	46,360	-	17,247	-	63,607	-
Long term liabilities outstanding	744,389	137,946	1,676,982	1,458,126	2,421,371	1,596,072
Other liabilities	243,039	50,180	78,957	60,623	321,996	110,803
<b>Total liabilities</b>	<b>987,428</b>	<b>188,126</b>	<b>1,755,939</b>	<b>1,518,749</b>	<b>2,743,367</b>	<b>1,706,875</b>
Deferred inflows of resources	154,696	-	51,565	-	206,261	-
Net position:						
Net investment in capital assets	2,173,075	1,162,832	3,926,699	3,357,153	6,099,774	4,519,985
Restricted	804,298	802,024	20,761	-	825,059	802,024
Unrestricted	821,854	1,734,745	823,119	1,208,019	1,644,973	2,942,764
<b>Total net position</b>	<b>\$3,799,227</b>	<b>\$3,699,601</b>	<b>\$4,770,579</b>	<b>\$4,565,172</b>	<b>\$8,569,806</b>	<b>\$8,264,773</b>

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 Town of Boiling Springs exceeded liabilities and deferred inflows by \$8,569,806 as of June 30, 2015. The Town's net position increased by \$386,626 for the fiscal year ended June 30, 2015. However, the largest portion (54.69%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). 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' net investment in 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 position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,644,973 is unrestricted. Also, the Town of Boiling Springs implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees'

Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$110,662. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Boiling Springs' management.

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

- Increased property tax revenue due to marginal Town growth with a tax collection percentage of 99.19%.

**The Town of Boiling Springs' Changes in Net Position**

Figure 3

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 212,267	\$ 211,099	\$ 1,453,597	\$ 1,390,726	\$ 1,665,864	\$ 1,601,825
Operating grants and contributions	201,705	197,695	-	-	201,705	197,695
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	875,969	812,209	-	-	875,969	812,209
Other taxes	535,883	493,138	-	-	535,883	493,138
Other	11,364	24,146	33,273	35,982	44,637	60,128
Total revenues	<u>1,837,188</u>	<u>1,738,287</u>	<u>1,486,870</u>	<u>1,426,708</u>	<u>3,324,058</u>	<u>3,164,995</u>
Expenses:						
General government	384,402	406,912	-	-	384,402	406,912
Public safety	685,662	677,701	-	-	685,662	677,701
Transportation	139,704	215,614	-	-	139,704	215,614
Environmental protection	283,799	289,230	-	-	283,799	289,230
Culture and recreation	171,741	178,072	-	-	171,741	178,072
Interest on long-term debt	18,326	2,142	-	-	18,326	2,142
Water and sewer	-	-	1,253,798	1,225,934	1,253,798	1,225,934
Total expenses	<u>1,683,634</u>	<u>1,769,671</u>	<u>1,253,798</u>	<u>1,225,934</u>	<u>2,937,432</u>	<u>2,995,605</u>
Increase in net position	153,554	(31,384)	233,072	200,774	386,626	169,390
Net position, beginning of year	3,699,601	3,668,728	4,565,172	4,387,020	8,264,773	8,055,748
Prior period adjustment	(53,929)	62,257	(27,665)	(22,622)	(81,594)	39,635
Net position, beginning, as restated	<u>3,645,672</u>	<u>3,730,985</u>	<u>4,537,507</u>	<u>4,364,398</u>	<u>8,183,179</u>	<u>8,095,383</u>
Net position, end of year	<u>\$ 3,799,226</u>	<u>\$ 3,699,601</u>	<u>\$ 4,770,579</u>	<u>\$ 4,565,172</u>	<u>\$ 8,569,805</u>	<u>\$ 8,264,773</u>

**Governmental activities:** Governmental activities increased the Town's net position by \$30,873.

**Business-type activities:** Business-type activities increased the Town of Boiling Springs' net position by \$178,152.

## Financial Analysis of the Town's Funds

As noted earlier, the Town of Boiling Springs uses 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.

The general fund is the chief operating fund of the Town of Boiling Springs. At the end of the current fiscal year, fund balance available in the General Fund was \$863,230, while total fund balance reached \$2,574,195. 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 31.78% of total General Fund expenditures, while total fund balance represents 151.85% of that same amount. The Governing Body of Town of Boiling Springs has determined that the Town should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 31.78% of general fund expenditures, while total fund balance represents 151.85% of the 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 \$25,051. 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 position at the fiscal year-end in the Water and Sewer Fund were \$1,202,696. 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, 2015 totals \$8,451,785 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and 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>2014</u>	<u>2013</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>		
Land and construction in progress	\$ 2,135,843	\$ 465,430	\$ 1,026,181	\$ 33,342	\$ 3,162,024	\$ 498,772
Buildings and system	160,192	172,349	2,358,092	2,462,570	2,518,284	2,634,919
Machinery and equipment	21,656	16,879	2,155,334	2,269,834	2,176,990	2,286,713
Infrastructure	266,765	259,370	-	-	266,765	259,370
Vehicles and motorized equipment	283,647	335,045	44,074	26,375	327,721	361,420
Total capital assets (net of depreciation)	\$ 2,868,103	\$ 1,249,073	\$ 5,583,681	\$ 4,792,121	\$ 8,451,784	\$ 6,041,194

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

**Long-term Debt:** As of June 30, 2015, the Town of Boiling Springs had total outstanding debt of \$2,352,012. This represents 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>2015</u>	<u>2014</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>		
Installment purchase	\$ 695,028	\$ 86,241	\$ 343,000	\$ -	\$ 1,038,028	\$ 86,241
State Revolving Loan Fund	-	-	630,809	683,376	630,809	683,376
BB&T Govt. Finance Center	-	-	630,078	690,910	630,078	690,910
State Revolving Loan Fund	-	-	-	-	-	-
State Revolving Loan Fund	-	-	53,097	60,682	53,097	60,682
Total capital assets (net of accumulated depreciation)	\$ 695,028	\$ 86,241	\$ 1,656,984	\$ 1,434,968	\$ 2,352,012	\$ 1,521,209

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 \$21,820,567.

Additional information regarding the Town of Boiling Springs' long-term debt can be found in note III. B. 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 slightly from 6.8% in June 2014 to 6.9% in June 2015. The statewide average in June 2015 is 6.1%.
- 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, 2016**

**Governmental Activities:** The governmental fund's primary revenue resource is property taxes. The property tax rate increased from \$.29 per \$100 to \$.32 per \$100 for 2014-2015. The increase is to fund a \$.03 per \$100 increase in the County's fire protection services tax imposed in the 2013-2014 budget year. The Town contracts with Cleveland County for fire protection services. Due to the current economic climate, growth is expected to be minimal.

**Business-type Activities:** The Town of Boiling Springs purchases water from the City of Shelby for resale to town residents. Since the City of Shelby raised water rates, the Town's water rates also increased. The Town also did a water and sewer rate study in the 2013-2014 year. As a result of those findings and recommendations, the Town increased sewer rates to better match sewer revenues to sewer costs.

### **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 Position**  
**June 30, 2015**

	Primary Government			Boiling Springs Tourism Authority
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 858,347	\$ 718,300	\$ 1,576,647	\$ 20,420
Investment-NCCMT	153,838	-	153,838	
Taxes receivables (net)	11,646	-	11,646	
Accounts receivable (net)	17,238	212,240	229,478	
Due from other governments	202,037	2,326	204,363	1,874
Prepaid Assets	4,519	2,370	6,889	
Restricted cash and cash equivalents	715,791	20,761	736,552	
Total current assets	1,963,416	955,997	2,919,413	22,294
Non-current assets:				
Net Pension Asset	63,472	21,157	84,629	
Capital assets (Note 1):				
Land, non-depreciable improvements, and construction in progress	274,845	33,342	308,187	
Construction In Progress	1,860,998	992,839	2,853,837	
Other capital assets, net of depreciation	732,260	4,557,501	5,289,761	
Total capital assets	2,868,103	5,583,682	8,451,785	-
Total assets	\$ 4,894,991	\$ 6,560,836	\$ 11,455,827	\$ 22,294
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	46,360	17,247	63,607	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 243,039	\$ 33,772	\$ 276,811	\$ -
Customer deposits	-	45,185	45,185	-
Long-term liabilities:				
Compensated absences	49,361	19,999	69,360	-
Due within one year	74,244	148,004	222,248	-
Due in more than one year	620,784	1,508,979	2,129,763	-
Total liabilities	987,428	1,755,939	2,743,367	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	154,696	51,565	206,261	-
<b>NET POSITION</b>				
Net investment in capital assets	2,173,075	3,926,699	6,099,774	-
Restricted for:				
Stabilization by State Statutes	219,275	-	219,275	1,874
Streets	542,325	-	542,325	-
Capital projects	42,698	20,761	63,459	
Unrestricted	821,854	823,119	1,644,973	20,420
Total net position	\$ 3,799,227	\$ 4,770,579	\$ 8,569,806	\$ 22,294

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

Town of Boiling Springs, North Carolina  
 Statement of Activities  
 For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Boiling Springs Tourism Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 384,402	\$ -	\$ -	\$ -	\$ (384,402)	\$ -	\$ (384,402)	\$ -
Public safety	685,662	-	-	-	(685,662)	-	(685,662)	-
Transportation	139,704	-	131,281	-	(8,423)	-	(8,423)	-
Environmental protection	283,799	212,267	-	-	(71,532)	-	(71,532)	-
Cultural and recreation	171,741	-	70,424	-	(101,317)	-	(101,317)	-
Interest on long-term debt	18,326	-	-	-	(18,326)	-	(18,326)	-
Total governmental activities (See Note 1)	1,683,634	212,267	201,705	-	(1,269,662)	-	(1,269,662)	-
Business-type activities:								
Water and sewer	1,253,798	1,453,597	-	-	-	199,799	199,799	-
Total business-type activities	1,253,798	1,453,597	-	-	-	199,799	199,799	-
Total primary government	\$ 2,937,432	\$ 1,665,864	\$ 201,705	\$ -	(1,269,662)	199,799	(1,069,863)	-
Component unit:								
Tourism Development Authority	\$ 13,307	-	-	-	-	-	-	(13,307)
Total component unit	\$ 13,307	\$ -	\$ -	\$ -	-	-	-	(13,307)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					875,969	-	875,969	-
Other taxes					535,883	-	535,883	17,558
Unrestricted investment earnings					4,277	2,481	6,758	23
Gain (Loss) On Assets Sold					(11,654)	1,610	(10,044)	-
Miscellaneous					18,741	29,182	47,923	-
Total general revenues and transfers					1,423,216	33,273	1,456,489	17,581
Change in net position					153,554	233,072	386,626	4,274
Net position, beginning					3,699,601	4,565,172	8,264,773	18,020
Prior period adjustment					(53,929)	(27,665)	(81,594)	-
Net position, beginning, as restated					3,645,672	4,537,507	8,183,179	18,020
Net position, ending					\$ 3,799,226	\$ 4,770,579	\$ 8,569,805	\$ 22,294

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

**Town of Boiling Springs  
Balance Sheet  
Governmental Fund  
June 30, 2015**

	General Fund	Town Hall Capital Project Fund	Sidewalk Capital Project Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 858,347	\$ -	\$ -	\$ 858,347
Restricted cash	336,835	173,466	205,490	715,791
Investment-NCCMT	153,838	-	-	153,838
Receivables, net:				
Taxes	11,646	-	-	11,646
Accounts	17,238	-	-	17,238
Due from other governments	202,037	-	-	202,037
Prepaid Expenses	4,519	-	-	4,519
Total assets	<u>\$ 1,584,460</u>	<u>\$ 173,466</u>	<u>\$ 205,490</u>	<u>\$ 1,963,416</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 112,271	\$ 130,768	\$ -	\$ 243,039
Due to other funds	-	-	-	-
Total liabilities	<u>112,271</u>	<u>130,768</u>	<u>-</u>	<u>243,039</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	11,646	-	-	11,646
Fund balances:				
Non-spendable				
Prepaid Expenses	4,519	-	-	4,519
Restricted				
Stabilization by State Statute	219,275	-	-	219,275
Streets	336,835	-	205,490	542,325
Committed				
Capital Reserve	69,800	-	-	69,800
Assigned				
Capital projects	-	42,698	-	42,698
Unassigned	830,114	-	-	830,114
Total fund balances	<u>1,460,543</u>	<u>42,698</u>	<u>205,490</u>	<u>1,708,731</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,584,460</u>	<u>\$ 173,466</u>	<u>\$ 205,490</u>	<u>\$ 1,963,416</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

2,868,103

Net Pension Asset

63,472

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position

42,963

Changes in proportion and differences between employer contributions and proportional share of contributions are deferred outflows of resources on the Statement of Net Position

3,397

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

-

Liabilities for earned revenues considered deferred inflows of resources in fund statements.

11,646

Pension related deferrals

(154,696)

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).

(744,389)

Net position of governmental activities

\$ 3,799,227

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, 2015**

	Major Funds			Total Governmental Funds
	General Fund	Town Hall Capital Project	Sidewalk Capital Project	
<b>REVENUES</b>				
Ad valorem taxes	\$ 878,602	\$ -	\$ -	\$ 878,602
Other taxes and licenses	312,435	-	-	312,435
Unrestricted intergovernmental	223,448	-	-	223,448
Restricted intergovernmental	201,705	-	-	201,705
Permits and fees	231,008	-	-	231,008
Investment earnings	3,291	986	-	4,277
Total revenues	<u>1,850,489</u>	<u>986</u>	<u>-</u>	<u>\$ 1,851,475</u>
<b>EXPENDITURES</b>				
Current:				
General government	400,147	-	-	400,147
Public safety	711,159	-	-	711,159
Transportation	147,099	-	-	147,099
Environmental protection	231,973	-	-	231,973
Culture and recreation	175,677	-	-	175,677
Debt service:				
Principal	73,713	-	-	73,713
Interest	18,326	-	-	18,326
Capital outlay	-	1,669,663	750	1,670,413
Total expenditures	<u>1,758,094</u>	<u>1,669,663</u>	<u>750</u>	<u>3,428,507</u>
Excess (deficiency) of revenues over expenditures	<u>92,395</u>	<u>(1,668,677)</u>	<u>(750)</u>	<u>(1,577,032)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Installment Loan Proceeds	-	682,500	-	682,500
Transfers (to) from other funds	(194,241)	194,241	-	-
Total other financing sources (uses)	<u>(194,241)</u>	<u>876,741</u>	<u>-</u>	<u>682,500</u>
Net change in fund balance	<u>(101,846)</u>	<u>(791,936)</u>	<u>(750)</u>	<u>(894,532)</u>
Fund balances, beginning	1,739,561	834,634	-	2,574,195
Prior period adjustment	(177,172)	-	206,240	29,068
Fund balances, beginning, as restated	<u>1,562,389</u>	<u>834,634</u>	<u>206,240</u>	<u>2,603,263</u>
Fund balances, ending	<u>\$ 1,460,543</u>	<u>\$ 42,698</u>	<u>\$ 205,490</u>	<u>\$ 1,708,731</u>

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, 2015**

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

Net changes in fund balances - total governmental funds	\$ (894,532)
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	1,630,684
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	42,963
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	(2,633)
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. 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.	(608,787)
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.	
Book value of Assets Abandoned	(11,654)
Change in Compensated Absences	2,344
Pension Expense	(4,831)
Total changes in net position of governmental activities	\$ 153,554

**Town of Boiling Springs**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2015**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	880,300	880,300	878,602	(1,698)
Other taxes and licenses	307,200	307,200	312,435	5,235
Unrestricted intergovernmental	199,000	199,000	223,448	24,448
Restricted intergovernmental	198,500	198,500	201,705	3,205
Permits and fees	242,500	242,500	231,008	(11,492)
Investment earnings	4,000	4,000	3,291	(709)
Total revenues	<u>1,831,500</u>	<u>1,831,500</u>	<u>1,850,489</u>	<u>18,989</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	396,850	423,050	400,147	22,903
Public safety	726,550	718,850	711,159	7,691
Transportation	178,000	176,100	147,099	29,001
Environmental protection	240,750	238,850	231,973	6,877
Cultural and recreation	203,850	203,450	175,677	27,773
<b>Debt service:</b>				
Principal retirement	73,800	73,800	73,713	87
Interest expense	32,700	18,400	18,326	74
Total expenditures	<u>1,852,500</u>	<u>1,852,500</u>	<u>1,758,094</u>	<u>94,406</u>
Revenues over (under) expenditures	<u>(21,000)</u>	<u>(21,000)</u>	<u>92,395</u>	<u>113,395</u>
<b>Other financing sources (uses):</b>				
Fund Balance Appropriated	21,000	21,000	-	(21,000)
Transfer to Capital Project Funds	-	-	(194,241)	(194,241)
Installment Loan Proceeds	-	-	-	-
Total other financing sources (uses)	<u>21,000</u>	<u>21,000</u>	<u>(194,241)</u>	<u>(215,241)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(101,846)</u>	<u>\$ (101,846)</u>
Fund balances, beginning			1,739,561	
Prior period adjustment			<u>(177,172)</u>	
Fund balance, beginning, as restated			<u>1,562,389</u>	
Fund balances, ending			<u>\$ 1,460,543</u>	

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

**Town of Boiling Springs  
Statement of Net Position  
Proprietary Fund  
June 30, 2015**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 718,300
Restricted cash	20,761
Accounts receivable (net) - billed	149,135
Accounts receivable (net) - unbilled	63,105
Due from other governments	2,326
Prepaid Expenses	2,370
Total current assets	955,997
Noncurrent assets:	
Net Pension Asset	21,157
Capital assets:	
Land and other non-depreciable assets	33,342
Construction In Progress	992,839
Other capital assets, net of depreciation	4,557,501
Capital assets (net)	5,583,682
Total noncurrent assets	5,583,682
Total assets	\$ 6,560,836
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
	17,247
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	33,772
Customer deposits	45,185
Compensated absences	19,999
Installment loan-current portion	24,500
General obligation bonds payable- current	63,351
State Revolving Loan Fund Payable-Current	60,153
Total current liabilities	246,960
Noncurrent liabilities:	
Installment loan	318,500
General obligation bonds payable- noncurrent (net)	566,726
State Revolving Loan Fund	623,753
Total noncurrent liabilities	1,508,979
Total liabilities	1,755,939
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
	51,565
 <b>NET POSITION</b>	
Net investment in capital assets	3,926,699
Restricted for capital project	20,761
Unrestricted	823,119
Total net position	\$ 4,770,579

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 POSITION  
 WATER AND SEWER FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

OPERATING REVENUES	
Water and Sewer Charges	\$ 1,407,661
Water and Sewer Taps	45,936
Total Operating Income	<u>1,453,597</u>
OPERATING EXPENSES	
Salaries	243,473
Utilities	70,581
Repairs and Maintenance	42,649
Materials and Supplies	118,304
Retirement	12,733
Social Security	18,729
Group Insurance	40,995
Uniforms	7,541
Gas	12,423
Contracted and Professional Service	386,796
Depreciation	245,558
Total Operating Expenses	<u>1,199,782</u>
Operating Income (Loss)	<u>253,815</u>
NON-OPERATING REVENUES (EXPENSES)	
Miscellaneous Revenues	19,787
Sale of Assets	1,610
Investment Earnings	2,481
Lattimore Reimbursements	9,395
Interest on Long Term Debt	(54,016)
Total Non-Operating Revenues (Expenses)	<u>(20,743)</u>
CHANGE IN NET POSITION	233,072
TOTAL NET POSITION, PREVIOUSLY REPORTED	4,565,172
RESTATEMENT	(27,665)
TOTAL NET POSITION, RESTATED	4,537,507
TOTAL NET POSITION, ENDING	<u><u>\$ 4,770,579</u></u>

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 YEAR ENDED  
JUNE 30, 2015

EXHIBIT 9

	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers	\$ 1,445,965
Cash Paid for Goods and Services	(714,321)
Cash Paid to Employees	(246,632)
Customer Deposits - Net	9,085
Net Cash Provided by Operating Activities	<u>494,097</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:</b>	
Lattimore Reimbursements	9,395
Grants Received	-
Cash from Miscellaneous Revenues	21,397
Net Cash Provided By Noncapital Financing	<u>30,792</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Debt Proceeds	367,500
Acquisition of Capital Assets	(1,037,120)
Principal Paid	(145,484)
Interest Paid	(54,016)
Net Cash Used for Capital and Related Financing Activities	<u>(869,120)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	2,481
Net Increase (Decrease) in Cash and Cash Equivalents	(341,750)
Cash and Cash Equivalents at Beginning of Year	1,080,811
Cash and Cash Equivalents at End of Year	<u>\$ 739,061</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	<u>\$ 253,815</u>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Depreciation	245,558
Pension Expense	1,611
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable and Accrued Interest	(7,632)
(Increase) Decrease in Due From Other Governments	1,910
(Increase) Decrease in Prepaid Assets	(225)
Increase (Decrease) in Accounts Payable	9,249
Increase (Decrease) in Customer Deposits	9,085
(Increase) Decrease in deferred outflows of resources for pensions	(16,115)
Increase (Decrease) in Compensated Absences and OPEB	(3,159)
Total Adjustments	<u>(6,887)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 494,097</u></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, 2015

#### **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 position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the 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 funds:

**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.

**Town Hall Capital Project Fund.** This fund is used to account for the construction of a new town hall.

**Sidewalk Capital Project Fund.** This fund is used to account for the construction of new sidewalks throughout the Town.

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund is charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles 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.

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. Sales taxes are considered a shared revenue for the Town of Boiling Springs because the tax is levied by Cleveland 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 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 is both restricted and unrestricted net position 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 general revenues.

#### 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 and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund, and the Enterprise Fund Capital Projects Fund, 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 project 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 and the 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 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. 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. The Town also has two capital projects in progress at June 30, 2015, one for the construction of a new Town Hall and one for the construction of sidewalks.

<u>Town of Boiling Springs Restricted Cash</u>			
Governmental Activities			
General Fund			
	Streets	\$	542,325
	Capital Projects		173,466
Total governmental activities		\$	<u>715,791</u>
Total business-type activities		\$	<u>20,761</u>
Total Restricted Cash		\$	<u><u>736,552</u></u>

#### 4. 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, 2014. 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. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

#### 5. Allowances for Doubtful Accounts

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

#### 6. Prepaid Items

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

#### 7. Capital Assets

Capital assets are defined by the 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	40
Buildings	39
Vehicles and Motorized Equipment	5-7
Furniture and equipment	7-10
Computer equipment	5
Water Lines and Equipment	40
Clean Water Facility	40
Wastewater Treatment Plant	40

## 8. Deferred Outflows/Inflows of Resources

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

## 9. 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 position. 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.

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.

## 10. 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.

## 11. 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 balances as follows:

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

Prepaid expenses-portion of fund balance that is not an available resource because it represents the year-end balance of funds expended for future use.

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

Restricted for Stabilization by State statute - portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)].

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

Restricted for capital projects-portion of fund balance that is restricted for completion of capital projects.

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

Committed for Capital Reserve-portion of fund balance assigned by the Council for future capital projects.

Assigned Fund Balance-portion of fund balance that Town of Boiling Springs intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next years budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$2,500.

Assigned for Town Hall Capital Project-portion of fund balance that has been budgeted by the Board for construction of a new town hall facility.

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

The Town of Boiling Springs 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 Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Boiling Springs has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures. Any portion of the general fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

## 12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Boiling Springs' employer contributions are recognized when due and the Town of Boiling Springs 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. Material Violations of Finance-Related Legal and Contractual Provisions**

None

### **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, 2015, the Town's deposits had a carrying amount of \$2,312,999 and a bank balance of \$2,577,747. Of the bank balance, \$403,838 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2015, the Town's petty cash fund totaled \$200. The Authority's deposits had a carrying amount of \$22,294 and a bank balance amount of \$20,420.

##### **2. Investments**

<b>Investment Type</b>	<b>Fair Value</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust – Cash Portfolio	\$ 153,838	N/A	AAAm
Total:	\$ 153,838		

At June 30, 2015, the Town of Boiling Springs had \$153,838 invested with the North Carolina Capital Management Trust Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

### 3. Receivables - Allowances for Doubtful Accounts

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

Fund	6/30/2015
General fund:	
Taxes Receivable	\$ 6,050
Accounts Receivable	-
Total	<u>\$ 6,050</u>
Enterprise Funds	71,072
Total	<u>\$ 77,122</u>

### 4. Capital Assets

#### Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 274,845	\$ -	\$ -	\$ 274,845
Construction in progress	190,585	1,670,413	-	1,860,998
Total capital assets not being depreciated	<u>465,430</u>	<u>1,670,413</u>	<u>-</u>	<u>2,135,843</u>
<b>Capital assets being depreciated:</b>				
Buildings	340,295	-	5,605	334,690
Equipment	229,175	10,248	40,888	198,535
Vehicles and motorized equipment	856,556	39,734	104,894	791,396
Infrastructure	304,183	15,000	-	319,183
Total capital assets being depreciated	<u>1,730,209</u>	<u>64,982</u>	<u>151,387</u>	<u>1,643,804</u>
<b>Less accumulated depreciation for:</b>				
Buildings	167,946	7,672	1,120	174,498
Equipment	212,296	5,471	40,888	176,879
Vehicles and motorized equipment	521,511	83,963	97,725	507,749
Infrastructure	44,813	7,605	-	52,418
Total accumulated depreciation	<u>946,566</u>	<u>104,711</u>	<u>139,733</u>	<u>911,544</u>
Total capital assets being depreciated, net	<u>783,643</u>			<u>732,260</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 1,249,073</u>			<u>\$ 2,868,103</u>

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

General Government	\$ 7,672
Public Safety	34,160
Transportation	7,605
Environmental protection	55,274
Cultural and recreational	-
Total depreciation expense	<u>\$ 104,711</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciate:				
Land	\$ 33,342	\$ -	\$ -	\$ 33,342
Construction in Progress	-	992,839	-	992,839
Total capital assets not being depreciated	33,342	992,839	-	1,026,181
Capital assets being depreciated:				
Water lines & Equipment	4,149,300	17,447	-	4,166,747
Clean Water Facility	1,062,720	-	-	1,062,720
Waste Water Treatment Plant	2,930,255	-	-	2,930,255
Vehicles	95,720	26,833	12,613	109,940
Total capital assets being depreciated	8,237,995	44,280	12,613	8,269,662
Less accumulated depreciation for:				
Water lines & Equipment	1,879,466	131,947	-	2,011,413
Clean Water Facility	698,000	20,603	-	718,603
Waste Water Treatment Plant	832,405	83,875	-	916,280
Vehicles	69,345	9,134	12,613	65,866
Total accumulated depreciation	3,479,216	245,559	12,613	3,712,162
Total capital assets being depreciated, net	4,758,779			4,557,500
Water and Sewer fund capital assets, net	\$ 4,792,121			\$ 5,583,681

## B. Liabilities

### 1. Pension Plan Obligations

#### a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Boiling Springs 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of

creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Boiling Springs employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Boiling Springs's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 Town of Boiling Springs were \$59,078 for the year ended June 30, 2015.

*Refunds of Contributions* – Town 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, 2015, the Town reported an asset of \$84,629 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town'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, 2014, the Town's proportion was 0.01435%, which was an decrease of 0.0035% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$6,441. At June 30, 2015, the Town 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	\$ -	\$ 9,247
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	197,014
Changes in proportion and differences between City contributions and proportionate share of contributions	4,529	
City contributions subsequent to the measurement date	59,078	-
Total	<u>\$ 63,607</u>	<u>\$ 206,261</u>

\$59,078 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$ 1,135	\$ 51,571
2017	1,135	51,571
2018	1,135	51,571
2019	1,124	51,548
2020	-	-
Thereafter	-	-
	<u>\$ 4,529</u>	<u>\$ 206,261</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 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	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LRS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
City's proportionate share of the net pension liability (asset)	\$ 287,266	\$ (84,629)	\$ (397,752)

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

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

*1. Plan Description.*

The 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, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	9
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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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

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

### 3. Contributions.

The 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 obtained an actuarial valuation for the plan however the results 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

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the 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, 2015 were \$20,927, which consisted of \$15,143 from the Town and \$5,784 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, 2015 for general employees were \$33,273 which consisted of \$25,918 from the Town and \$7,355 from the general employees.

d. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees Retirement System (Death Benefit Plan), a multi-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. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 59,078
Changes in proportion - pension deferrals	4,529
Total	<u>\$ 63,607</u>

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

	<u>Unavailable Revenue</u>
Prepaid taxes (General Fund)	\$ -
Taxes receivable (General Fund)	11,646
Pension deferrals	206,261

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. Other employees are covered under a \$100,000 blanket bond.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2015, the Town was not involved in any lawsuits.

5. Long-Term Obligations

a. Installment Loan Indebtedness

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 \$396,629 630,078

\$367,500 loan due in semi-annual installments of \$12,250 plus interest at 2.87% through June 1, 2029. 343,000

State Revolving Loan Fund

Loan due in annual installments of \$52,567 plus interest at 2.305% through May 2027. 630,809

\$151,706 loan due in annual installments of \$7,585 through May 1, 2022 plus interest at 2.57%. 53,096

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\$1,656,983

At June 30, 2015, the Town of Boiling Springs had a legal debt margin of \$20,240,722. Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Business-type Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
2016	\$ 148,003	\$ 50,764	\$ 74,244	\$ 19,046
2017	150,627	46,029	74,784	17,201
2018	153,360	41,188	45,500	15,344
2019	156,206	36,232	45,500	14,038
2020	159,170	31,158	45,500	12,732
2021-2025	686,481	78,533	227,500	44,072
2026-2030	203,137	9,963	182,000	11,753
	-	-	-	-
Total	\$ 1,656,984	\$ 293,867	\$ 695,028	\$ 134,186

b. Changes in Long-Term Liabilities

	Balance			Balance		Current Portion
	July 1, 2014	Increases	Decreases	June 30, 2015	of Balance	
Governmental activities:						
Installment purchase	\$ 86,241	\$ 682,500	\$ 73,713	\$ 695,028	\$	74,244
Net Pension Liability (LGERS)	126,566		126,566	-		
Governmental activity long-term liabilities	\$ 212,807	\$ 682,500	\$ 200,279	\$ 695,028	\$	74,244
Business-type activities:						
BB&T Governmental Finance Center	\$ 690,910	\$ -	\$ 60,832	\$ 630,078	\$	63,351
BB&T Governmental Finance Ctr-Town Hall	-	367,500	24,500	343,000		24,500
State Revolving Loan Fund	683,376	-	52,567	630,809		52,567
State Revolving Loan Fund	60,682	-	7,585	53,097		7,586
Net Pension Liability (LGERS)	42,188	-	42,188	-		-
Business-type activity long-term liabilities	\$ 1,477,156	\$ 367,500	\$ 187,672	\$ 1,656,984	\$	148,004

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

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.

Installment Loan Obligation:

In 2012 the Town purchased a new Waste Collection Vehicle for \$201,116. The Town made a down payment of \$60,000 and issued an installment obligation for \$141,116. The loan calls for annual payments of \$29,835 including interest at 1.88% and matures December 16, 2016. The loan is secured by the vehicle.

In the current year the Town obtained an installment loan in the amount of \$1,050,000 for the completion of the new Town Hall project. This amount is recorded 65% in the General Fund and 35% in the Water/Sewer fund. This allocation is based on the percentage of square feet occupied by each fund. The loan calls for semi-annual payments of \$35,000 plus interest at 2.87% through June 1, 2029.

D. Fund Balance

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

<b>Total fund balance-General Fund</b>	<b>\$1,460,543</b>
Less;	
Prepaid Expenses	4,519
Stabilization by State Statute	219,275
Streets - Powell Bill	319,735
Capital Reserve	69,800
Town Hall Capital Project	0
Working Capital / Fund Balance Policy	351,619
Remaining Fund Balance	495,595

The Town of Boiling Springs has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures.

#### **IV. 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.

#### **V. Commitments/Subsequent Events**

In a prior year, the Town signed a contract with Beam Construction for the construction of the new Town Hall in the amount of \$2,702,850. The Town also signed a contract with Talley and Smith Architecture, Inc. for architect services for the new Town Hall. The fee will be 7.4% of the construction costs. Any additional services requested will be billed at the standard hourly basis. The building was completed and occupied by the Town in September of 2015.

#### **VI. Prior Period Adjustment**

The Town transferred cash to the capital projects fund in a prior year. The cash was reported in the General Fund instead of the Capital Projects Fund. The prior period adjustment is to correct the beginning fund balance to reflect the cash in the proper funds.

#### **VII. Change in Accounting Principles/Restatement**

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$82,997 and \$27,665, respectively.

### Required Supplemental Financial Data

- Schedule of Proportionate Share of Net Pension Asset - Local Government Employees' Retirement System
- Schedule of Contributions - Local Government Employees' Retirement System

Town of Boiling Springs, North Carolina  
Town of Boiling Springs' Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Two Fiscal Years\*

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Boiling Springs' proportion of the net pension liability (asset) (%)	0.01435%	0.01400%
Boiling Springs' proportion of the net pension liability (asset) (\$)	\$ (84,629)	\$ 168,754
Boiling Springs' covered-employee payroll	\$ 821,058	\$ 813,045
Boiling Springs' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	( 10.31%)	20.76%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

\* 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.

Town of Boiling Springs', North Carolina  
Town of Boiling Springs' Contributions  
Required Supplementary Information  
Last Two Fiscal Years

Local Government Employees' Retirement System

	2015	2014
Contractually required contribution	\$ 59,078	\$ 58,092
Contributions in relation to the contractually required contribution	\$ 59,078	\$ 58,092
Contribution deficiency (excess)	\$ -	\$ -
Boiling Springs' covered-employee payroll	\$ 821,058	\$ 813,045
Contributions as a percentage of covered-employee payroll	7.20%	7.14%

### Supplementary Statements

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

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## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014

(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	June 30, 2015		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2014 ACTUAL
	BUDGET	ACTUAL		
REVENUES				
Advalorem Taxes:				
Current Year	\$ 863,000	\$ 869,235	\$ 6,235	\$ 800,971
Prior Years	16,000	9,016	(6,984)	12,506
Discounts & Interest-Net	1,300	351	(949)	1,096
Total	<u>880,300</u>	<u>878,602</u>	<u>(1,698)</u>	<u>814,573</u>
Other Taxes & Licenses:				
Local Option Sales Tax	305,000	310,625	5,625	291,599
Privilege License	2,200	1,810	(390)	2,177
Total	<u>307,200</u>	<u>312,435</u>	<u>5,235</u>	<u>293,776</u>
Unrestricted Intergovernmental Revenue:				
Franchise Tax	<u>199,000</u>	<u>223,448</u>	<u>24,448</u>	<u>199,362</u>
Restricted Intergovernmental Revenue:				
Grants	68,000	70,424	2,424	66,693
"State Street Aid" Allocation	130,500	131,281	781	131,002
Total	<u>198,500</u>	<u>201,705</u>	<u>3,205</u>	<u>197,695</u>
Permits, fees, other receipts:				
Court Fees	2,000	1,369	(631)	2,064
Zoning	1,500	1,070	(430)	1,450
Waste Fees	171,000	166,132	(4,868)	164,925
Recycling Fees	50,000	46,135	(3,865)	46,174
Other	18,000	16,302	(1,698)	15,647
Total	<u>242,500</u>	<u>231,008</u>	<u>(11,492)</u>	<u>230,260</u>
Investment Earnings:				
Interest-General Fund	2,500	1,897	(603)	3,592
Interest-Powell Bill	1,500	1,394	(106)	1,393
Total	<u>4,000</u>	<u>3,291</u>	<u>(709)</u>	<u>4,985</u>
TOTAL REVENUES	<u>\$ 1,831,500</u>	<u>\$ 1,850,489</u>	<u>\$ 18,989</u>	<u>\$ 1,740,651</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, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

SCHEDULE 1

	June 30, 2015		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2014 ACTUAL
	BUDGET	ACTUAL		
<b>EXPENDITURES:</b>				
General Government:				
Operating Expenses	\$ 61,770	\$ 48,611	\$ 13,159	\$ 49,565
Contingency	4,400	-	4,400	-
Dues	17,600	16,547	1,053	14,969
Professional Services	20,155	20,151	4	15,017
Total	<u>103,925</u>	<u>85,309</u>	<u>18,616</u>	<u>79,551</u>
Administration:				
Salaries	179,800	179,583	217	179,777
Operating Expenses	1,845	1,842	3	2,335
Social Security	14,000	13,630	370	18,570
Retirement	20,800	20,749	51	20,369
Capital Outlay	13,000	10,248	2,752	-
Group Insurance	17,130	17,123	7	14,616
General Insurance	55,000	54,957	43	54,593
Total	<u>301,575</u>	<u>298,132</u>	<u>3,443</u>	<u>290,260</u>
Public Buildings:				
Operating Expenses	6,285	6,281	4	4,181
Utilities	11,265	10,425	840	12,492
Total	<u>17,550</u>	<u>16,706</u>	<u>844</u>	<u>16,673</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>\$ 423,050</u>	<u>\$ 400,147</u>	<u>\$ 22,903</u>	<u>\$ 386,484</u>
Public Safety:				
Police:				
Salaries	319,800	318,058	1,742	312,086
Capital Outlay	39,800	42,104	(2,304)	31,360
Operating Expenses	224,550	216,297	8,253	210,492
Total	<u>584,150</u>	<u>576,459</u>	<u>7,691</u>	<u>553,938</u>
Fire:				
Capital Outlay	-	-	-	-
Operating Expenses	134,700	134,700	-	108,561
Total	<u>134,700</u>	<u>134,700</u>	<u>-</u>	<u>108,561</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>\$ 718,850</u>	<u>\$ 711,159</u>	<u>\$ 7,691</u>	<u>\$ 662,499</u>
Transportation:				
Operating Expenses	45,600	44,830	770	82,672
Capital Outlay	-	15,000	(15,000)	-
Street Repair-Powell Bill	130,500	87,269	43,231	123,745
Total	<u>176,100</u>	<u>147,099</u>	<u>29,001</u>	<u>206,417</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA  
GENERAL FUND

SCHEDULE 1

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014  
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	June 30, 2015		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2014 ACTUAL
	BUDGET	ACTUAL		
Environmental Protection:				
Salaries - Sanitation	\$ 72,500	\$ 71,471	\$ 1,029	\$ 71,284
Operating Expenses	78,350	73,028	5,322	80,987
Waste Fees	88,000	87,474	526	81,685
Capital Outlay	-	-	-	-
Total	<u>238,850</u>	<u>231,973</u>	<u>6,877</u>	<u>233,956</u>
Recreation:				
Salaries	65,800	65,697	103	63,425
Operating Expenses	116,150	109,980	6,170	112,649
Capital Outlay	21,500	-	21,500	-
	<u>203,450</u>	<u>175,677</u>	<u>27,773</u>	<u>176,074</u>
Debt service:				
Principal retirement	73,800	73,713	87	27,693
Interest	18,400	18,326	74	2,142
Total debt service	<u>92,200</u>	<u>92,039</u>	<u>161</u>	<u>29,835</u>
TOTAL EXPENDITURES	<u>1,852,500</u>	<u>1,758,094</u>	<u>94,406</u>	<u>1,695,265</u>
REVENUES OVER (UNDER) EXPENDITURES	(21,000)	92,395	113,395	45,386
OTHER FINANCING SOURCES (USES)				
Fund Balance Appropriated	21,000	-	(21,000)	-
Installment Debt Proceeds	-	-	-	-
Transfer to Capital Project	-	(194,241)	(194,241)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>(101,846)</u>	<u>\$ (101,846)</u>	<u>45,386</u>
FUND BALANCE				
Beginning of Year, July 1		1,739,561		1,584,005
Prior Period Adjustment		(177,172)		110,170
Beginning of year, as restated, July 1		<u>1,562,389</u>		<u>1,694,175</u>
End of Year, June 30		<u>\$ 1,460,543</u>		<u>\$ 1,739,561</u>

**Town of Boling Springs, North Carolina**  
**Capital Projects Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2015**

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues - Town Hall Project :					
Restricted intergovernmental:					
BB&T loan	<u>\$ 1,050,000</u>	<u>\$ -</u>	<u>\$ 1,050,000</u>	<u>\$ 1,050,000</u>	<u>\$ -</u>
Expenditures - Street Projects:					
Engineering and architectural fees	240,000	137,354	92,187	229,541	10,459
Construction	2,445,000	28,471	2,444,915	2,473,386	(28,386)
Powell Bill eligible expenses	105,000	-	120,900	120,900	(15,900)
Contingency	50,000	-	-	-	50,000
Total	<u>2,840,000</u>	<u>165,825</u>	<u>2,658,002</u>	<u>2,823,827</u>	<u>16,173</u>
Other Revenues:					
Transfer from Powell Bill reserve	105,000	-	121,000	121,000	16,000
Transfer from W/S reserve	360,000	-	641,600	641,600	281,600
Transfer from general fund	1,325,000	1,000,459	73,241	1,073,700	(251,300)
Interest Income	-	-	986	986	986
	<u>1,790,000</u>	<u>1,000,459</u>	<u>836,827</u>	<u>1,837,286</u>	<u>47,286</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 834,634</u>	<u>\$ (771,175)</u>	<u>\$ 63,459</u>	<u>\$ 63,459</u>

This capital project is being funded 35% from the Water and Sewer Fund and 65% from the General Fund. This allocation is based on the Water and Sewer Fund occupying 35% of the total square footage of the new Town Hall. Thus, 35% is reported in the Water and Sewer Fund and 65% is being reported in the Capital Project Fund in the Governmental Funds.

**Town of Boling Springs, North Carolina**  
**Capital Projects Fund-Sidewalk Project**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2015**

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Expenditures - Street Projects:</b>					
Engineering	12,500	12,500	-	12,500	-
Administration	6,500	6,500	750	7,250	(750)
Construction	162,000	5,760	-	5,760	156,240
Right of Way Acquisition	33,000	-	-	-	33,000
Contingency	17,000	-	-	-	17,000
<b>Total</b>	<b>231,000</b>	<b>24,760</b>	<b>750</b>	<b>25,510</b>	<b>205,490</b>
<b>Other Revenues:</b>					
Transfer from Powell Bill Fund	231,000	231,000	-	231,000	-
	<b>231,000</b>	<b>231,000</b>	<b>-</b>	<b>231,000</b>	<b>-</b>
<b>Revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 206,240</b>	<b>\$ (750)</b>	<b>\$ 205,490</b>	<b>\$ 205,490</b>

TOWN OF BOILING SPRINGS, NORTH CAROLINA  
WATER AND SEWER FUND

Schedule 4

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015

(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	June 30, 2015		Variable	06/30/14
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>OPERATING REVENUES</b>				
Water & Sewer Charges	\$ 1,380,000	\$ 1,407,661	\$ 27,661	\$ 1,351,470
Water & Sewer Taps	33,000	45,936	12,936	39,256
Total Operating Revenue	<u>1,413,000</u>	<u>1,453,597</u>	<u>40,597</u>	<u>1,390,726</u>
<b>NON OPERATING REVENUES</b>				
Lattimore reimbursements	12,600	9,395	-	12,908
Fund Balance Appropriated	-	-	-	-
Interest Income	1,500	2,481	981	2,044
Sale of Assets	-	1,610	1,610	-
Miscellaneous	24,000	19,787	(4,213)	21,030
TOTAL REVENUES	<u>\$ 1,451,100</u>	<u>\$ 1,486,870</u>	<u>\$ 38,975</u>	<u>\$ 1,426,708</u>
<b>OPERATING EXPENDITURES</b>				
Salaries	\$ 250,400	\$ 243,473	\$ 6,927	\$ 247,561
Social Security	20,000	18,729	1,271	18,974
Retirement	28,745	27,237	1,508	27,177
Group Insurance	44,800	40,995	3,805	38,300
Utilities	70,630	70,581	49	78,730
Repairs & Maintenance	53,895	42,649	11,246	29,840
Materials & Supplies	41,970	42,330	(360)	35,581
Uniforms	7,700	7,541	159	8,064
Gas	12,500	12,423	77	15,796
Contracted Services	392,300	386,796	5,504	350,966
Insurance	34,900	34,805	95	34,626
Telephone & Postage	23,270	20,105	3,165	19,680
Travel and Training	4,300	3,632	668	1,923
Miscellaneous	17,445	17,432	13	18,437
Total Operating Expenditures	<u>1,002,855</u>	<u>968,728</u>	<u>34,127</u>	<u>925,655</u>
<b>OTHER EXPENDITURES</b>				
Transfer to Capital Reserve	-	-	-	-
Transfer to Capital Project Fund	-	646,100	(646,100)	-
Capital Outlay	248,645	44,281	204,364	47,777
Debt Interest	55,000	54,016	984	51,240
Debt Principle	144,600	145,484	(884)	200,765
Total Other Expenditures	<u>448,245</u>	<u>889,881</u>	<u>(441,636)</u>	<u>299,782</u>
TOTAL EXPENDITURES	<u>\$ 1,451,100</u>	<u>\$ 1,858,609</u>	<u>\$ (407,509)</u>	<u>\$ 1,225,437</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA  
WATER AND SEWER FUND

Schedule 4

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015

(With Comparative Actual Amounts for the Year Ended June 30, 2014)

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	\$ 1,486,870
Total Expenditures from page 1 of 2	<u>1,858,609</u>
Excess Revenues over (under) Expenditures	(371,739)
Depreciation	(245,558)
Transfer to Capital Project Fund	646,100
Principle Payment on Debt	145,484
Capital Outlay	<u>44,281</u>
Net Income (Loss) at Exhibit 8	<u>\$ 218,568</u>

**Town of Boling Springs, North Carolina**  
**Capital Projects Fund-Lyman Street Lift Station**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2015**

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Expenditures - Street Projects:</b>					
Admin/Engineering/Surveying	42,000	-	4,500	4,500	37,500
Construction	398,000	-	-	-	398,000
Right of Way Acquisition	5,000	-	-	-	5,000
Contingency	40,000	-	-	-	40,000
Total	<u>485,000</u>	<u>-</u>	<u>4,500</u>	<u>4,500</u>	<u>480,500</u>
<b>Other Revenues:</b>					
Transfer from Water and Sewer Fund	485,000	-	4,500	4,500	(480,500)
	<u>485,000</u>	<u>-</u>	<u>4,500</u>	<u>4,500</u>	<u>(480,500)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Other Schedules

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This section contains additional information required on property taxes.

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- 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, 2015

SCHEDULE 6

	Balance 7/1/2014	2014 Levy	Collections	Discoveries Adjustments	Balance 6/30/2015
2004 Levy	\$ 272		\$ -	\$ (272)	\$ -
2005 Levy	558		23	-	535
2006 Levy	443		51	-	392
2007 Levy	624		6	-	618
2008 Levy	574		1	-	573
2009 Levy	514		66	-	448
2010 Levy	667		182	-	485
2011 Levy	816		374	-	442
2012 Levy	5,207		2,335	-	2,872
2013 Levy	10,566		6,298	-	4,268
2014 Levy	-	876,256	869,192		7,064
Totals	\$ 20,241	\$876,256	\$ 878,528	\$ (272)	\$ 17,697
				Less: Allowance for uncollectible accounts	6,050
				Ad Valorem taxes receivable - net	\$ 11,647

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

Reconcilement with revenues:	
Ad valorem taxes - general fund	\$ 878,602
Reconciling items:	
Adjustments	278
Interest collected	(2,859)
Discounts allowed	2,507
Total Collections	\$ 878,528

TOWN OF BOILING SPRINGS, NORTH CAROLINA  
 ANALYSIS OF CURRENT TAX LEVY  
 TOWN WIDE LEVY  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHEDULE 7

	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	\$ 302,157,241	\$ 0.29	\$ 876,256	\$ 790,993	\$ 85,263
Discoveries:					
Current year taxes	-	0.29	-	-	-
Prior year taxes	-	-	-	-	-
Total	<u>302,157,241</u>	0.29	<u>876,256</u>	<u>790,993</u>	<u>85,263</u>
Abatements	-		-	-	-
Total property valuation	<u><u>\$ 302,157,241</u></u>				
Net Levy			876,256	790,993	85,263
Uncollected taxes at June 30, 2015			<u>7,064</u>	<u>7,064</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 869,192</u></u>	<u><u>\$ 783,929</u></u>	<u><u>\$ 85,263</u></u>
Current levy collection percentage			<u><u>99.19%</u></u>	<u><u>99.11%</u></u>	<u><u>100.00%</u></u>

Supplementary Information:

Compliance Section

**INDEPENDENT AUDITOR'S 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 Honorable Mayor and  
Members of the Town Council  
Town of Boiling Springs  
Boiling Springs, 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 accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of Town of Boiling Springs, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Boiling Springs, North Carolina's basic financial statements and have issued our report thereon dated January 1, 2016. The financial statements of Boiling Springs Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Boiling Springs, North Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Boiling Springs, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Boiling Springs, North Carolina's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

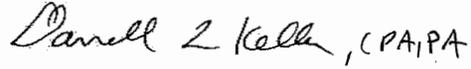
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations,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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



Darrell L. Keller, CPA, PA  
Kings Mountain, North Carolina  
January 1, 2016