DLK Darrell L. Keller, CPA, PA

TOWN OF BOILING SPRINGS

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(704) 739-0771

Town of Boiling Springs, North Carolina
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June 30, 2012

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FINANCIAL SECTION

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Independent Auditor's Report

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Boiling Springs, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Boiling Springs's management. My responsibility is to express opinions on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of Boiling Springs Tourism Development Authority were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Boiling Springs, North Carolina as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 23, 2012 on my consideration of the Town of Boiling Springs internal control over financial reporting and on my 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 my 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* and should be read in conjunction with this report in considering the results of my audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Boiling Springs, North Carolina's, financial statements as a whole. The combining and individual non-major fund financial statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of State awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements, budgetary schedules and other schedules, and the accompanying schedule of expenditures of State awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Darrell Keller, CPA, PA

Darrell L. Keller, CPA, PA
September 23, 2012

TOWN OF BOILING SPRINGS, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2012

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, 2012. We encourage readers to consider the information presented. All amounts, unless otherwise indicated, are expressed in dollars.

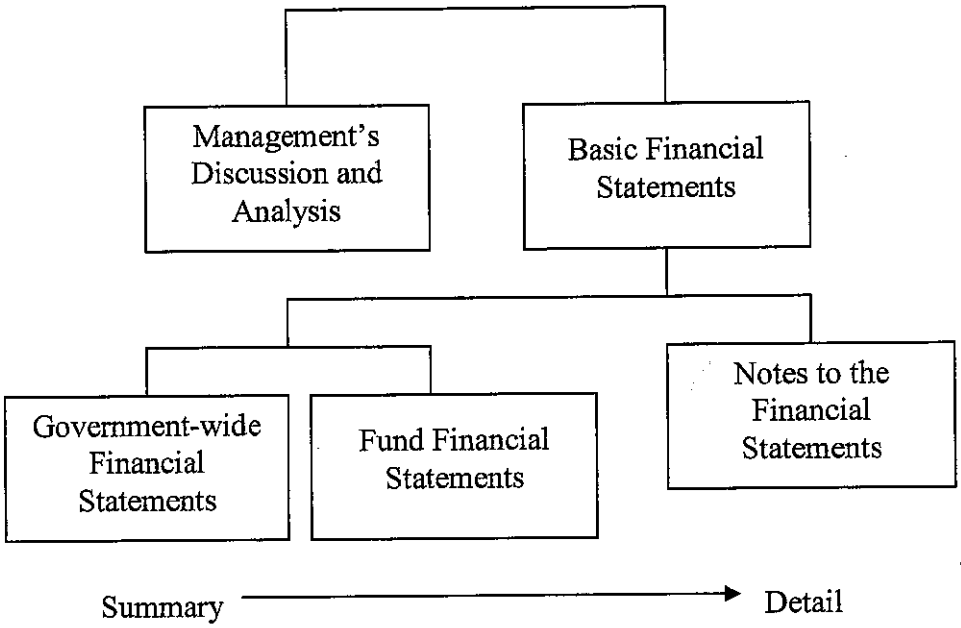
Financial Highlights

- The assets of the Town of Boiling Springs exceeded its liabilities at the close of the most recent fiscal year by $7,635,396 *(net assets)*. Of this amount, $2,772,506 *(unrestricted net assets)* may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by $353,618, primarily due to increases in the business-type activities net assets.
- As of the close of the current fiscal year, the Town of Boiling Springs' governmental funds reported combined ending fund balances of $2,588,589, an increase of $37,935 in comparison with the prior year. Approximately 67.2 % of this total amount, or $1,741,723, 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 $1,741,723, or 158.52 % of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (pages 13 through 14) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

The Town of Boiling Springs adopts an annual budget for its General Fund, as required by the General Statues. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format,

language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is show at the end of the budgetary statement.

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

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

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

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 Assets
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$2,636,193	$2,589,663	$1,026,920	$ 881,092	$3,663,113	$3,470,755
Capital assets	1,217,351	1,096,710	4,848,519	4,807,927	6,065,870	5,904,637
Total assets	3,853,544	3,686,373	5,875,439	5,689,019	9,728,983	9,375,392
Long term liabilities outstanding	141,116	-	1,834,155	2,030,366	1,975,271	2,030,366
Other liabilities	30,626	19,520	87,690	43,728	118,316	63,248
Total liabilities	171,742	19,520	1,921,845	2,074,094	2,093,587	2,093,614
Net assets:						
Invested in capital assets net of related debt	1,076,235	1,096,710	3,014,364	2,777,561	4,090,599	3,874,271
Restricted	772,291	941,707	-	-	772,291	941,707
Unrestricted	1,833,276	1,628,436	939,230	837,364	2,772,506	2,465,800
Total assets	$3,681,802	$3,666,853	$3,953,594	$3,614,925	$7,635,396	$7,281,778

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Boiling Springs exceeded liabilities by $7,635,396 as of June 30, 2012. The Town's net assets increased by $353,618 for the fiscal year ended June 30, 2012. However, the largest portion (53.6%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Boiling Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Boiling Springs' investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Boiling Springs' net assets (10.11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $2,772,506 is unrestricted.

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

- Increased property tax revenue due to marginal Town growth with a tax collection percentage of 98.16%.

The Town of Boiling Springs' Changes in Net Assets

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 169,675	$ 168,287	$ 1,398,764	$ 1,415,211	$ 1,568,439	$ 1,583,498
Operating grants and contributions	197,788	187,136	-	-	197,788	187,136
Capital grants and contributions	-	-	102,294	100,000	102,294	100,000
General revenues:						
Property taxes	788,280	785,916	-	-	788,280	785,916
Other taxes	496,596	472,157	-	-	496,596	472,157
Other	(13,695)	51,079	14,745	49,208	1,050	100,287
Total revenues	1,638,644	1,664,575	1,515,803	1,564,419	3,154,447	3,228,994
Expenses:						
General government	378,508	368,523	-	-	378,508	368,523
Public safety	624,016	618,644	-	-	624,016	618,644
Transportation	251,635	210,612	-	-	251,635	210,612
Environmental protection	185,423	174,900	-	-	185,423	174,900
Culture and recreation	184,113	140,366	-	-	184,113	140,366
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	1,177,134	1,221,783	1,177,134	1,221,783
Total expenses	1,623,695	1,513,045	1,177,134	1,221,783	2,800,829	2,734,828
Increase in net assets	14,949	151,530	338,669	342,636	353,618	494,166
Net assets, beginning of year	3,666,853	3,515,323	3,614,925	3,272,289	7,281,778	6,787,612
Net assets, end of year	$ 3,681,802	$ 3,666,853	$ 3,953,594	$ 3,614,925	$ 7,635,396	$ 7,281,778

Governmental activities: Governmental activities increased the Town's net assets by $14,949.

Business-type activities: Business-type activities increased the Town of Boiling Springs' net assets by $338,669.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Boiling Springs. At the end of the current fiscal year, fund balance available in the General Fund was $1,741,723, while total fund balance reached $2,588,589. 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 95.8% of total General Fund expenditures, while total fund balance represents 142.39% of that same amount.

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

The actual operating revenues for the General Fund were more than the budget amount by $84,279. Factors concerning the finances of this fund have already been addressed in the discussion of the Town of Boiling Springs' governmental activities.

Proprietary Fund: The Town of Boiling Springs' proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets at the fiscal year-end in the Water and Sewer Fund were $939,230. 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, 2012 totals $6,065,870 (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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 299,605	$ 299,605	$ 134,500	$ 44,322	$ 434,105	$ 343,927
Buildings and system	197,546	207,355	2,220,321	2,293,074	2,417,867	2,500,429
Machinery and equipment	60,946	84,339	2,470,379	2,460,101	2,531,325	2,544,440
Infrastructure	274,580	285,955	-	-	274,580	285,955
Vehicles and motorized equipment	384,674	219,456	23,319	10,430	407,993	229,886
Total capital assets (net of depreciation)	$ 1,217,351	$ 1,096,710	$ 4,848,519	$ 4,807,927	$ 6,065,870	$ 5,904,637

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

Long-term Debt: As of June 30, 2012, the Town of Boiling Springs had total outstanding debt of $1,975,271 of which $164,400 is debt backed by the full faith and credit of the Town. The remaining $1,783,766 is G.S 160A-20 financing that pledges the assets purchased as collateral instead of the taxing authority of the Town.

The Town of Boiling Springs' Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Installment purchase	$ 141,116	$ -	$ -	$ -	$ 141,116	$ -
State Revolving Loan Fund	-	-	788,511	841,078	788,511	841,078
BB&T Govt. Finance Center	-	-	805,391	859,269	805,391	859,269
State Revolving Loan Fund	-	-	164,400	246,600	164,400	246,600
State Revolving Loan Fund	-	-	75,853	83,419	75,853	83,419
Total capital assets (net of accumulated depreciation)	$ 141,116	$ -	$ 1,834,155	$ 2,030,366	$ 1,975,271	$ 2,030,366

North Carolina general statues 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 $19,705,419.

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

Economic Factors and Next Year's Budgets and Rates

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

- The unemployment rate in the Cleveland County area decreased from 12.3% in June 2011 to 10.9% in June 2012. The statewide average in June 2012 is 9.9%.

- 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, 2013

Governmental Activities: The governmental fund's primary revenue resource is property taxes. The property tax rate remains $.29 per $100. Due to the current economic climate, growth is expected to be minimal. The Town began a series of sidewalk and drainage projects in the year ended June 30, 2008 that is expected to take approximately five years to complete and use approximately $1,000,000 in Powell Bill funds. In an effort to reduce the amount of recyclable waste the Town takes to the landfill, the Town has entered into an agreement to provide recycling services to all residents. Residential customers will be charged $3 per month for this service.

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 did not raise water rates, the Town's water rates remained unchanged.

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

Exhibit 1

Town of Boiling Springs, North Carolina
Statement of Net Assets
June 30, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Boiling Springs Tourism Authority
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,842,149	$ 784,962	$ 2,627,111	$ 21,230
Taxes receivables (net)	16,978	-	16,978	-
Accounts receivable (net)	-	189,844	189,844	-
Due from other governments	20,680	51,009	71,689	1,394
Prepaid Assets	4,775	1,105	5,880	-
Restricted cash and cash equivalents	751,611	-	751,611	-
Total current assets	2,636,193	1,026,920	3,663,113	22,624
Capital assets (Note 1):				
Land, non-depreciable improvements, and construction in progress	274,845	33,342	308,187	-
Construction In Progress	24,760	101,158	125,918	-
Other capital assets, net of depreciation	917,746	4,714,019	5,631,765	-
Total capital assets	1,217,351	4,848,519	6,065,870	-
Total assets	$ 3,853,544	$ 5,875,439	$ 9,728,983	$ 22,624
LIABILITIES				
Current liabilities:				
Accounts payable	$ 30,626	$ 54,985	$ 85,611	$ -
Customer deposits	-	32,705	32,705	-
Long-term liabilities:				
Due within one year	27,182	198,442	225,624	-
Due in more than one year	113,934	1,635,713	1,749,647	-
Total liabilities	171,742	1,921,845	2,093,587	-
NET ASSETS				
Invested in capital assets, net of related debt	1,076,235	3,014,364	4,090,599	-
Restricted for:				
Stabilization by State Statutes	20,680	-	20,680	-
Streets	751,611	-	751,611	-
Unrestricted	1,833,276	939,230	2,772,506	22,624
Total net assets	$ 3,681,802	$ 3,953,594	$ 7,635,396	$ 22,624

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

Exhibit 2

Town of Boiling Springs, North Carolina
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Boiling Springs Tourism Development Authority
Primary government:								
Governmental Activities:								
General government	$ 378,508	$ -	$ -	$ -	$ (378,508)	$ -	$ (378,508)	$ -
Public safety	624,016	-	3,052	-	(620,964)	-	(620,964)	-
Transportation	251,635	-	127,766	-	(123,869)	-	(123,869)	-
Environmental protection	185,423	169,675	-	-	(15,748)	-	(15,748)	-
Cultural and recreation	184,113	-	66,970	-	(117,143)	-	(117,143)	-
Interest on long-term debt	-	-	-	-	-	-	-	-
Total governmental activities (See Note 1)	1,623,695	169,675	197,788	-	(1,256,232)	-	(1,256,232)	-
Business-type activities:								
Water and sewer	1,177,134	1,398,764	-	102,294	-	323,924	323,924	-
Total business-type activities	1,177,134	1,398,764	-	102,294	-	323,924	323,924	-
Total primary government	$ 2,800,829	$ 1,568,439	$ 197,788	$ 102,294	(1,256,232)	323,924	(932,308)	-
Component unit:								
Tourism Development Authority	$ 20,983	-	-	-	-	-	-	(20,983)
Total component unit	$ 20,983	$ -	$ -	$ -	-	-	-	(20,983)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					788,280	-	788,280	-
Other taxes					496,596	-	496,596	15,332
Unrestricted investment earnings					13,324	3,812	17,136	42
Loss On Assets Sold					(50,362)	-	(50,362)	-
Miscellaneous					23,343	10,933	34,276	-
Total general revenues and transfers					1,271,181	14,745	1,285,926	15,374
Change in net assets					14,949	338,669	353,618	(5,609)
Net assets, beginning					3,666,853	3,614,925	7,281,778	28,233
Net assets, ending					$ 3,681,802	$ 3,953,594	$ 7,635,396	$ 22,624

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

Exhibit 3

Town of Boiling Springs
Balance Sheet
Governmental Fund
June 30, 2012

	General Fund
ASSETS	
Cash and cash equivalents	$ 1,842,149
Restricted cash	751,611
Receivables, net:	
Taxes	16,978
Accounts	-
Due from other governments	20,680
Prepaid Expenses	4,775
Total assets	$ 2,636,193
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	$ 30,626
Due to other funds	-
Deferred revenue	16,978
Total liabilities	47,604
Fund balances:	
Non-spendable	
Prepaid Expenses	4,775
Restricted	
Stabilization by State Statute	20,680
Streets	751,611
Committed	
Capital Reserve	69,800
Unassigned	1,741,723
Total fund balances	2,588,589
Total liabilities and fund balances	$ 2,636,193

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,217,351
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	-
Liabilities for earned but deferred revenues in fund statements.	16,978
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).	(141,116)
Net assets of governmental activities	$ 3,681,802

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

Exhibit 4

Town of Boiling Springs
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2012

	General Fund
REVENUES	
Ad valorem taxes	$ 790,791
Other taxes and licenses	306,338
Unrestricted intergovernmental	190,258
Restricted intergovernmental	197,788
Permits and fees	216,306
Investment earnings	13,324
Total revenues	1,714,805
EXPENDITURES	
Current:	
General government	370,251
Public safety	620,524
Transportation	242,438
Environmental protection	405,922
Culture and recreation	178,851
Total expenditures	1,817,986
Excess (deficiency) of revenues over expenditures	(103,181)
OTHER FINANCING SOURCES (USES)	
Installment Loan Proceeds	141,116
Transfers to other funds	-
Total other financing sources (uses)	141,116
Net change in fund balance	37,935
Fund balances, beginning	2,550,654
Fund balances, ending	$ 2,588,589

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

Exhibit 5

Town of Boiling Springs
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

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

Net changes in fund balances - total governmental funds	$ 37,935
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	194,291
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred revenue for tax revenues	(2,511)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(141,116)
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 Sold	(73,650)
Total changes in net assets of governmental activities	$ 14,949

Exhibit 6

Town of Boiling Springs
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	767,440	767,440	790,791	23,351
Other taxes and licenses	272,300	272,300	306,338	34,038
Unrestricted intergovernmental	179,300	179,300	190,258	10,958
Restricted intergovernmental	191,086	191,086	197,788	6,702
Permits and fees	185,400	206,400	216,306	9,906
Investment earnings	14,000	14,000	13,324	(676)
Total revenues	1,609,526	1,630,526	1,714,805	84,279
Expenditures:				
Current:				
General government	394,083	394,083	370,251	23,832
Public safety	620,488	646,088	620,524	25,564
Transportation	172,217	272,217	242,438	29,779
Environmental protection	178,923	420,309	405,922	14,387
Cultural and recreation	182,209	185,209	178,851	6,358
Total expenditures	1,547,920	1,917,906	1,817,986	99,920
Revenues over (under) expenditures	61,606	(287,380)	(103,181)	184,199
Other financing sources (uses):				
Fund Balance Appropriated	-	147,870	-	(147,870)
Transfer to Capital Reserve	(61,606)	(1,606)		
Installment Loan Proceeds	-	141,116	141,116	-
Total other financing sources (uses)	(61,606)	287,380	141,116	(147,870)
Revenues and other sources over (under) expenditures and other uses	$ -	$ -	37,935	$ 36,329
Fund balances, beginning			2,550,654	
Fund balances, ending			$ 2,588,589	

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

Exhibit 7

Town of Boiling Springs
Statement of Net Assets
Proprietary Fund
June 30, 2012

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 784,962
Accounts receivable (net) - billed	124,054
Accounts receivable (net) - unbilled	65,790
Due from other governments	51,009
Prepaid Expenses	1,105
Total current assets	1,026,920
Capital assets:	
Land and other non-depreciable assets	33,342
Construction In Progress	101,158
Other capital assets, net of depreciation	4,714,019
Capital assets (net)	4,848,519
Total noncurrent assets	4,848,519
Total assets	$ 5,875,439
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	54,985
Customer deposits	32,705
Compensated absences - current	-
General obligation bonds payable-current	56,089
State Revolving Loan Fund Payable-Current	142,353
Total current liabilities	286,132
Noncurrent liabilities:	
Compensated absences	-
General obligation bonds payable-noncurrent (net)	749,322
State Revolving Loan Fund	886,391
Total noncurrent liabilities	1,635,713
Total liabilities	1,921,845
NET ASSETS	
Invested in capital assets, net of related debt	3,014,364
Unrestricted	939,230
Total net assets	$ 3,953,594

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

EXHIBIT 8

TOWN OF BOILING SPRINGS, NORTH CAROLINA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS
WATER AND SEWER FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

OPERATING REVENUES	
Water and Sewer Charges	$ 1,367,086
Water and Sewer Taps	31,678
Total Operating Income	1,398,764
OPERATING EXPENSES	
Salaries	227,094
Utilities	70,895
Repairs and Maintenance	41,450
Materials and Supplies	96,331
Retirement	26,869
Social Security	17,227
Group Insurance	40,036
Uniforms	5,799
Gas	14,050
Contracted and Professional Service	345,591
Depreciation	228,401
Total Operating Expenses	1,113,743
Operating Income (Loss)	285,021
NON-OPERATING REVENUES (EXPENSES)	
Miscellaneous Revenues	27,878
Contribution from Developer	-
Grants Reveived	102,294
Investment Earnings	3,812
Book Value Of Assets Written Off	(16,945)
Interest on Long Term Debt	(63,391)
Total Non-Operating Revenues (Expenses)	53,648
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	338,669
TRANSFER TO CAPITAL PROJECT FUND	-
CHANGE IN NET ASSETS	338,669
TOTAL NET ASSETS, BEGINNING	3,614,925
TOTAL NET ASSETS, ENDING	$ 3,953,594

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

TOWN OF BOILING SPRINGS, NORTH CAROLINA
WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012

EXHIBIT 9

	2012
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	$ 1,389,967
Cash Paid for Goods and Services	(660,558)
Cash Paid to Employees	(227,094)
Customer Deposits - Net	(100)
Net Cash Provided by Operating Activities	502,215
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:	
Contribution from Developer	-
Grants Received	102,294
Cash from Miscellaneous Revenues	27,878
Net Cash Provided By Noncapital Financing	130,172
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Debt Proceeds	-
Acquisition of Capital Assets	(285,938)
Principal Paid	(196,211)
Interest Paid	(63,391)
Net Cash Used for Capital and Related Financing Activities	(545,540)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	3,812
Net Increase (Decrease) in Cash and Cash Equivalents	90,659
Cash and Cash Equivalents at Beginning of Year	694,303
Cash and Cash Equivalents at End of Year	$ 784,962
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	$ 285,021
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	228,401
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable and Accrued Interest	(8,797)
(Increase) Decrease in Due From Other Governments	(51,009)
(Increase) Decrease in Prepaid Assets	4,637
Increase (Decrease) in Accounts Payable	44,062
Increase (Decrease) in Customer Deposits	(100)
Total Adjustments	(11,207)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 502,215

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, 2012

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Boiling Springs Tourism Development Authority

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Cleveland County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax

districts in the County, including the Town of Boiling Springs. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Cleveland County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2012 because they are intended to finance the Town's operations during the 2013 fiscal year.

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than $2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

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

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

2. Cash and Cash Equivalents

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

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date.

4. Allowances for Doubtful Accounts

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

5. Capital Assets

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

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

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

6. Long-Term Obligations

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

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

7. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 240 hours of earned vacation leave with such leave being fully vested when earned. All hours accumulated above this level are converted to sick time. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

8. Net Assets/Fund Balances

Net Assets

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

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:

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

> 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)].
>
> Reserved 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.

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). Any changes or removal of specific purposes requires majority action by the governing body.

> 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.

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.

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, 2012, the Town's deposits had a carrying amount of $3,378,522 and a bank balance of $3,374,077. Of the bank balance, $401,000 was covered by federal depository insurance and the remainder

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

General Government	$	13,493
Public Safety		51,342
Transportation		9,309
Environmental protection		11,962
Cultural and recreational		5,418
Total depreciation expense	$	91,524

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciate:				
Land	$ 33,342	$ -	$ -	$ 33,342
Construction in Progress	10,980	101,158	10,980	101,158
Total capital assets not being depreciated	44,322	101,158	10,980	134,500
Capital assets being depreciated:				
Water lines & Equipment	5,088,439	172,521	1,159,270	4,101,690
Clean Water Facility	1,020,720	-	-	1,020,720
Waste Water Treatment Plant	2,512,170	-	8,677	2,503,493
Vehicles	79,206	25,545	27,272	77,479
Total capital assets being depreciated	8,700,535	198,066	1,195,219	7,703,382
Less accumulated depreciation for:				
Water lines & Equipment	2,628,338	123,036	1,120,063	1,631,311
Clean Water Facility	615,282	23,170	-	638,452
Waste Water Treatment Plant	624,534	69,540	28,634	665,440
Vehicles	68,776	12,655	27,271	54,160
Total accumulated depreciation	3,936,930	228,401	1,175,968	2,989,363
Total capitalassets being depreciated, net	4,763,605			4,503,276
Water amd Sewer fund capital assets, net	$ 4,807,927			$ 4,848,519

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.58% and 6.41%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Boiling Springs is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were $50,126, $45,358, and $35,016 respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

3. Contributions.

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

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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, 2012 were $16,387, which consisted of $11,427 from the Town and $4,960 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, 2012 for general employees were $31,650 which consisted of $24,056 from the Town and $7,594 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.

At June 30, 2012, the Town of Boiling Springs had a legal debt margin of $19,705,419.
Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Business-type Activities Principal	Business-type Activities Interest	Governmental Activities Principal	Governmental Activities Interest
2013	$ 198,442	$ 63,391	$ 27,182	$ 2,653
2014	200,763	57,361	27,693	2,142
2015	120,984	51,240	28,213	1,621
2016	123,503	45,022	28,744	1,091
2017	126,127	41,095	29,284	551
2018-2022	673,966	142,774	-	-
2023-2027	390,370	37,417	-	-
2028-2029	-	1,212	-	-
Total	$ 1,834,155	$ 439,512	$ 141,116	$ 8,058

b. Changes in Long-Term Liabilities

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Governmental activities:					
Installment purchase	$ -	$ 141,116	$ -	$ 141,116	$ 27,182
Governmental activity long-term liabilities	$ -	$ 141,116	$ -	$ 141,116	$ 27,182
Business-type activities:					
BB&T Governmental Finance Center	$ 859,247	$ -	$ 53,856	$ 805,391	$ 56,089
State Revolving Loan Fund	246,600	-	82,200	164,400	82,200
State Revolving Loan Fund	841,078	-	52,567	788,511	52,567
State Revolving Loan Fund	83,441	-	7,588	75,853	7,585
Business-type activity long-term liabilities	$ 2,030,366	$ -	$ 196,211	$ 1,834,155	$ 198,441

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 the current year 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.

C. Fund Balance

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

Total fund balance-General Fund	***$2,588,589***
Less;	
Prepaid Expenses	4,775
Stabilization by State Statute	20,680
Streets - Powell Bill	751,611
Capital Reserve	69,800
Working Capital / Fund Balance Policy	363,597
Remaining Fund Balance	1,378,126

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.

Supplementary Statements

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

SCHEDULE 1

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, 2012
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	June 30, 2012		VARIANCE FAVORABLE	6/30/2011
	BUDGET	ACTUAL	(UNFAVORABLE)	ACTUAL
REVENUES				
Advalorem Taxes:				
Current Year	$ 753,040	$ 771,473	$ 18,433	$ 767,924
Prior Years	14,000	17,313	3,313	17,996
Discounts & Interest-Net	400	2,005	1,605	1,809
Total	767,440	790,791	23,351	787,729
Other Taxes & Licenses:				
Local Option Sales Tax	270,300	304,167	33,867	278,081
Privilege License	2,000	2,171	171	2,299
Total	272,300	306,338	34,038	280,380
Unrestricted Intergovernmental Revenue:				
Franchise Tax	179,300	190,258	10,958	191,777
Restricted Intergovernmental Revenue:				
Grants	67,369	70,022	2,653	69,122
"State Street Aid" Allocation	123,717	127,766	4,049	118,014
	191,086	197,788	6,702	187,136
Permits, fees, other receipts:				
Court Fees	5,000	3,694	(1,306)	6,957
Zoning	600	890	290	1,030
Waste Fees	166,000	169,675	3,675	168,287
Other	34,800	42,047	7,247	15,010
Total	206,400	216,306	9,906	191,284
Investment Earnings:				
Interest-General Fund	10,000	9,409	(591)	20,124
Interest-Powell Bill	4,000	3,915	(85)	7,958
Total	14,000	13,324	(676)	28,082
TOTAL REVENUES	$ 1,630,526	$1,714,805	$ 84,279	$ 1,666,388

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, 2012
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

SCHEDULE 1

	June 30, 2012		VARIANCE FAVORABLE	6/30/2011
	BUDGET	ACTUAL	(UNFAVORABLE)	ACTUAL
EXPENDITURES:				
General Government:				
Operating Expenses	$ 65,400	$ 60,930	$ 4,470	$ 53,167
Contingency	8,800	-	8,800	-
Dues	13,800	14,196	(396)	13,862
Professional Services	16,500	14,584	1,916	15,606
Total	104,500	89,710	14,790	82,635
Administration:				
Salaries	175,549	174,874	675	172,559
Operating Expenses	1,200	1,171	29	987
Social Security	13,430	12,921	509	12,524
Retirement	20,284	20,170	114	18,957
Capital Outlay	-	-	-	9,687
Group Insurance	16,920	17,020	(100)	17,487
General Insurance	46,700	40,978	5,722	37,356
Total	274,083	267,134	6,949	269,557
Public Buildings:				
Operating Expenses	3,500	3,550	(50)	1,770
Utilities	12,000	9,857	2,143	10,755
Total	15,500	13,407	2,093	12,525
TOTAL GENERAL GOVERNMENT	$ 394,083	$ 370,251	$ 23,832	$ 364,717
Public Safety:				
Police:				
Salaries	280,309	278,612	1,697	269,561
Capital Outlay	51,000	45,635	5,365	35,168
Operating Expenses	234,469	215,967	18,502	168,741
Total	565,778	540,214	25,564	473,470
Fire:				
Capital Outlay	-	-	-	-
Operating Expenses	80,310	80,310	-	129,000
Total	80,310	80,310	-	129,000
TOTAL PUBLIC SAFETY	$ 646,088	$ 620,524	$ 25,564	$ 602,470
Transportation:				
Operating Expenses	44,500	41,472	3,028	37,672
Street Repair-Powell Bill	227,717	200,966	26,751	166,121
Total	272,217	242,438	29,779	203,793

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, 2012
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

SCHEDULE 1

	June 30, 2012		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2011 ACTUAL
	BUDGET	ACTUAL		
Environmental Protection:				
Salaries - Sanitation	$ 55,616	$ 51,651	$ 3,965	$ 62,059
Operating Expenses	73,007	66,069	6,938	53,778
Waste Fees	49,000	45,537	3,463	47,101
Capital Outlay	242,686	242,665	21	-
Total	420,309	405,922	14,387	162,938
Recreation:				
Salaries	62,734	60,743	1,991	40,682
Operating Expenses	122,475	118,108	4,367	94,266
Capital Outlay	-	-	-	-
	185,209	178,851	6,358	134,948
TOTAL EXPENDITURES	1,917,906	1,817,986	99,920	1,468,866
REVENUES OVER (UNDER) EXPENDITURES	(287,380)	(103,181)	184,199	197,522
OTHER FINANCING SOURCES				
Fund Balance Appropriated	147,870	-	(147,870)	-
Installment Debt Proceeds	141,116	141,116	-	-
Transfer to Capital Reserve	(1,606)	-	(1,606)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	$ -	37,935	$ 37,935	197,522
FUND BALANCE				
Beginning of Year, July 1		2,550,654		2,353,132
End of Year, June 30		$2,588,589		$ 2,550,654

TOWN OF BOILING SPRINGS, NORTH CAROLINA

Schedule 2

WATER AND SEWER FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	June 30, 2012		Variable Favorable	06/30/11
	Budget	Actual	(Unfavorable)	Actual
OPERATING REVENUES				
Water & Sewer Charges	$ 1,329,000	$ 1,367,086	$ 38,086	$ 1,383,499
Water & Sewer Taps	28,100	31,678	3,578	31,712
Total Operating Revenue	1,357,100	1,398,764	41,664	1,415,211
NON OPERATING REVENUES				
Contribution from Developer	-	-	-	100,000
Grants Received	100,000	102,294	102,294	-
Fund Balance Appropriated	26,025	-	(26,025)	-
Interest Income	8,000	3,812	(4,188)	10,180
Miscellaneous	20,200	27,878	7,678	39,028
TOTAL REVENUES	$ 1,511,325	$ 1,532,748	$ 121,423	$ 1,564,419
OPERATING EXPENDITURES				
Salaries	$ 239,106	$ 227,094	$ 12,012	$ 240,726
Social Security	18,788	17,227	1,561	18,119
Retirement	29,644	26,869	2,775	27,202
Group Insurance	45,120	40,036	5,084	47,524
Utilities	73,100	70,895	2,205	68,233
Repairs & Maintenance	51,800	30,194	21,606	25,153
Materials & Supplies	44,600	41,942	2,658	38,781
Uniforms	6,400	5,799	601	6,366
Gas	16,500	14,050	2,450	12,747
Contracted Services	382,900	345,591	37,309	373,756
Insurance	26,000	25,953	47	23,582
Telephone & Postage	21,600	20,985	615	20,963
Travel and Training	2,500	69	2,431	1,656
Miscellaneous	7,400	7,382	18	7,013
Total Operating Expenditures	965,458	874,086	91,372	911,821
OTHER EXPENDITURES				
Transfer to Capital Reserve	-	-	-	-
Transfer to Capital Project Fund	480	-	480	-
Capital Outlay	284,845	299,500	(14,655)	489,819
Debt Interest	63,400	63,391	9	69,322
Debt Principle	197,142	196,211	931	194,079
Total Other Expenditures	545,867	559,102	(13,235)	753,220
TOTAL EXPENDITURES	$ 1,511,325	$ 1,433,188	$ 78,137	$ 1,665,041

TOWN OF BOILING SPRINGS, NORTH CAROLINA

Schedule 2

WATER AND SEWER FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

(With Comparative Actual Amounts for the Year Ended June 30, 2011)

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	$ 1,532,748
Total Expenditures from page 1 of 2	1,433,188
Excess Revenues over (under) Expenditures	99,560
Depreciation	(228,401)
Loss On Assets Written Off	(16,945)
Principle Payment on Debt	196,211
Capital Outlay	288,244
Net Income (Loss) at Exhibit 8	$ 338,669

Other Schedules

This section contains additional information required on property taxes.

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

TOWN OF BOILING SPRINGS, NORTH CAROLINA
SCHEDULE OF TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2011

SCHEDULE 3

	Balance 7/1/2011	2011 Levy	Collections	Discoveries Adjustments	Balalnce 6/30/2012
2001 Levy	$ 687		$ -	$ (687)	$ -
2002 Levy	641		142	1	500
2003 Levy	784		212	-	572
2004 Levy	676		231	1	446
2005 Levy	766		9	-	757
2006 Levy	936		176	-	760
2007 Levy	1,241		420	-	821
2008 Levy	1,597		527	-	1,070
2009 Levy	3,834		2,659	-	1,175
2010 Levy	16,617		12,906	(146)	3,565
2011 Levy	-	785,925	771,473		14,452
Totals	$ 27,779	$785,925	$ 788,755	$ (831)	$ 24,118

Less: Allowance for uncollectible accounts	7,140
Ad Valorem taxes receivable - net	$ 16,978

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

Reconcilement with revenues:	
Ad valorem taxes - general fund	$ 790,791
Reconcilling items:	
Interest collected	(4,222)
Discounts allowed	2,186
Total Collections	$ 788,755

TOWN OF BOILING SPRINGS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SCHEDULE 4

	Town Wide			Total Levy	
	Poperty Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	$ 271,008,621	$ 0.29	$ 785,925	$ 697,531	$ 88,394
Discoveries:					
Current year taxes	-	0.29	-	-	-
Prior year taxes	-	-	-	-	-
Total	271,008,621	0.29	785,925	697,531	88,394
Abatements	-		-	-	-
Total property valuation	$ 271,008,621				
Net Levy			785,925	697,531	88,394
Uncollected taxes at June 30, 2012			14,452	6,697	7,755
Current year's taxes collected			$ 771,473	$ 690,834	$ 80,639
Current levy collection percentage			98.16%	99.04%	91.23%

Supplementary Information:

Compliance Section

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Certified Public Accountant

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(704) 739-0771 • (704) 739-6122 Fax

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

Town Council and Mayor
Town of Boiling Springs
Boiling Springs, North Carolina

I have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Boiling Springs, North Carolina as of and for the year ended June 30, 2012, which collectively comprises the Town of Boiling Springs' basic financial statements, and have issued my report thereon dated September 23, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Boiling Springs Tourism Development Authority were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

A 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.

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

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Compliance and Other Matters

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

I noted certain matters that I reported to management of the Town of Boiling Springs, in a separate letter dated September 23, 2012.

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

Darrell Keller, CPA, PA

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

September 23, 2012

TOWN OF BOILING SPRINGS, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 5

Grantor/Pass Through Grantor/Prog. Title	CFDA Number	Fed-Dist & Pass/through Expenditures	State Expen.
Pass Through NC Department of Commerce:			
Small Cities Community Development Block Grant	14.228	$ 39,326	$ -
State Grant:			
Non-Major Programs			
N C Dept of State Transportation:			
Powell Bill		-	200,966
Governor's Highway Safety Program		-	3,053
		-	204,019
Rural Development Economic Center, Inc.			
NC Economic Infrastructure Program Grant			55,654
Interest Income		-	-
Total State Assistance		$ 39,326	$ 259,673

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