



Darrell L. Keller, CPA, PA

**TOWN OF BOILING SPRINGS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

(704) 739-0771

Town of Boiling Springs, North Carolina
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June 30, 2013

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of Town of Boiling Springs, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these 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. The financial statements of Boiling Springs Tourism Development Authority were not audited in accordance with *Government Auditing Standards*. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 aggregate discretely presented component units, and each major fund of the Town of Boiling Springs, North Carolina, as of June 30, 2013, 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.

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 3–11 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 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.

Supplementary and Other Information

My 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, as well as the accompanying schedule of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, and other schedules, as well as the accompanying schedule of expenditures of federal and state awards 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 my opinion, the combining and individual fund financial statements, budgetary schedules, and other schedules, as well as the accompanying schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 17, 2013, on my consideration of the Town of Boiling Springs, North Carolina's 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* in considering Town of Boiling Springs, North Carolina's internal control over financial reporting and compliance.



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

October 17, 2013

TOWN OF BOILING SPRINGS, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2013

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, 2013. We encourage readers to consider the information presented. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

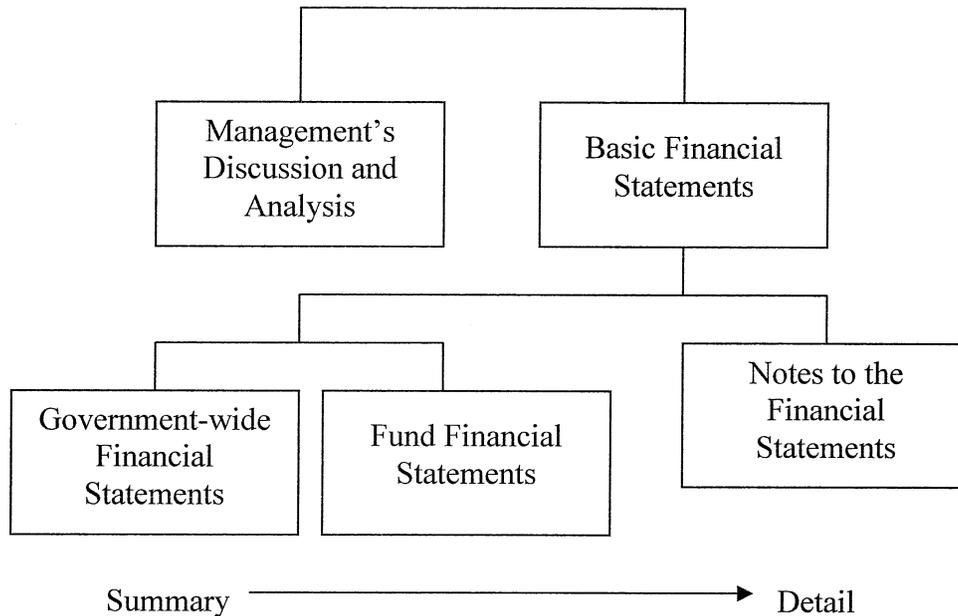
- The assets of the Town of Boiling Springs exceeded its liabilities at the close of the most recent fiscal year by \$8,055,748 (*net position*). Of this amount, \$2,899,878 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$420,352, 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 \$2,555,879, an decrease of \$33,710 in comparison with the prior year. Approximately 31.4 % of this total amount, or \$803,367, 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 \$801,367, or 45.03 % 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 \$1,300,000 USDA loan and a transfer from the Town's Unassigned Fund Balance to the Capital Project Fund in the amount of \$1,000,459.

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 shown 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 are on pages 21 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 Position

Figure 2

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	2013	2012	2013	2012	2013	2012
Current and other assets	\$2,590,231	\$2,636,193	\$1,079,322	\$1,026,920	\$3,669,553	\$3,663,113
Capital assets	1,210,139	1,217,351	4,992,850	4,848,519	6,202,989	6,065,870
Total assets	<u>3,800,370</u>	<u>3,853,544</u>	<u>6,072,172</u>	<u>5,875,439</u>	<u>9,872,542</u>	<u>9,728,983</u>
Long term liabilities outstanding	113,934	141,116	1,635,734	1,834,155	1,749,668	1,975,271
Other liabilities	17,708	30,626	49,418	87,690	67,126	118,316
Total liabilities	<u>131,642</u>	<u>171,742</u>	<u>1,685,152</u>	<u>1,921,845</u>	<u>1,816,794</u>	<u>2,093,587</u>
Net position:						
Net investment in capital assets	1,096,205	1,076,235	3,357,116	3,014,364	4,453,321	4,090,599
Restricted	702,549	772,291	-	-	702,549	772,291
Unrestricted	1,869,974	1,833,276	1,029,904	939,230	2,899,878	2,772,506
Total net position	<u>\$3,668,728</u>	<u>\$3,681,802</u>	<u>\$4,387,020</u>	<u>\$3,953,594</u>	<u>\$8,055,748</u>	<u>\$7,635,396</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Boiling Springs exceeded liabilities and deferred inflows by \$8,055,748 as of June 30, 2013. The Town's net position increased by \$420,352 for the fiscal year ended June 30, 2013. However, the largest portion (55.28%) 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 (8.72%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,899,878 is unrestricted.

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 97.96%.

The Town of Boiling Springs' Changes in Net Position

Figure 3

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 202,554	\$ 169,675	\$ 1,362,900	\$ 1,398,764	\$ 1,565,454	\$ 1,568,439
Operating grants and contributions	222,746	197,788	-	-	222,746	197,788
Capital grants and contributions	-	-	265,631	102,294	265,631	102,294
General revenues:						
Property taxes	790,878	788,280	-	-	790,878	788,280
Other taxes	503,035	496,596	-	-	503,035	496,596
Other	27,280	(13,695)	30,293	14,745	57,573	1,050
Total revenues	<u>1,746,493</u>	<u>1,638,644</u>	<u>1,658,824</u>	<u>1,515,803</u>	<u>3,405,317</u>	<u>3,154,447</u>
Expenses:						
General government	377,993	378,508	-	-	377,993	378,508
Public safety	628,945	624,016	-	-	628,945	624,016
Transportation	295,450	251,635	-	-	295,450	251,635
Environmental protection	291,034	185,423	-	-	291,034	185,423
Culture and recreation	163,492	184,113	-	-	163,492	184,113
Interest on long-term debt	2,653	-	-	-	2,653	-
Water and sewer	-	-	1,225,398	1,177,134	1,225,398	1,177,134
Total expenses	<u>1,759,567</u>	<u>1,623,695</u>	<u>1,225,398</u>	<u>1,177,134</u>	<u>2,984,965</u>	<u>2,800,829</u>
Increase in net position	(13,074)	14,949	433,426	338,669	420,352	353,618
Net position, beginning of year	<u>3,681,802</u>	<u>3,666,853</u>	<u>3,953,594</u>	<u>3,614,925</u>	<u>7,635,396</u>	<u>7,281,778</u>
Net position, end of year	<u>\$ 3,668,728</u>	<u>\$ 3,681,802</u>	<u>\$ 4,387,020</u>	<u>\$ 3,953,594</u>	<u>\$ 8,055,748</u>	<u>\$ 7,635,396</u>

Governmental activities: Governmental activities decreased the Town's net position by \$13,074.

Business-type activities: Business-type activities increased the Town of Boiling Springs' net position by \$433,426.

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 \$801,367, while total fund balance reached \$2,555,879. 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 45.03% of total General Fund expenditures, while total fund balance represents 143.63% 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 45.03% of general fund expenditures, while total fund balance represents 143.63% 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 \$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 position at the fiscal year-end in the Water and Sewer Fund were \$1,029,904. 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, 2013 totals \$6,202,989 (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	
	2013	2012	2013	2012	2013	2012
	Land and construction in progress	\$ 328,190	\$ 299,605	\$ 33,342	\$ 134,500	\$ 361,532
Buildings and system	189,289	197,546	2,574,023	2,220,321	2,763,312	2,417,867
Machinery and equipment	38,533	60,946	2,370,418	2,470,379	2,408,951	2,531,325
Infrastructure	266,975	274,580	-	-	266,975	274,580
Vehicles and motorized equipment	387,152	384,674	15,067	23,319	402,219	407,993
Total capital assets (net of depreciation)	\$ 1,210,139	\$ 1,217,351	\$ 4,992,850	\$ 4,848,519	\$ 6,202,989	\$ 6,065,870

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, 2013, the Town of Boiling Springs had total outstanding debt of \$1,749,668 of which \$82,200 is debt backed by the full faith and credit of the Town. The remaining \$1,667,460 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	
	2013	2012	2013	2012	2013	2012
	Installment purchase	\$ 113,934	\$ 141,116	\$ -	\$ -	\$ 113,934
State Revolving Loan Fund	-	-	735,944	788,511	735,944	788,511
BB&T Govt. Finance Center	-	-	749,322	805,391	749,322	805,391
State Revolving Loan Fund	-	-	82,200	164,400	82,200	164,400
State Revolving Loan Fund	-	-	68,268	75,853	68,268	75,853
Total capital assets (net of accumulated depreciation)	\$ 113,934	\$ 141,116	\$ 1,635,734	\$ 1,834,155	\$ 1,749,668	\$ 1,975,271

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 \$20,126,197.

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 10.9% in June 2012 to 10.5% in June 2013. The statewide average in June 2013 is 8.8%.
- 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, 2014

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.

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

Town of Boiling Springs, North Carolina
Statement of Net Position
June 30, 2013

	Primary Government			Boiling Springs Tourism Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,860,749	\$ 898,168	\$ 2,758,917	\$ 19,097
Taxes receivables (net)	16,644	-	16,644	-
Accounts receivable (net)	-	176,348	176,348	-
Due from other governments	60,529	-	60,529	1,381
Prepaid Assets	10,289	4,806	15,095	-
Restricted cash and cash equivalents	642,020	-	642,020	-
Total current assets	2,590,231	1,079,322	3,669,553	20,478
Capital assets (Note 1):				
Land, non-depreciable improvements, and construction in progress	274,845	33,342	308,187	-
Construction In Progress	53,345	-	53,345	-
Other capital assets, net of depreciation	881,949	4,959,508	5,841,457	-
Total capital assets	1,210,139	4,992,850	6,202,989	-
Total assets	\$ 3,800,370	\$ 6,072,172	\$ 9,872,542	\$ 20,478
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 17,708	\$ 17,593	\$ 35,301	\$ -
Customer deposits	-	31,825	31,825	-
Long-term liabilities:				
Due within one year	27,693	200,765	228,458	-
Due in more than one year	86,241	1,434,969	1,521,210	-
Total liabilities	131,642	1,685,152	1,816,794	-
NET POSITION				
Net investment in capital assets	1,096,205	3,357,116	4,453,321	-
Restricted for:				
Stabilization by State Statutes	60,529	-	60,529	-
Streets	642,020	-	642,020	-
Unrestricted	1,869,974	1,029,904	2,899,878	20,478
Total net position	\$ 3,668,728	\$ 4,387,020	\$ 8,055,748	\$ 20,478

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, 2013

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	
Primary government:							
Governmental Activities:							
General government	\$ 377,993	\$ -	\$ -	\$ -	\$ (377,993)	\$ -	(377,993)
Public safety	628,945	-	-	-	(628,945)	-	(628,945)
Transportation	295,450	-	130,671	-	(164,779)	-	(164,779)
Environmental protection	291,034	202,554	25,000	-	(63,480)	-	(63,480)
Cultural and recreation	163,492	-	67,075	-	(96,417)	-	(96,417)
Interest on long-term debt	2,653	-	-	-	(2,653)	-	(2,653)
Total governmental activities (See Note 1)	1,759,567	202,554	222,746	-	(1,334,267)	-	(1,334,267)
Business-type activities:							
Water and sewer	1,225,398	1,362,900	-	265,631	-	403,133	403,133
Total business-type activities	1,225,398	1,362,900	-	265,631	-	403,133	403,133
Total primary government	\$ 2,984,965	\$ 1,565,454	\$ 222,746	\$ 265,631	(1,334,267)	403,133	(931,134)
Component unit:							
Tourism Development Authority	\$ 17,962	-	-	-	-	-	(17,962)
Total component unit	\$ 17,962	\$ -	\$ -	\$ -	\$ -	\$ -	(17,962)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					790,878	-	790,878
Other taxes					503,035	-	503,035
Unrestricted investment earnings					6,674	2,339	9,013
Loss On Assets Sold					-	-	21
Miscellaneous					20,606	27,954	48,560
Total general revenues and transfers					1,321,193	30,293	1,351,486
Change in net position					(13,074)	433,426	420,352
Net position, beginning					3,681,802	3,953,594	7,635,396
Net position, ending					\$ 3,668,728	\$ 4,387,020	\$ 8,055,748
							\$ 20,478

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

**Town of Boiling Springs
Balance Sheet
Governmental Fund
June 30, 2013**

	General Fund	Town Hall Capital Project Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 888,875	\$ 971,874	\$ 1,860,749
Restricted cash	642,020	-	642,020
Receivables, net:			
Taxes	16,644	-	16,644
Accounts	-	-	-
Due from other governments	60,529	-	60,529
Prepaid Expenses	10,289	-	10,289
Total assets	<u>\$ 1,618,357</u>	<u>\$ 971,874</u>	<u>\$ 2,590,231</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 17,708	\$ -	\$ 17,708
Due to other funds	-	-	-
Total liabilities	<u>17,708</u>	<u>-</u>	<u>17,708</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	16,644	-	16,644
Fund balances:			
Non-spendable			
Prepaid Expenses	10,289	-	10,289
Restricted			
Stabilization by State Statute	60,529	-	60,529
Streets	642,020	-	642,020
Committed			
Capital Reserve	69,800	-	69,800
Assigned			
Town hall capital project	-	971,874	971,874
Unassigned	801,367	-	801,367
Total fund balances	<u>1,584,005</u>	<u>971,874</u>	<u>2,555,879</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,618,357</u>	<u>\$ 971,874</u>	<u>\$ 2,590,231</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. 1,210,139

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. 16,644

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). (113,934)

Net position of governmental activities \$ 3,668,728

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, 2013

	Major Funds		
	General Fund	Town Hall Capital Project	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 791,212	\$ -	\$ 791,212
Other taxes and licenses	304,043	-	304,043
Unrestricted intergovernmental	198,992	-	198,992
Restricted intergovernmental	222,746	-	222,746
Permits and fees	223,160	-	223,160
Investment earnings	6,674	-	6,674
Total revenues	1,746,827	-	\$ 1,746,827
EXPENDITURES			
Current:			
General government	370,001	-	370,001
Public safety	597,451	-	597,451
Transportation	286,253	-	286,253
Environmental protection	304,432	-	304,432
Culture and recreation	162,980	-	162,980
Debt service:			
Principal	27,182	-	27,182
Interest	2,653	-	2,653
Capital outlay	-	28,585	28,585
Total expenditures	1,750,952	28,585	1,779,537
Excess (deficiency) of revenues over expenditures	(4,125)	(28,585)	(32,710)
OTHER FINANCING SOURCES (USES)			
Installment Loan Proceeds	-	-	-
Transfers (to) from other funds	(1,000,459)	1,000,459	-
Total other financing sources (uses)	(1,000,459)	1,000,459	-
Net change in fund balance	(1,004,584)	971,874	(32,710)
Fund balances, beginning	2,588,589	-	2,588,589
Fund balances, ending	\$ 1,584,005	\$ 971,874	\$ 2,555,879

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, 2013**

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

Net changes in fund balances - total governmental funds	\$ (32,710)
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<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period</p>	(7,212)
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<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> <p style="padding-left: 20px;">Change in unavailable revenue for tax revenues</p>	(344)
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<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net 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.</p>	27,182
---	--------

<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> <p style="padding-left: 20px;">Book value of Assets Sold</p>	-
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Total changes in net position of governmental activities	<hr style="border: 0.5px solid black;"/> <u>\$ (13,084)</u>
--	---

Town of Boiling Springs
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

<u>General Fund</u>				
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	777,323	777,323	791,212	13,889
Other taxes and licenses	277,700	277,700	304,043	26,343
Unrestricted intergovernmental	186,400	186,400	198,992	12,592
Restricted intergovernmental	192,963	217,963	222,746	4,783
Permits and fees	185,000	217,500	223,160	5,660
Investment earnings	12,000	12,000	6,674	(5,326)
Total revenues	<u>1,631,386</u>	<u>1,688,886</u>	<u>1,746,827</u>	<u>57,941</u>
Expenditures:				
Current:				
General government	401,702	401,302	370,001	31,301
Public safety	626,579	626,580	597,451	29,129
Transportation	310,800	312,100	286,253	25,847
Environmental protection	244,094	322,464	304,432	18,032
Cultural and recreation	169,793	172,692	162,980	9,712
Debt service:				
Principal retirement	27,200	27,200	27,182	18
Interest expense	2,800	2,800	2,653	147
Total expenditures	<u>1,782,968</u>	<u>1,865,138</u>	<u>1,750,952</u>	<u>114,186</u>
Revenues over (under) expenditures	<u>(151,582)</u>	<u>(176,252)</u>	<u>(4,125)</u>	<u>172,127</u>
Other financing sources (uses):				
Fund Balance Appropriated	151,582	1,176,711	-	(1,176,711)
Transfer to Capital Reserve	-	(1,000,459)	(1,000,459)	
Installment Loan Proceeds	-	-	-	-
Total other financing sources (uses)	<u>151,582</u>	<u>176,252</u>	<u>(1,000,459)</u>	<u>(1,176,711)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(1,004,584)</u>	<u>\$ (1,004,584)</u>
Fund balances, beginning			<u>2,588,589</u>	
Fund balances, ending			<u>\$ 1,584,005</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, 2013**

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 898,168
Accounts receivable (net) - billed	124,386
Accounts receivable (net) - unbilled	51,962
Due from other governments	-
Prepaid Expenses	4,806
Total current assets	1,079,322
Capital assets:	
Land and other non-depreciable assets	33,342
Construction In Progress	-
Other capital assets, net of depreciation	4,959,508
Capital assets (net)	4,992,850
Total noncurrent assets	4,992,850
Total assets	\$ 6,072,172
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	17,593
Customer deposits	31,825
General obligation bonds payable-current	58,412
State Revolving Loan Fund Payable-Current	142,353
Total current liabilities	250,183
Noncurrent liabilities:	
General obligation bonds payable noncurrent (net)	690,910
State Revolving Loan Fund	744,059
Total noncurrent liabilities	1,434,969
Total liabilities	1,685,152
NET POSITION	
Net investment in capital assets	3,357,116
Unrestricted	1,029,904
Total net position	\$ 4,387,020

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, 2013

OPERATING REVENUES	
Water and Sewer Charges	\$ 1,330,423
Water and Sewer Taps	32,477
Total Operating Income	<u>1,362,900</u>
OPERATING EXPENSES	
Salaries	239,663
Utilities	76,476
Repairs and Maintenance	63,478
Materials and Supplies	96,816
Retirement	24,937
Social Security	18,215
Group Insurance	42,683
Uniforms	6,699
Gas	15,454
Contracted and Professional Service	342,249
Depreciation	241,347
Total Operating Expenses	<u>1,168,017</u>
Operating Income (Loss)	<u>194,883</u>
NON-OPERATING REVENUES (EXPENSES)	
Miscellaneous Revenues	27,954
Grants Received	-
Investment Earnings	2,339
Book Value Of Assets Written Off	-
Interest on Long Term Debt	(57,381)
Total Non-Operating Revenues (Expenses)	<u>(27,088)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	167,795
Capital contribution	265,631
CHANGE IN NET POSITION	<u>433,426</u>
TOTAL NET POSITION, BEGINNING	<u>3,953,594</u>
TOTAL NET POSITION, ENDING	<u><u>\$ 4,387,020</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, 2013

EXHIBIT 9

	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 1,376,396
Cash Paid for Goods and Services	(677,091)
Cash Paid to Employees	(239,663)
Customer Deposits - Net	<u>(880)</u>
Net Cash Provided by Operating Activities	<u>458,762</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:	
Contribution from Developer	-
Grants Received	265,631
Cash from Miscellaneous Revenues	<u>27,954</u>
Net Cash Provided By Noncapital Financing	<u>293,585</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Debt Proceeds	-
Acquisition of Capital Assets	(385,678)
Principal Paid	(198,421)
Interest Paid	<u>(57,381)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(641,480)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	<u>2,339</u>
Net Increase (Decrease) in Cash and Cash Equivalents	113,206
Cash and Cash Equivalents at Beginning of Year	784,962
Cash and Cash Equivalents at End of Year	<u>\$ 898,168</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	<u>\$ 194,883</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	<u>241,347</u>
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable and Accrued Interest	13,496
(Increase) Decrease in Due From Other Governments	51,009
(Increase) Decrease in Prepaid Assets	(3,701)
Increase (Decrease) in Accounts Payable	(37,392)
Increase (Decrease) in Customer Deposits	<u>(880)</u>
Total Adjustments	<u>22,532</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 458,762</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, 2013

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.

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 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period 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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 by 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 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, 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

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, 2012. 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:

Asset Class	Estimated Useful Lives
Infrastructure	40
Buildings	39
Improvements	39
Vehicles	5
Furniture and equipment	10
Computer equipment	5

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 no items that meet this criterion. 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 one item that meets the criterion for this category-property taxes receivable.

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.

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.

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.

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, 2013, the Town's deposits had a carrying amount of \$3,400,937 and a bank balance of \$3,519,050. Of the bank balance, \$403,123 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2013, the Town's petty cash fund totaled \$200. The Authority's deposits had a carrying amount of \$19,097 and a bank balance amount of \$19,097.

2. Investments

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust – Cash Portfolio	\$ 153,123	N/A	AAAm
Total:	\$ 153,123		

Credit Risk. The Town has no formal policy regarding credit risk. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard and Poor's as of June 30, 2013.

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	6/30/2013
General fund:	
Taxes Receivable	\$ 6,101
Accounts Receivable	-
Total	\$ 6,101
Enterprise Funds	52,728
Total	\$ 58,829

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 274,845	\$ -	\$ -	\$ 274,845
Construction in progress	24,760	28,585	-	53,345
Total capital assets not being depreciated	299,605	28,585	-	328,190
Capital assets being depreciated:				
Buildings	383,344	-	-	383,344
Equipment	229,175	-	-	229,175
Vehicles and motorized equipment	764,302	60,894	-	825,196
Infrastructure	304,183	-	-	304,183
Total capital assets being depreciated	1,681,004	60,894	-	1,741,898
Less accumulated depreciation for:				
Buildings	185,798	8,257	-	194,055
Equipment	168,229	22,413	-	190,642
Vehicles and motorized equipment	379,628	58,416	-	438,044
Infrastructure	29,603	7,605	-	37,208
Total accumulated depreciation	763,258	96,691	-	859,949
Total capital assets being depreciated, net	917,746			881,949
Governmental activity capital assets, net	\$ 1,217,351			\$ 1,210,139

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

General Government	\$	7,992
Public Safety		54,088
Transportation		9,197
Environmental protection		24,902
Cultural and recreational		512
Total depreciation expense	\$	<u>96,691</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciate:				
Land	\$ 33,342	\$ -	\$ -	\$ 33,342
Construction in Progress	101,158	-	101,158	-
Total capital assets not being depreciated	<u>134,500</u>	<u>-</u>	<u>101,158</u>	<u>33,342</u>
Capital assets being depreciated:				
Water lines & Equipment	4,101,690	23,724	-	4,125,414
Clean Water Facility	1,020,720	42,000	-	1,062,720
Waste Water Treatment Plant	2,503,493	421,112	-	2,924,605
Vehicles	77,479	-	-	77,479
Total capital assets being depreciated	<u>7,703,382</u>	<u>486,836</u>	<u>-</u>	<u>8,190,218</u>
Less accumulated depreciation for:				
Water lines & Equipment	1,631,311	123,685	-	1,754,996
Clean Water Facility	638,452	26,320	-	664,772
Waste Water Treatment Plant	665,440	83,090	-	748,530
Vehicles	54,160	8,252	-	62,412
Total accumulated depreciation	<u>2,989,363</u>	<u>241,347</u>	<u>-</u>	<u>3,230,710</u>
Total capital assets being depreciated, net	<u>4,714,019</u>			<u>4,503,276</u>
Water and Sewer fund capital assets, net	<u>\$ 4,848,519</u>			<u>\$ 4,992,850</u>

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 6.74% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Boiling Springs are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$51,583, \$50,126, and \$45,358 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, 2012, 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.

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, 2013 were \$18,942, which consisted of \$13,030 from the Town and \$5,912 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, 2013 for general employees were \$35,021 which consisted of \$25,179 from the Town and \$9,842 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 inflows of resources at year-end is comprised of the following:

	<u>Unavailable Revenue</u>
Prepaid taxes (General Fund)	\$ -
Taxes receivable (General Fund)	16,644
Total	<u>\$ 16,644</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance to cover property, general liability and auto liability. Limits are \$ 1 million per occurrence, workmen's compensation of \$ 100,000 per accident and employee health coverage up to a \$ 1 million lifetime limit. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The Town does not have flood insurance. The finance officer is covered by a \$50,000 fidelity bond.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2013, 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 \$396,629 749,322

State Revolving Loan Fund

Loan due in annual installments of \$52,567 plus interest at 2.305% through May 2027. 735,944

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

\$151,706 loan due in annual installments of \$7,585 through May 1, 2022 plus interest at 2.57%. 68,268

\$1,635,734

At June 30, 2013, the Town of Boiling Springs had a legal debt margin of \$20,126,197. 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
2014	\$ 200,764	\$ 51,240	\$ 27,693	\$ 2,142
2015	120,984	45,022	28,213	1,621
2016	123,503	41,095	28,744	1,091
2017	126,127	37,064	29,284	551
2018	128,860	32,926	-	-
2019-2023	681,842	98,406	-	-
2024-2028	253,654	13,006	-	-
2029-2030	-	-	-	-
Total	\$ 1,635,734	\$ 318,759	\$ 113,934	\$ 5,405

b. Changes in Long-Term Liabilities

	Balance			Balance June 30, 2013	Current Portion of Balance
	July 1, 2012	Increases	Decreases		
Governmental activities:					
Installment purchase	\$ 141,116	\$ -	\$ 27,182	\$ 113,934	\$ 27,693
Governmental activity long-term liabilities	\$ 141,116	\$ -	\$ 27,182	\$ 113,934	\$ 27,693
Business-type activities:					
BB&T Governmental Finance Center	\$ 805,391	\$ -	\$ 56,069	\$ 749,322	\$ 58,412
State Revolving Loan Fund	164,400	-	82,200	82,200	82,200
State Revolving Loan Fund	788,511	-	52,567	735,944	52,567
State Revolving Loan Fund	75,853	-	7,585	68,268	7,586
Business-type activity long-term liabilities	\$ 1,834,155	\$ -	\$ 198,421	\$ 1,635,734	\$ 200,765

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.

C. Inter-fund Balances and Activity

Transfers to/from other funds at June 30, 2013, consists of the following:

From the General Fund to the Town Hall Capital Projects Fund \$1,000,459.

D. Fund Balance

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

<u>Total fund balance-General Fund</u>	<u>\$1,584,005</u>
Less;	
Prepaid Expenses	10,289
Stabilization by State Statute	60,529
Streets - Powell Bill	642,020
Capital Reserve	69,800
Working Capital / Fund Balance Policy	350,190
Remaining Fund Balance	451,177

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. Change in Accounting Principles

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and net Position.

Supplementary Statements

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

TOWN OF BOILING SPRINGS, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

SCHEDULE 1

	June 30, 2013		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2012 ACTUAL
	<u>BUDGET</u>	<u>ACTUAL</u>		
REVENUES				
Advalorem Taxes:				
Current Year	\$ 762,323	\$ 772,763	\$ 10,440	\$ 771,473
Prior Years	15,000	16,864	1,864	17,313
Discounts & Interest-Net	-	1,585	1,585	2,005
Total	<u>777,323</u>	<u>791,212</u>	<u>13,889</u>	<u>790,791</u>
Other Taxes & Licenses:				
Local Option Sales Tax	275,700	301,473	25,773	304,167
Privilege License	2,000	2,570	570	2,171
Total	<u>277,700</u>	<u>304,043</u>	<u>26,343</u>	<u>306,338</u>
Unrestricted Intergovernmental Revenue:				
Franchise Tax	<u>186,400</u>	<u>198,992</u>	<u>12,592</u>	<u>190,258</u>
Restricted Intergovernmental Revenue:				
Grants	91,140	92,075	935	70,022
"State Street Aid" Allocation	<u>126,823</u>	<u>130,671</u>	<u>3,848</u>	<u>127,766</u>
	<u>217,963</u>	<u>222,746</u>	<u>4,783</u>	<u>197,788</u>
Permits, fees, other receipts:				
Court Fees	4,000	1,291	(2,709)	3,694
Zoning	200	1,510	1,310	890
Waste Fees	166,800	171,226	4,426	169,675
Other	46,500	49,133	2,633	42,047
Total	<u>217,500</u>	<u>223,160</u>	<u>5,660</u>	<u>216,306</u>
Investment Earnings:				
Interest-General Fund	9,000	4,924	(4,076)	9,409
Interest-Powell Bill	<u>3,000</u>	<u>1,750</u>	<u>(1,250)</u>	<u>3,915</u>
Total	<u>12,000</u>	<u>6,674</u>	<u>(5,326)</u>	<u>13,324</u>
TOTAL REVENUES	<u><u>\$ 1,688,886</u></u>	<u><u>\$ 1,746,827</u></u>	<u><u>\$ 57,941</u></u>	<u><u>\$ 1,714,805</u></u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

SCHEDULE 1

	June 30, 2013		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2012 ACTUAL
	<u>BUDGET</u>	<u>ACTUAL</u>		
EXPENDITURES:				
General Government:				
Operating Expenses	\$ 68,000	\$ 67,929	\$ 71	\$ 60,930
Contingency	20,000	-	20,000	-
Dues	15,500	15,435	65	14,196
Professional Services	16,000	16,096	(96)	14,584
Total	<u>119,500</u>	<u>99,460</u>	<u>20,040</u>	<u>89,710</u>
Administration:				
Salaries	166,102	166,417	(315)	174,874
Operating Expenses	1,000	830	170	1,171
Social Security	13,288	12,364	924	12,921
Retirement	20,392	18,431	1,961	20,170
Capital Outlay	-	-	-	-
Group Insurance	16,020	15,677	343	17,020
General Insurance	50,000	42,778	7,222	40,978
Total	<u>266,802</u>	<u>256,497</u>	<u>10,305</u>	<u>267,134</u>
Public Buildings:				
Operating Expenses	3,000	2,797	203	3,550
Utilities	12,000	11,247	753	9,857
Total	<u>15,000</u>	<u>14,044</u>	<u>956</u>	<u>13,407</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 401,302</u>	<u>\$ 370,001</u>	<u>\$ 31,301</u>	<u>\$ 370,251</u>
Public Safety:				
Police:				
Salaries	297,054	285,788	11,266	278,612
Capital Outlay	22,600	22,594	6	45,635
Operating Expenses	225,626	207,769	17,857	215,967
Total	<u>545,280</u>	<u>516,151</u>	<u>29,129</u>	<u>540,214</u>
Fire:				
Capital Outlay	-	-	-	-
Operating Expenses	81,300	81,300	-	80,310
Total	<u>81,300</u>	<u>81,300</u>	<u>-</u>	<u>80,310</u>
TOTAL PUBLIC SAFETY	<u>\$ 626,580</u>	<u>\$ 597,451</u>	<u>\$ 29,129</u>	<u>\$ 620,524</u>
Transportation:				
Operating Expenses	45,100	44,240	860	41,472
Street Repair-Powell Bill	267,000	242,013	24,987	200,966
Total	<u>312,100</u>	<u>286,253</u>	<u>25,847</u>	<u>242,438</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, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

SCHEDULE 1

	June 30, 2013		VARIANCE FAVORABLE (UNFAVORABLE)	6/30/2012 ACTUAL
	BUDGET	ACTUAL		
Environmental Protection:				
Salaries - Sanitation	\$ 78,125	\$ 75,285	\$ 2,840	\$ 51,651
Operating Expenses	131,839	121,365	10,474	66,069
Waste Fees	74,000	69,482	4,518	45,537
Capital Outlay	38,500	38,300	200	242,665
Total	322,464	304,432	18,032	405,922
Recreation:				
Salaries	63,282	60,975	2,307	60,743
Operating Expenses	109,410	102,005	7,405	118,108
Capital Outlay	-	-	-	-
Total	172,692	162,980	9,712	178,851
Debt service:				
Principal retirement	27,200	27,182	18	-
Interest	2,800	2,653	147	-
Total debt service	30,000	29,835	165	-
TOTAL EXPENDITURES	1,865,138	1,750,952	114,186	1,817,986
REVENUES OVER (UNDER) EXPENDITURES	(176,252)	(4,125)	172,127	(103,181)
OTHER FINANCING SOURCES				
Fund Balance Appropriated	1,176,711	-	(1,176,711)	-
Installment Debt Proceeds	-	-	-	141,116
Transfer to Capital Project	(1,000,459)	(1,000,459)	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ -	(1,004,584)	\$ (1,004,584)	37,935
FUND BALANCE				
Beginning of Year, July 1		2,588,589		2,550,654
End of Year, June 30		\$ 1,584,005		\$ 2,588,589

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, 2013

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues - Town Hall Project :					
Restricted intergovernmental:					
USDA loan	<u>\$ 1,300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,300,000)</u>
Expenditures - Street Projects:					
Engineering and architectural fees	171,351	-	1,800	1,800	169,551
Construction	1,897,144	-	26,785	26,785	1,870,359
Furnishings	135,857	-	-	-	135,857
Contingency	96,107	-	-	-	96,107
Total	<u>2,300,459</u>	<u>-</u>	<u>28,585</u>	<u>28,585</u>	<u>2,271,874</u>
Other Revenues:					
Transfer from general fund	<u>1,000,459</u>	<u>-</u>	<u>1,000,459</u>	<u>1,000,459</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 971,874</u>	<u>\$ 971,874</u>	<u>\$ 971,874</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA

Schedule 3

WATER AND SEWER FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

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

	June 30, 2013		Variable Favorable (Unfavorable)	06/30/12 Actual
	Budget	Actual		
OPERATING REVENUES				
Water & Sewer Charges	\$ 1,335,200	\$ 1,330,423	\$ (4,777)	\$ 1,367,086
Water & Sewer Taps	28,100	32,477	4,377	31,678
Total Operating Revenue	<u>1,363,300</u>	<u>1,362,900</u>	<u>(400)</u>	<u>1,398,764</u>
NON OPERATING REVENUES				
Grants Received	-	-	-	102,294
Fund Balance Appropriated	80,491	-	(80,491)	-
Interest Income	8,000	2,339	(5,661)	3,812
Miscellaneous	25,900	27,954	2,054	27,878
TOTAL REVENUES	<u>\$ 1,477,691</u>	<u>\$ 1,393,193</u>	<u>\$ (84,498)</u>	<u>\$ 1,532,748</u>
OPERATING EXPENDITURES				
Salaries	\$ 258,474	\$ 239,663	\$ 18,811	\$ 227,094
Social Security	19,594	18,215	1,379	17,227
Retirement	30,111	24,937	5,174	26,869
Group Insurance	43,120	42,683	437	40,036
Utilities	78,500	76,476	2,024	70,895
Repairs & Maintenance	58,900	63,478	(4,578)	30,194
Materials & Supplies	40,050	38,235	1,815	41,942
Uniforms	6,200	6,699	(499)	5,799
Gas	15,800	15,454	346	14,050
Contracted Services	381,450	342,249	39,201	345,591
Insurance	27,100	27,085	15	25,953
Telephone & Postage	22,000	20,163	1,837	20,985
Travel and Training	1,850	1,215	635	69
Miscellaneous	24,600	10,118	14,482	7,382
Total Operating Expenditures	<u>1,007,749</u>	<u>926,670</u>	<u>81,079</u>	<u>874,086</u>
OTHER EXPENDITURES				
Transfer to Capital Reserve	-	-	-	-
Transfer to Capital Project Fund	-	-	-	-
Capital Outlay	210,300	120,046	90,254	299,500
Debt Interest	60,552	57,381	3,171	63,391
Debt Principle	199,090	198,422	668	196,211
Total Other Expenditures	<u>469,942</u>	<u>375,849</u>	<u>94,093</u>	<u>559,102</u>
TOTAL EXPENDITURES	<u>\$ 1,477,691</u>	<u>\$ 1,302,519</u>	<u>\$ 175,172</u>	<u>\$ 1,433,188</u>

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

TOWN OF BOILING SPRINGS, NORTH CAROLINA
WATER AND SEWER FUND

Schedule 3

STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON GAAP)
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS

Total Revenues from page 1 of 2	\$ 1,393,193
Total Expenditures from page 1 of 2	<u>1,302,519</u>
Excess Revenues over (under) Expenditures	90,674
Depreciation	(241,347)
Loss On Assets Written Off	-
Principle Payment on Debt	198,422
Capital Outlay	<u>120,046</u>
Net Income (Loss) at Exhibit 8	<u><u>\$ 167,795</u></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, 2013

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues - Sewer Line Project :					
Restricted intergovernmental:					
Cleveland County Grant	\$ 6,905	\$ 6,905	\$ -	\$ 6,905	\$ -
Community Develop. Block Grant	225,000	39,326	185,674	225,000	-
Rural Economic Development Cr	137,750	56,063	79,957	136,020	(1,730)
	<u>\$ 369,655</u>	<u>\$ 102,294</u>	<u>\$ 265,631</u>	<u>\$ 367,925</u>	<u>\$ (1,730)</u>
Expenditures - Street Projects:					
Engineering and inspection	40,666	34,645	6,021	40,666	-
Construction	301,334	48,600	251,193	299,793	1,541
Construction Administration	27,655	20,640	6,823	27,463	192
Contingency	-	-	-	-	-
Total	<u>369,655</u>	<u>103,885</u>	<u>264,037</u>	<u>367,922</u>	<u>1,733</u>
Other Revenues:					
Sales tax refunds	-	2,727	4,314	7,041	7,041
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 1,136</u>	<u>\$ 5,908</u>	<u>\$ 7,044</u>	<u>\$ 7,044</u>

Other Schedules

This section contains additional information required on property taxes.

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

TOWN OF BOILING SPRINGS, NORTH CAROLINA
 SCHEDULE OF TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2013

SCHEDULE 5

	Balance 7/1/2012	2012 Levy	Collections	Discoveries Adjustments	Balance 6/30/2013
2002 Levy	\$ 500		\$ 20	\$ (480)	\$ -
2003 Levy	572		28	-	544
2004 Levy	446		149	-	297
2005 Levy	757		179	2	580
2006 Levy	760		280	-	480
2007 Levy	821		151	-	670
2008 Levy	1,070		238	-	832
2009 Levy	1,175		437	-	738
2010 Levy	3,565		2,617	-	948
2011 Levy	14,452		12,764	(139)	1,549
2012 Levy	-	788,870	772,763		16,107
Totals	\$ 24,118	\$788,870	\$ 789,626	\$ (617)	\$ 22,745
					6,101
					\$ 16,644

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

Reconcilement with revenues:	
Ad valorem taxes - general fund	\$ 791,212
Reconciling items:	
Adjustments	2
Interest collected	(3,747)
Discounts allowed	2,159
Total Collections	\$ 789,626

TOWN OF BOILING SPRINGS, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 TOWN WIDE LEVY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SCHEDULE 6

	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	\$ 272,024,138	\$ 0.29	\$ 788,870	\$ 700,647	\$ 88,223
Discoveries:					
Current year taxes	-	0.29	-	-	-
Prior year taxes	-	-	-	-	-
Total	<u>272,024,138</u>	0.29	<u>788,870</u>	<u>700,647</u>	<u>88,223</u>
Abatements	-		-	-	-
Total property valuation	<u><u>\$ 272,024,138</u></u>				
Net Levy			788,870	700,647	88,223
Uncollected taxes at June 30, 2013			<u>16,107</u>	<u>8,895</u>	<u>7,212</u>
Current year's taxes collected			<u><u>\$ 772,763</u></u>	<u><u>\$ 691,752</u></u>	<u><u>\$ 81,011</u></u>
Current levy collection percentage			<u><u>97.96%</u></u>	<u><u>98.73%</u></u>	<u><u>91.83%</u></u>

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

I 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 aggregate discretely presented component units, and each major fund of Town of Boiling Springs, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Boiling Springs, North Carolina's basic financial statements and have issued my report thereon dated October 17, 2013. 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 my audit of the financial statements, I 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 my 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, I 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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
October 17, 2013

TOWN OF BOILING SPRINGS, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 7

<u>Grantor/Pass Through</u> <u>Grantor/Prog. Title</u>	CFDA Number	Fed-Dist & Pass/through Expenditures	State Expen.
<u>Pass Through NC Department of Commerce:</u>			
- Small Cities Community Development Block Grant	14.228	\$ 185,674	\$ -
 <u>State Grant:</u> <u>Non-Major Programs</u>			
N C Dept of State			
Transportation:			
Powell Bill		-	242,013
Governor's Highway Safety Program		-	-
		-	242,013
 Rural Development Economic Center, Inc.			
NC Economic Infrastructure Program Grant			79,957
 N C Department of Environment and Natural Resources:			
Curbside Recycling Rollout Cart Grant Program		-	25,000
Total State Assistance		\$ 185,674	\$ 346,970

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.