



Darrell L. Keller, CPA, PA

TOWN OF BOILING SPRINGS, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(704) 739-0771

Town of Boiling Springs, North Carolina
Table of Contents
June 30, 2019

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditor's Report	1-2
	Management's Discussion and Analysis	3-11
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	12
2	Statement of Activities	13
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	14
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
6	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General and Major Special Revenue Fund	17
7	Statement of Fund Net Position – Proprietary Funds	18
8	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	19
9	Statement of Cash Flows – Proprietary Funds	20
	Notes to the Financial Statements	21-42

Required Supplemental Financial Data:

Schedule of the Proportionate Share of the Net Pension Asset - Local Government Employees' Retirement System	43
Schedule of Contributions - Local Government Employees' Retirement System	44
Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance	45
Schedule of Total Pension Liability as a Percentage of Covered Payroll	46

Individual Fund Statements and Schedules:

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: General Fund	47-49
Schedule of Revenues and Expenditures – Budget and Actual – Capital Projects Fund – Pedestrian Improvement Project	50
Schedule of Revenues and Expenditures – Budget and Actual – Capital Projects Fund - Sidewalk Project	51
Schedule of Revenues and Expenditures – Budget and Actual – Capital Projects Fund – Uptown Revitalization	52
Schedule of Revenues and Expenditures – Budget and Actual - Park Improvement Project	53
Schedule of Revenues and Expenditures – Budget and Actual - North Main Street Corridor Bicycle/Pedestrian/Parking Study	54
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Water and Sewer Fund	55-56
Waste Water Treatment Plant Generator	57

Other Schedules:

Schedule of Ad Valorem Taxes Receivable	58
Analysis of Current Tax Levy – Town-Wide Levy	59

Compliance Section:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i>	60-61
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FINANCIAL SECTION

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Boiling Springs, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Boiling Springs, North Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Boiling Springs, North Carolina, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in note V to the financial statements the Town adopted new accounting guidance, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 43 and 44, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 45 and 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

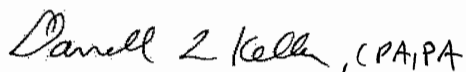
Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2019, on our consideration of the Town of Boiling Springs, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Boiling Springs, North Carolina's internal control over financial reporting and compliance.



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

December 1, 2019

TOWN OF BOILING SPRINGS, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2019

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, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

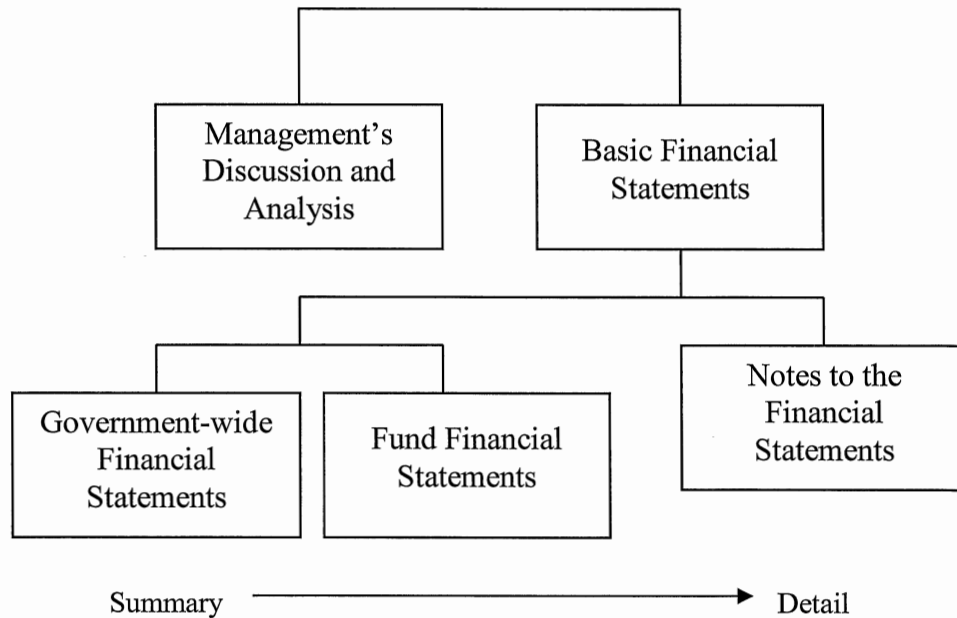
- The assets and deferred outflows of resources of the Town of Boiling Springs exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,233,604 (*net position*). Of this amount, \$1,281,644 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$296,189, primarily due to increases in the governmental 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 \$2,186,928, a decrease of \$147,760 in comparison with the prior year. Approximately 40.2 % of this total amount, or \$879,075, is available for spending at the government's discretion (*unassigned fund balance*).

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 begin on page 21.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 43 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>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,275,941	\$ 2,406,459	\$ 741,018	\$ 547,443	\$ 3,016,959	\$ 2,953,902
Net pension asset	-	-	-	-	-	-
Capital assets	2,953,667	2,721,845	5,267,937	5,417,133	8,221,604	8,138,978
Total assets	5,229,608	5,128,304	6,008,955	5,964,576	11,238,563	11,092,880
Deferred outflows of resources	209,323	141,508	62,462	40,628	271,785	182,136
Long term liabilities outstanding	903,700	869,120	1,144,790	1,280,724	2,048,490	2,149,844
Other liabilities	76,430	57,104	133,806	114,865	210,236	171,969
Total liabilities	980,130	926,224	1,278,596	1,395,589	2,258,726	2,321,813
Deferred inflows of resources	15,237	12,388	2,781	3,400	18,018	15,788
Net position:						
Net investment in capital						
assets	2,498,667	2,221,345	4,219,153	4,212,142	6,717,820	6,433,487
Restricted	1,234,140	1,159,420	-	-	1,234,140	1,159,420
Unrestricted	710,757	950,435	570,887	394,073	1,281,644	1,344,508
Total net position	\$ 4,443,564	\$ 4,331,200	\$ 4,790,040	\$ 4,606,215	\$ 9,233,604	\$ 8,937,415

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 \$9,233,604 as of June 30, 2019. The Town's net position increased by \$296,189 for the fiscal year ended June 30, 2019. However, the largest portion (72.75%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Boiling Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Boiling Springs' net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Boiling Springs' net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,281,644 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 99.15%.

The Town of Boiling Springs' Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 225,897	\$ 225,897	\$1,558,840	\$ 1,399,810	\$ 1,784,737	\$ 1,625,707
Operating grants and contributions	237,818	253,217	-	-	237,818	253,217
Capital grants and contributions	49,130	-	-	-	49,130	-
General revenues:						
Property taxes	1,076,140	1,031,779	-	-	1,076,140	1,031,779
Other taxes	662,245	621,416	-	-	662,245	621,416
Other	110,678	127,927	30,771	(8,164)	141,449	119,763
Total revenues	<u>2,361,908</u>	<u>2,260,236</u>	<u>1,589,611</u>	<u>1,391,646</u>	<u>3,951,519</u>	<u>3,651,882</u>
Expenses:						
General government	551,483	499,905	-	-	551,483	499,905
Public safety	916,296	861,735	-	-	916,296	861,735
Transportation	221,947	70,618	-	-	221,947	70,618
Environmental protection	353,044	345,248	-	-	353,044	345,248
Culture and recreation	192,736	199,031	-	-	192,736	199,031
Interest on long-term debt	14,038	15,344	-	-	14,038	15,344
Water and sewer	-	-	1,405,786	1,369,909	1,405,786	1,369,909
Total expenses	<u>2,249,544</u>	<u>1,991,881</u>	<u>1,405,786</u>	<u>1,369,909</u>	<u>3,655,330</u>	<u>3,361,790</u>
Increase in net position	112,364	268,355	183,825	21,737	296,189	290,092
Net position, beginning of year	<u>4,331,200</u>	<u>4,062,845</u>	<u>4,606,215</u>	<u>4,584,478</u>	<u>8,937,415</u>	<u>8,647,323</u>
Net position, end of year	<u>\$ 4,443,564</u>	<u>\$ 4,331,200</u>	<u>\$ 4,790,040</u>	<u>\$ 4,606,215</u>	<u>\$ 9,233,604</u>	<u>\$ 8,937,415</u>

Governmental activities: Governmental activities increased the Town's net position by \$112,364.

Business-type activities: Business-type activities increased the Town of Boiling Springs' net position by \$183,825.

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 \$879,075, while total fund balance reached \$2,186,928. 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 40.2% of total General Fund expenditures, while total fund balance represents 87.07% 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 40.2% of general fund expenditures, while total fund balance represents 87.07% 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 \$83,011. 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 was \$570,887. 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, 2019 totals \$8,221,604 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

The Town of Boiling Springs' Capital Assets

Figure 4

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land and construction in progress	\$ 401,523	\$ 318,555	\$ 36,069	\$ 33,069	\$ 437,592	\$ 351,624
Buildings and system	1,833,634	1,889,687	2,050,918	2,295,930	3,884,552	4,185,617
Machinery and equipment	17,556	18,581	3,092,493	3,048,530	3,110,049	3,067,111
Infrastructure	351,781	362,838	-	-	351,781	362,838
Vehicles and motorized equipment	349,173	132,184	88,457	39,604	437,630	171,788
Total capital assets (net of depreciatio	\$ 2,953,667	\$ 2,721,845	\$ 5,267,937	\$ 5,417,133	\$ 8,221,604	\$ 8,138,978

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

Long-term Debt: As of June 30, 2019, the Town of Boiling Springs had total outstanding debt of \$1,503,784. This represents G.S 160A-20 financing that pledges the assets purchased as collateral instead of the taxing authority of the Town.

The Town of Boiling Springs' Outstanding Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Direct Placement Town Hall	\$ 455,000	\$ 500,500	\$ 245,000	\$ 269,500	\$ 700,000	\$ 770,000
Direct Placement Pump Station	-	-	420,539	473,107	420,539	473,107
Direct Placement Water	-	-	360,489	432,043	360,489	432,043
Direct Placement Sewer	-	-	22,756	30,341	22,756	30,341
Pension Related Debt (LGERS)	233,972	221,731	77,991	73,910	311,963	295,641
Pension Related Debt (LEO)	156,456	140,944	-	-	156,456	140,944
Total Debt	\$ 845,428	\$ 863,175	\$ 1,126,775	\$ 1,278,901	\$ 1,972,203	\$ 2,142,076

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 \$20,647,612.

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

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Boiling Springs reputation as a family oriented, quiet town has made the Town a highly desired place to live in recent decades.
- We are currently experiencing moderate growth with the construction of a few single-family homes, business expansions, and new businesses utilizing vacant commercial space.
- The Town's largest water customer is Gardner Webb University. GWU has experienced an increase in enrollment in the last year which has increased water and sewer revenues for the Town. In order to maintain the current level of service and implement the CIP plan for the Water/Sewer Fund, rates will need to be evaluated closely each year. In addition, the Town and GWU have been working together to improve relations and promote a more "town and gown" feel to the community. We partnered to paint the GWU bulldog on the Town's water tower and are looking into partnering with them on a music festival to be held in the Spring of 2020. GWU and the Town feel that making Boiling Springs feel more like a college town will benefit both sides with increased enrollment resulting in increased water and sewer usage.

Budget Highlights for Fiscal Year Ending June 30, 2020

Governmental Activities: The governmental fund's primary revenue resource is property taxes. Although it has not been budgeted at this time, the 2011 Lodal trash truck will need to be replaced soon. The costs associated with providing town services has increased over the last couple of years with minimal increases in rates and fees to customers. Therefore, it has become necessary to raise the property tax rate by \$.01 to \$.39 per \$100 valuation. Trash and recycling rates and various other fees for the 2019-2020 fiscal year. Recycling rates increased from \$3.50 to \$6.00 per month for residents. This increase is largely to pass along the increased charge from the contractor to the Town for providing this service. If there additional increases to the Town in the 2020-2021 fiscal year, there could be some discussion of whether or not to continue to offer this service.

To provide and plan for the Town's current and future planning and development needs, the Town will contract with a consultant in 2018-2019 to develop a Downtown Master Plan. This plan is funded by a Department of Commerce Grant. This plan will coincide with a Bike-Ped-Parking Study for the North Main Street Corridor being funded through State Planning and Research Funds made available by the Federal Highway Administration. The Town continues to work with the consultants for both projects in 2019-2020 year.

Town residents voted to approve beer and wine sales in the November 2018 election. The results of that election will have implications on the Downtown Master Plan and our Code of Ordinances, as well as other financial implications. The Town allocated funds to update and/or amend the Ordinances in the 2019-2020 fiscal year. Although the Town was unsure about the revenue alcohol sales would generate at the time the 2019-20 budget was prepared, it seems likely now that the Town could expect an allocation of approximately \$40,000 in alcoholic beverage excise taxes.

The Town has received generous grants of \$150,000 from the North Carolina Department of Natural and Cultural Resources and \$80,000 from Cleveland County for park and sidewalk

improvements 2018-19. The first phase of the park improvement project is expected to be completed in the 2019-20 fiscal year.

Business-type Activities: The Town of Boiling Springs purchases water from the City of Shelby for resale to town residents. Although the City of Shelby did not increase rates, prior rate increases were not passed along to customers and costs associated with providing water and sewer service have increased over the past couple of years. The Town contracted with an engineering firm to complete a Capital Improvement Plan in 2017-2018 to determine how to prioritize service expansions and the replacement of aging infrastructure. In order to keep up with the rising costs of service and fund the CIP, it was necessary to increase water and sewer rates in the 2019-2020 fiscal year.

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, 2019

	Primary Government			Boiling Springs Tourism Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 929,942	\$ 355,048	\$ 1,284,990	\$ 50,546
Investment-NCCMT	81,628	87,595	169,223	
Taxes receivables (net)	12,583	-	12,583	-
Accounts receivable (net)	20,693	169,172	189,865	-
Due from other governments	202,846	3,397	206,243	1,829
Prepaid Assets	3,913	2,011	5,924	2,625
Restricted cash and cash equivalents	1,024,336	123,795	1,148,131	-
Total current assets	2,275,941	741,018	3,016,959	55,000
Non-current assets:				
Net Pension Asset	-	-	-	-
Capital assets (Note 1):				
Land, non-depreciable improvements, and construction in progress	274,845	33,069	307,914	-
Construction In Progress	126,678	3,000	129,678	-
Other capital assets, net of depreciation	2,552,144	5,231,868	7,784,012	-
Total capital assets	2,953,667	5,267,937	8,221,604	-
Total assets	\$ 5,229,608	\$ 6,008,955	\$ 11,238,563	\$ 55,000
DEFERRED OUTFLOWS OF RESOURCES				
	209,323	62,462	271,785	-
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 76,430	\$ 57,011	\$ 133,441	\$ -
Customer deposits	-	76,795	76,795	-
Long-term liabilities:				
Compensated absences	58,272	18,015	76,287	-
Net pension liability	233,972	77,991	311,963	-
Total pension liability	156,456	-	156,456	-
Due within one year	45,500	159,171	204,671	-
Due in more than one year	409,500	889,613	1,299,113	-
Total liabilities	980,130	1,278,596	2,258,726	-
DEFERRED INFLOWS OF RESOURCES				
	15,237	2,781	18,018	-
NET POSITION				
Net investment in capital assets	2,498,667	4,219,153	6,717,820	-
Restricted for:				
Stabilization by State Statutes	223,539	-	223,539	1,829
Streets	746,815	-	746,815	-
Capital projects	263,786	-	263,786	-
Unrestricted	710,757	570,887	1,281,644	53,171
Total net position	\$ 4,443,564	\$ 4,790,040	\$ 9,233,604	\$ 55,000

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, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Boiling Springs Tourism Development Authority
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 551,483	\$ -	\$ -	\$ -	\$ (551,483)	\$ -	\$ (551,483)	\$ -
Public safety	916,296	-	34,000	-	(882,296)	-	(882,296)	-
Transportation	221,947	-	126,645	-	(95,302)	-	(95,302)	-
Environmental protection	353,044	225,897	-	-	(127,147)	-	(127,147)	-
Cultural and recreation	192,736	-	77,173	49,130	(66,433)	-	(66,433)	-
Interest on long-term debt	14,038	-	-	-	(14,038)	-	(14,038)	-
Total governmental activities (See Note 1)	2,249,544	225,897	237,818	49,130	(1,736,699)	-	(1,736,699)	-
Business-type activities:								
Water and sewer	1,405,786	1,558,840	-	-	-	153,054	153,054	-
Total business-type activities	1,405,786	1,558,840	-	-	-	153,054	153,054	-
Total primary government	\$ 3,655,330	\$ 1,784,737	\$ 237,818	\$ 49,130	(1,736,699)	153,054	(1,583,645)	-
Component unit:								
Tourism Development Authority	\$ 10,812	-	-	-	-	-	-	(10,812)
Total component unit	\$ 10,812	\$ -	\$ -	\$ -	-	-	-	(10,812)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,076,140	-	1,076,140	-
Other taxes					662,245	-	662,245	21,370
Unrestricted investment earnings					11,921	5,824	17,745	66
Transfers					-	-	-	-
Miscellaneous					98,757	24,947	123,704	-
Total general revenues and transfers					1,849,063	30,771	1,879,834	21,436
Change in net position					112,364	183,825	296,189	10,624
Net position, beginning					4,331,200	4,606,215	8,937,415	44,376
Net position, ending					\$ 4,443,564	\$ 4,790,040	\$ 9,233,604	\$ 55,000

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

**Town of Bolling Springs
Balance Sheet
Governmental Fund
June 30, 2019**

	General Fund	Pedestrian	Sidewalk Capital Project Fund	Revitalization Capital Project Fund	Park Improvement Project	Bicycle/Pedestrian Parking Study	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 929,942	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 929,942
Restricted cash	487,995	89,880	205,490	36,354	198,703	5,914	1,024,336
Investment-NCCMT	81,628	-	-	-	-	-	81,628
Receivables, net:							
Taxes	12,583	-	-	-	-	-	12,583
Accounts	20,693	-	-	-	-	-	20,693
Due from other governments	202,846	-	-	-	-	-	202,846
Prepaid Expenses	3,913	-	-	-	-	-	3,913
Total assets	<u>\$ 1,739,600</u>	<u>\$ 89,880</u>	<u>\$ 205,490</u>	<u>\$ 36,354</u>	<u>\$ 198,703</u>	<u>\$ 5,914</u>	<u>\$ 2,275,941</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 62,695	\$ -	\$ -	\$ -	\$ -	\$ 13,735	\$ 76,430
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>62,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,735</u>	<u>76,430</u>
DEFERRED INFLOWS OF RESOURCES							
Property taxes receivable	12,583	-	-	-	-	-	12,583
Fund balances:							
Non-spendable							
Prepaid Expenses	3,913	-	-	-	-	-	3,913
Restricted							
Stabilization by State Statute	223,539	-	-	-	-	-	223,539
Streets	487,995	53,330	205,490	-	-	-	746,815
Committed							
Capital Reserve	69,800	-	-	-	-	-	69,800
Assigned							
Capital projects	-	36,550	-	36,354	198,703	(7,821)	263,786
Unassigned	879,075	-	-	-	-	-	879,075
Total fund balances	<u>1,664,322</u>	<u>89,880</u>	<u>205,490</u>	<u>36,354</u>	<u>198,703</u>	<u>(7,821)</u>	<u>2,186,928</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,739,600</u>	<u>\$ 89,880</u>	<u>\$ 205,490</u>	<u>\$ 36,354</u>	<u>\$ 198,703</u>	<u>\$ 5,914</u>	<u>\$ 2,275,941</u>

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

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

2,953,667

Net Pension Liability

(233,972)

Total pension liability

(156,456)

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

66,844

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

142,479

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.

12,583

Pension related deferrals

(15,237)

Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 4).

Net position of governmental activities

(513,272)

\$ 4,443,564

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

Town of Boiling Springs
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2019

	Major Funds						Total Governmental Funds
	General Fund	Pedestrian Capital Project	Sidewalk Capital Project	Revitalization Capital Project	Park Improvement	Bicycle Pedestrian	
REVENUES							
Ad valorem taxes	\$ 1,078,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,078,223
Other taxes and licenses	439,866	-	-	-	-	-	439,866
Unrestricted intergovernmental	222,379	-	-	-	-	-	222,379
Restricted intergovernmental	237,818	-	-	-	49,130	-	286,948
Permits and fees	316,525	-	-	-	-	-	316,525
Investment earnings	20,050	-	-	-	-	-	20,050
Total revenues	2,314,861	-	-	-	49,130	-	\$ 2,363,991
EXPENDITURES							
Current:							
General government	488,419	-	-	-	-	-	488,419
Public safety	875,461	-	-	-	-	-	875,461
Transportation	210,890	-	-	-	-	-	210,890
Environmental protection	326,520	-	-	-	-	-	326,520
Culture and recreation	192,736	-	-	-	-	-	192,736
Debt service:							
Principal	45,500	-	-	-	-	-	45,500
Interest	14,038	-	-	-	-	-	14,038
Capital outlay	275,220	11,720	-	13,646	39,780	17,821	358,187
Total expenditures	2,428,784	11,720	-	13,646	39,780	17,821	2,511,751
Excess (deficiency) of revenues over expenditures	(113,923)	(11,720)	-	(13,646)	9,350	(17,821)	(147,760)
OTHER FINANCING SOURCES (USES)							
Installment Loan Proceeds	-	-	-	-	-	-	-
Transfers (to) from other funds	(199,353)	-	-	-	189,353	10,000	-
Total other financing sources (uses)	(199,353)	-	-	-	189,353	10,000	-
Net change in fund balance	(313,276)	(11,720)	-	(13,646)	198,703	(7,821)	(147,760)
Fund balances, beginning	1,977,598	101,600	205,490	50,000	-	-	2,334,688
Fund balances, ending	\$ 1,664,322	\$ 89,880	\$ 205,490	\$ 36,354	\$ 198,703	\$ (7,821)	\$ 2,186,928

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, 2019

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

Net changes in fund balances - total governmental funds	\$ (147,760)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period	231,821
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	49,384
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities	14,756
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	(2,083)
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.	45,500
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Book value of Assets Abandoned	-
Change in Compensated Absences	(5,986)
Pension Expense	(73,268)
Total changes in net position of governmental activities	<u>\$ 112,364</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, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	1,049,000	1,049,000	1,078,223	29,223
Other taxes and licenses	415,000	415,000	439,866	24,866
Unrestricted intergovernmental	3,500	217,200	222,379	5,179
Restricted intergovernmental	116,650	238,850	237,818	(1,032)
Permits and fees	642,700	300,800	316,525	15,725
Investment earnings	11,000	11,000	20,050	9,050
Total revenues	2,237,850	2,231,850	2,314,861	83,011
Expenditures:				
Current:				
General government	570,800	512,600	488,419	24,181
Public safety	985,225	1,019,225	957,300	61,925
Transportation	178,200	238,200	210,890	27,310
Environmental protection	540,925	549,125	519,901	29,224
Cultural and recreation	200,500	200,500	192,736	7,764
Debt service:				
Principal retirement	-	-	45,500	(45,500)
Interest expense	62,200	62,200	14,038	48,162
Total expenditures	2,537,850	2,581,850	2,428,784	153,066
Revenues over (under) expenditures	(300,000)	(350,000)	(113,923)	236,077
Other financing sources (uses):				
Fund Balance Appropriated	300,000	549,353	-	(549,353)
Transfer to Capital Project Funds	-	(199,353)	(199,353)	-
Installment Loan Proceeds	-	-	-	-
Total other financing sources (uses)	300,000	350,000	(199,353)	(549,353)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	(313,276)	\$ (313,276)
Fund balances, beginning			1,977,598	
Fund balances, ending			<u>\$ 1,664,322</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, 2019**

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 355,048
Restricted cash	123,795
Investment-NCCMT	87,595
Accounts receivable (net) - billed	105,601
Accounts receivable (net) - unbilled	63,571
Due from other governments	3,397
Prepaid Expenses	2,011
Total current assets	<u>741,018</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	33,069
Construction In Progress	3,000
Other capital assets, net of depreciation	5,231,868
Capital assets (net)	<u>5,267,937</u>
Total noncurrent assets	<u>5,267,937</u>
Total assets	<u>\$ 6,008,955</u>
DEFERRED OUTFLOWS OF RESOURCES	
	<u>62,462</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	57,011
Customer deposits	76,795
Compensated absences	18,015
Installment loan-current portion	24,500
General obligation bonds payable-current	74,518
State Revolving Loan Fund Payable-Current	60,153
Total current liabilities	<u>310,992</u>
Noncurrent liabilities:	
Net pension liability	77,991
Installment loan	220,500
General obligation bonds payable-noncurrent (net)	285,971
State Revolving Loan Fund	383,142
Total noncurrent liabilities	<u>967,604</u>
Total liabilities	<u>1,278,596</u>
DEFERRED INFLOWS OF RESOURCES	
	<u>2,781</u>
NET POSITION	
Net investment in capital assets	4,219,153
Unrestricted	570,887
Total net position	<u>\$ 4,790,040</u>

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, 2019

OPERATING REVENUES	
Water and Sewer Charges	\$ 1,514,550
Water and Sewer Taps	44,290
Total Operating Income	<u>1,558,840</u>
OPERATING EXPENSES	
Salaries	278,387
Utilities	82,266
Repairs and Maintenance	44,489
Non-capital Equipment Purchases	725
Materials and Supplies	145,372
Retirement	30,885
Social Security	21,541
Group Insurance	32,836
Uniforms	6,231
Gas	14,405
Contracted and Professional Service	447,367
Depreciation	265,051
Total Operating Expenses	<u>1,369,555</u>
Operating Income (Loss)	<u>189,285</u>
NON-OPERATING REVENUES (EXPENSES)	
Miscellaneous Revenues	24,947
Investment Earnings	5,824
Lattimore Reimbursements	-
Interest on Long Term Debt	(36,231)
Total Non-Operating Revenues (Expenses)	<u>(5,460)</u>
CHANGE IN NET POSITION	183,825
TOTAL NET POSITION, BEGINNING	<u>4,606,215</u>
TOTAL NET POSITION, ENDING	<u><u>\$ 4,790,040</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, 2019

Exhibit 9

	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 1,532,438
Cash Paid for Goods and Services	(826,225)
Cash Paid to Employees	(278,387)
Customer Deposits - Net	15,933
Net Cash Provided by Operating Activities	<u>443,759</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:	
Lattimore Reimbursements	-
Transfer to Capital Projects	-
Cash from Miscellaneous Revenues	24,947
Net Cash Provided By Noncapital Financing	<u>24,947</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Book Value of Assets Sold or Abandoned	-
Acquisition of Capital Assets	(115,855)
Principal Paid	(156,207)
Interest Paid	(36,231)
Net Cash Used for Capital and Related Financing Activities	<u>(308,293)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	5,824
Net Increase (Decrease) in Cash and Cash Equivalents	166,237
Cash and Cash Equivalents at Beginning of Year	400,201
Cash and Cash Equivalents at End of Year	<u>\$ 566,438</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	<u>\$ 189,285</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	265,051
Provision for Uncollectible Accounts	-
Pension Expense	-
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable and Accrued Interest	(26,402)
(Increase) Decrease in Due From Other Governments	(955)
(Increase) Decrease in Prepaid Assets	19
Decrease in Net Pension Asset	-
(Increase) Decrease in Deferred Outflows of Resources-Pensions	(21,834)
Increase (Decrease) in Net Pension Liability	24,635
Decrease in Deferred Inflows of Resources-Pensions	(619)
Increase (Decrease) in Accounts Payable	3,008
Increase (Decrease) in Customer Deposits	15,933
Increase (Decrease) in Compensated Absences	(4,362)
Total Adjustments	<u>(10,577)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 443,759</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, 2019

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.

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

Boiling Springs Elementary Pedestrian Improvement Capital Project Fund. This fund is used to account for the construction of new walkways.

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

Revitalization Capital Project Fund. This fund is used to account for the planning, design, and construction of the project.

Boiling Springs Park Improvement Capital Project. This fund is used to account for the planning, design, and construction of the project.

North Main Street Corridor Bicycle/Pedestrian/ Parking Study Project. This fund is used to account for the planning, and design of the project.

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.

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

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

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 investments are reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136.41.1 through 136-41.4. The Town also has five capital projects in progress at June 30, 2019.

Town of Boiling Springs Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 487,995
Capital Projects	536,341
Total governmental activities	<u>\$ 1,024,336</u>
Business-Type Activities	
Customer Deposits	\$ 76,795
Capital Projects	47,000
Total business-type activities	<u>\$ 123,795</u>
Total Restricted Cash	<u>\$ 1,148,131</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. 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.

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical value. 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
Vehicles and Motorized Equipment	5-7
Furniture and equipment	7-10
Computer equipment	5
Water Lines and Equipment	40
Clean Water Facility	40
Wastewater Treatment Plant	40

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has items that meets this criterion, pension related deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items the meet the criterion for this category-property taxes receivable and pension deferrals.

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 are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period I which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation". RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted fund balance on the face of the balance sheet.

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

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

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

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

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

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

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

The Town of Boiling Springs has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town 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.

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Boiling Springs' employer contributions are recognized when due and the Town of Boiling Springs has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

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

None

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the Authority's agents in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the Authority, these deposits are considered to be held by the Town's and the Authority's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the Authority, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the Authority have no policy regarding custodial credit risks for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$2,432,821 and a bank balance of \$2,437,904. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$300. The Authority's deposits had a carrying amount of \$50,546 and a bank balance amount of \$50,546.

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Investments

Investment Type	Valuation Measurement Method	Book Value	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	\$ 169,223	N/A	AAAm
Total:		\$ 169,223		

At June 30, 2019, the Town of Boiling Springs had \$169,223 invested with the North Carolina Capital Management Trust Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Cash Portfolio was valued at fair value. The Town has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

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

Fund	6/30/2019
General fund:	
Taxes Receivable	\$ 6,938
Accounts Receivable	-
Total	\$ 6,938
Enterprise Funds	92,019
Total	\$ 98,957

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 274,845	\$ -	\$ -	\$ 274,845
Construction in progress	43,710	82,968	-	126,678
Total capital assets not being depreciated	318,555	82,968	-	401,523
Capital assets being depreciated:				
Buildings	2,224,303	-	-	2,224,303
Equipment	198,535	-	7,427	191,108
Vehicles and motorized equipment	904,244	275,220	12,500	1,166,964
Infrastructure	442,273	-	-	442,273
Total capital assets being depreciated	3,769,355	275,220	19,927	4,024,648
Less accumulated depreciation for:				
Buildings	334,616	56,053	-	390,669
Equipment	179,954	1,025	7,427	173,552
Vehicles and motorized equipment	772,060	58,231	12,500	817,791
Infrastructure	79,435	11,057	-	90,492
Total accumulated depreciation	1,366,065	126,366	19,927	1,472,504
Total capital assets being depreciated, net	2,403,290			2,552,144
Governmental activity capital assets, net	\$ 2,721,845			\$ 2,953,667

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

General Government	\$ 57,078
Public Safety	31,707
Transportation	11,057
Environmental protection	26,524
Cultural and recreational	-
Total depreciation expense	<u>\$ 126,366</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciate:				
Land	\$ 33,069	\$ -	\$ -	\$ 33,069
Construction in Progress	-	3,000	-	3,000
Total capital assets not being depreciated	<u>33,069</u>	<u>3,000</u>	<u>-</u>	<u>36,069</u>
Capital assets being depreciated:				
Water lines & Equipment	4,433,135	42,906	5,000	4,471,041
Buildings	1,013,232	-	-	1,013,232
Clean Water Facility	1,062,720	-	-	1,062,720
Waste Water Treatment Plant	2,539,208	-	-	2,539,208
Vehicles	144,491	69,949	-	214,440
Total capital assets being depreciated	<u>9,192,786</u>	<u>112,855</u>	<u>5,000</u>	<u>9,300,641</u>
Less accumulated depreciation for:				
Water lines & Equipment	2,324,226	100,897	5,000	2,420,123
Buildings	73,611	25,980	-	99,591
Clean Water Facility	845,044	54,702	-	899,746
Waste Water Treatment Plant	460,954	62,376	-	523,330
Vehicles	104,887	21,096	-	125,983
Total accumulated depreciation	<u>3,808,722</u>	<u>265,051</u>	<u>5,000</u>	<u>4,068,773</u>
Total capital assets being depreciated, net	<u>5,384,064</u>			<u>5,231,868</u>
Water and Sewer fund capital assets, net	<u>\$ 5,417,133</u>			<u>\$ 5,267,937</u>

The discretely presented component unit (The Authority) did not have any capital assets or capital asset activity as of June 30, 2019.

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Boiling Springs is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Boiling Springs employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Boiling Springs's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.94% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Boiling Springs were \$75,684 for the year ended June 30, 2019.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

At June 30, 2019, the Town reported a liability of \$311,963 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.01315%, which was an decrease of 0.00082% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$84,412. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,128	\$ 1,615
Changes of assumptions	82,783	-
Net difference between projected and actual earnings on pension plan investments	42,823	-
Changes in proportion and differences between City contributions and proportionate share of contributions	427	9,509
City contributions subsequent to the measurement date	75,684	-
Total	<u>\$ 249,845</u>	<u>\$ 11,124</u>

\$75,684 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	80,068
2021		50,980
2022		8,217
2023		23,772
2024		-
Thereafter		-
	<u>\$</u>	<u>163,037</u>

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 749,362	\$ 311,963	\$ (53,535)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Boiling Springs administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or who have attained 55 years of age and have completed five or more years of creditable service. 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, 2017, 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>

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

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 amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$12,174 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$156,456. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$14,756.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ 10,179	\$ -
Changes of assumptions	6,142	6,894
County benefit payments and plan administrative expense made subsequent to the measurement date	5,619	-
Total	<u>\$ 21,940</u>	<u>\$ 6,894</u>

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

\$5,619 paid as benefits came due subsequent to the measurement date and have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	1,957
2021		1,957
2022		1,957
2023		2,119
2024		1,435
Thereafter		2

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 169,511	\$ 156,456	\$ 144,432

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

	2018
Beginning balance	\$ 156,267
Service Cost	8,061
Interest on the total pension liability	4,738
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	6,168
Changes of assumptions or other inputs	(6,136)
Benefit payments	(12,642)
Other changes	-
Ending balance of the total pension liability	\$ 156,456

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 84,412	\$ 14,756	\$ 99,168
Pension Liability	311,963	156,456	468,419
Proportionate share of the net pension liability	0.01315%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	48,128	10,179	58,307
Changes of assumptions	82,783	6,142	88,925
Net difference between projected and actual earnings on plan investments	42,823	-	42,823
Changes in proportion and differences between contributions and proportionate share of contributions	427	-	427
Benefit payments and administrative costs paid subsequent to the measurement date	75,684	5,619	81,303
Deferred of Inflows of Resources			
Differences between expected and actual experience	1,615	-	1,615
Changes of assumptions	-	6,894	6,894
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,509	-	9,509

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, 2019 were \$29,133, which consisted of \$18,403 from the Town and \$10,730 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, 2019 for general employees were \$40,671 which consisted of \$29,255 from the Town and \$11,416 from the general employees.

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 75,684
Benefit payments made and administrative expenses for LEOSSA	5,619
Differences between expected and actual experience	58,307
Changes of assumptions	88,925
Net difference between projected and actual earnings on pension plan investments	42,823
Changes in proportion and differences between employer contributions and proportionate share of contributions	427
Total	\$ 271,785

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes receivable (General Fund)	-	12,583
Differences between expected and actual experience	1,615	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,509	-
Changes of assumptions and other inputs	6,894	-
Total	<u>\$ 18,018</u>	<u>\$ 12,583</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. Other employees are covered under a \$100,000 blanket bond.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town was not involved in any lawsuits.

5. Long-Term Obligations

a. Non General Obligation Debt

BB&T Governmental Finance Center

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. The direct placement was for \$1,200,500 due in semi-annual installments of \$44,271 with interest at 4.10%. The revenues and receivables of the water fund are pledged as collateral for the debt while the debt is outstanding. The balance at June 30, 2019 is \$360,489.

In the fiscal year 2015 the Town entered into a direct placement contract in the amount of \$1,050,000 for the completion of the Town Hall project. This amount is recorded 65% in the General Fund and 35% in the Water/Sewer fund. This allocation is based on the percentage of square feet occupied by each fund. The loan calls for semi-annual payments of \$35,000 plus interest at 2.87% through June 1, 2029. The property is pledged as collateral for the debt while the debt is outstanding. The balance at June 30, 2019 is \$245,000 in the Business-Type activities and \$455,000 in the Governmental Activities.

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

State Revolving Loan Fund

During the fiscal year ended June 30, 2001 the Town entered into a direct placement contract in the amount of \$151,706 for sewer construction. The loan calls for annual installments of \$7,585 through May 1, 2022 plus interest at 2.57%. The revenues and receivables of the sewer fund are pledged as collateral for the debt while the debt is outstanding. The balance at June 30, 2019 is \$22,756.

During the fiscal year ended June 30, 2007 the Town entered into a direct placement contract in the amount of \$1,051,348 for construction of a pump station. The loan calls for annual installments of \$52,567 plus interest at 2.305% through May 2027. The revenues and receivables of the sewer fund are pledged as collateral for the debt while the debt is outstanding. The balance at June 30, 2019 is \$420,539.

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%	\$360,489
\$367,500 loan due in semi-annual installments of \$12,250 plus interest at 2.87%	245,000

State Revolving Loan Fund

\$1,051,348 loan due in annual installments of \$52,567 plus interest at 2.305%	420,539
\$151,706 loan due in annual installments of \$7,585 plus interest at 2.57%.	22,756
	\$1,048,784

Serviced by the General Fund:

BB&T Governmental Finance Center

\$682,500 loan due in semi-annual installments of \$12,250 plus interest at 2.87%	455,000
-----------------------------------------------------------------------------------	---------

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
2020	\$ 159,170	\$ 31,158	\$ 45,500	\$ 12,732
2021	162,257	25,962	45,500	11,426
2022	165,471	20,637	45,500	10,121
2023	161,233	15,180	45,500	8,815
2024	120,449	9,779	45,500	7,509
2025-2029	280,204	16,938	227,500	17,956
	-	-	-	-
Total	\$ 1,048,784	\$ 119,654	\$ 455,000	\$ 68,559

At June 30, 2019, the Town of Boiling Springs had a legal debt margin of \$21,164,195.

In the event of default outstanding amounts may become immediately due.

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

b. Changes in Long-Term Liabilities

	Balance			Balance	Current Portion
	July 1, 2018	Increases	Decreases	June 30, 2019	of Balance
Governmental activities:					
Direct Placement Non General Obligation Town Hall	\$ 500,500	\$ -	\$ 45,500	\$ 455,000	\$ 45,500
Net Pension Liability (LGERS)	160,067	233,972	160,067	233,972	-
Total Pension Liability (LEOSSA)	156,267	156,456	156,267	156,456	-
Governmental activity long-term liabilities	<u>\$ 816,834</u>	<u>\$ 390,428</u>	<u>\$ 361,834</u>	<u>\$ 845,428</u>	<u>\$ 45,500</u>
Business-type activities:					
Direct Placement Non General Obligation Water	\$ 432,043	\$ -	\$ 71,554	\$ 360,489	\$ 74,518
Direct Placement Non General Obligation Town Hall	269,500	-	24,500	245,000	24,500
Direct Placement Non General Obligation Pump Stn	473,107	-	52,568	420,539	52,567
Direct Placement Non General Obligation Sewer	30,341	-	7,585	22,756	7,585
Net Pension Liability (LGERS)	53,356	77,991	53,356	77,991	-
Business-type activity long-term liabilities	<u>\$ 1,258,347</u>	<u>\$ 77,991</u>	<u>\$ 209,563</u>	<u>\$ 1,126,775</u>	<u>\$ 159,170</u>

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019 consists of the following:

From the general fund to various general fund capital projects funds.

D. Fund Balance

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

Total fund balance-General Fund	\$1,664,322
Less;	
Prepaid Expenses	3,913
Stabilization by State Statute	223,539
Streets - Powell Bill	487,995
Capital Reserve	69,800
Working Capital / Fund Balance Policy	485,757
Remaining Fund Balance	<u>393,318</u>

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.

Town of Boiling Springs, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in the fiscal year ending June 30, 2019. This standard provides guidance on note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Implementation of this standard did not have a material effect on the Town's financial statements.

Required Supplemental Financial Data

- Schedule of Proportionate Share of Net Pension Liability - Local Government Employees' Retirement System
- Schedule of Contributions - Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Boiling Springs' proportion of the net pension liability (asset) (%)	0.01315%	0.01397%	0.01393%	0.01479%	0.01435%	0.01400%
Boiling Springs' proportion of the net pension liability (asset) (\$)	\$ 311,963	\$ 213,423	\$ 295,641	\$ 66,377	\$ (84,629)	\$ 168,754
Boiling Springs' covered-employee payroll	\$ 857,359	\$ 819,975	\$ 802,735	\$ 821,058	\$ 813,045	\$ 752,114
Boiling Springs' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.39%	26.03%	36.83%	8.08%	(10.41%)	22.44%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 75,684	\$ 65,845	\$ 60,850	\$ 54,904	\$ 59,078	\$ 58,092
Contributions in relation to the contractually required contribution	\$ 75,684	\$ 65,845	\$ 60,850	\$ 54,904	\$ 59,078	\$ 58,092
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Boiling Springs' covered-employee payroll	\$ 953,201	\$ 857,359	\$ 818,975	\$ 802,735	\$ 821,058	\$ 813,045
Contributions as a percentage of covered-employee payroll	7.94%	7.68%	7.43%	6.84%	7.20%	7.14%

Town of Boiling Springs, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	2019	2018	2017
Beginning balance	\$ 156,267	\$ 140,944	\$ 144,680
Service Cost	8,061	6,330	6,618
Interest on the total pension liability	4,738	5,205	4,948
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	6,168	7,144	-
Changes of assumptions or other inputs	(6,136)	8,818	(3,128)
Benefit payments	(12,642)	(12,174)	(12,174)
Other changes	-	-	-
Ending balance of the total pension liability	<u>156,456</u>	<u>156,267</u>	<u>140,944</u>

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

Town of Boiling Springs, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 156,456	\$ 156,267	\$ 140,944
Covered payroll	303,767	281,123	294,631
Total pension liability as a percentage of covered payroll	51.51%	55.59%	47.84%

Notes to the schedules:

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

Supplementary Statements

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

TOWN OF BOILING SPRINGS, NORTH CAROLINA

SCHEDULE 1

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	June 30, 2019		VARIANCE	6/30/2018
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Advalorem Taxes:				
Current Year	\$ 1,044,000	\$ 1,067,624	\$ 23,624	\$ 1,021,717
Prior Years	4,000	10,642	6,642	4,768
Discounts & Interest-Net	1,000	(43)	(1,043)	(373)
Total	1,049,000	1,078,223	29,223	1,026,112
Other Taxes & Licenses:				
Local Option Sales Tax	415,000	439,866	24,866	401,336
Total	415,000	439,866	24,866	401,336
Unrestricted Intergovernmental Revenue:				
Franchise Tax	217,200	222,379	5,179	220,080
Restricted Intergovernmental Revenue:				
Grants	110,650	111,173	523	75,821
"State Street Aid" Allocation	128,200	126,645	(1,555)	177,396
	238,850	237,818	(1,032)	253,217
Permits, fees, other receipts:				
Court Fees	1,000	648	(352)	587
Zoning	2,500	1,530	(970)	1,775
Waste Fees	205,400	210,451	5,051	176,039
Recycling Fees	56,400	57,128	728	49,858
Other	35,500	46,768	11,268	30,424
Total	300,800	316,525	15,725	258,683
Investment Earnings:				
Interest-General Fund	8,000	11,921	3,921	7,275
Interest-Powell Bill	3,000	8,129	5,129	3,776
Total	11,000	20,050	9,050	11,051
TOTAL REVENUES	\$ 2,231,850	\$ 2,314,861	\$ 83,011	\$ 2,170,479

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, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

SCHEDULE 1

	June 30, 2019		VARIANCE	6/30/2018
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
EXPENDITURES:				
General Government:				
Operating Expenses	\$ 113,700	\$ 82,628	\$ 31,072	\$ 103,257
Contingency	-	-	-	-
Dues	19,400	19,394	6	17,464
Professional Services	16,500	16,423	77	14,653
Total	<u>149,600</u>	<u>118,445</u>	<u>31,155</u>	<u>135,374</u>
Administration:				
Salaries	190,000	190,155	(155)	159,891
Operating Expenses	3,000	2,666	334	2,668
Social Security	15,500	14,533	967	12,585
Retirement	14,800	25,091	(10,291)	12,271
Capital Outlay	-	-	-	-
Group Insurance	24,000	23,376	624	16,209
General Insurance	77,000	76,774	226	73,002
Total	<u>324,300</u>	<u>332,595</u>	<u>(8,295)</u>	<u>276,626</u>
Public Buildings:				
Operating Expenses	28,700	28,270	430	12,457
Utilities	10,000	9,109	891	9,749
Total	<u>38,700</u>	<u>37,379</u>	<u>1,321</u>	<u>22,206</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 512,600</u>	<u>\$ 488,419</u>	<u>\$ 24,181</u>	<u>\$ 434,206</u>
Public Safety:				
Police:				
Salaries	406,000	380,481	25,519	335,324
Capital Outlay	81,900	81,839	61	37,331
Operating Expenses	287,200	250,855	36,345	246,373
Total	<u>775,100</u>	<u>713,175</u>	<u>61,925</u>	<u>619,028</u>
Fire:				
Capital Outlay	-	-	-	-
Operating Expenses	244,125	244,125	-	244,125
Total	<u>244,125</u>	<u>244,125</u>	<u>-</u>	<u>244,125</u>
TOTAL PUBLIC SAFETY	<u>\$ 1,019,225</u>	<u>\$ 957,300</u>	<u>\$ 61,925</u>	<u>\$ 863,153</u>
Transportation:				
Operating Expenses	47,000	38,344	8,656	44,315
Capital Outlay	-	-	-	-
Street Repair-Powell Bill	191,200	172,546	18,654	15,246
Total	<u>238,200</u>	<u>210,890</u>	<u>27,310</u>	<u>59,561</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA

SCHEDULE 1

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	June 30, 2019		VARIANCE	6/30/2018
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
Environmental Protection:				
Salaries - Sanitation	\$ 123,200	\$ 122,210	\$ 990	\$ 86,403
Operating Expenses	128,125	99,915	28,210	96,289
Waste Fees	104,400	104,395	5	107,284
Capital Outlay	193,400	193,381	19	-
Total	<u>549,125</u>	<u>519,901</u>	<u>29,224</u>	<u>289,976</u>
Recreation:				
Salaries	75,200	74,850	350	71,478
Operating Expenses	125,300	117,886	7,414	127,553
Capital Outlay	-	-	-	-
	<u>200,500</u>	<u>192,736</u>	<u>7,764</u>	<u>199,031</u>
Debt service:				
Principal retirement	-	45,500	(45,500)	45,500
Interest	62,200	14,038	48,162	15,344
Total debt service	<u>62,200</u>	<u>59,538</u>	<u>2,662</u>	<u>60,844</u>
TOTAL EXPENDITURES	<u>2,581,850</u>	<u>2,428,784</u>	<u>153,066</u>	<u>1,906,771</u>
REVENUES OVER (UNDER) EXPENDITURES	(350,000)	(113,923)	236,077	422,923
OTHER FINANCING SOURCES (USES)				
Fund Balance Appropriated	549,353	-	(549,353)	-
Installment Debt Proceeds	-	-	-	-
Transfer (to) from Capital Project	<u>(199,353)</u>	<u>(199,353)</u>	<u>-</u>	<u>8,250</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>(313,276)</u>	<u>\$ (313,276)</u>	<u>271,958</u>
FUND BALANCE				
Beginning of Year, July 1		1,977,598		1,705,640
End of Year, June 30		<u>\$ 1,664,322</u>		<u>\$ 1,977,598</u>

Town of Boling Springs, North Carolina
Capital Projects Fund -Boling Springs Elementary Pedestrian Improvement Project
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures - Street Projects:					
Engineering and architectural fees	39,500	15,700	2,821	18,521	20,979
Construction	242,000	-	-	-	242,000
Contingency	24,000	1,500	8,899	10,399	13,601
Total	<u>305,500</u>	<u>17,200</u>	<u>11,720</u>	<u>28,920</u>	<u>276,580</u>
Other Revenues:					
Transfer from Powell Bill reserve	80,500	68,800	-	68,800	(11,700)
Transfer from W/S reserve	40,000	40,000	-	40,000	-
Transfer from general fund	10,000	10,000	-	10,000	-
NCDOT Funding	175,000	-	-	-	(175,000)
	<u>305,500</u>	<u>118,800</u>	<u>-</u>	<u>118,800</u>	<u>(186,700)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 101,600</u>	<u>\$ (11,720)</u>	<u>\$ 89,880</u>	<u>\$ 89,880</u>

Town of Boling Springs, North Carolina
Capital Projects Fund-Sidewalk Project
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

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

Town of Boling Springs, North Carolina
Capital Projects Fund-Uptown Revitalization
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures - Street Projects:					
Admin/Engineering/Surveying	5,000	1,000	13,646	14,646	(9,646)
Construction	35,000	-	-	-	35,000
Supplies, Materials, and Fixtures	11,000	-	-	-	11,000
Total	<u>51,000</u>	<u>1,000</u>	<u>13,646</u>	<u>14,646</u>	<u>36,354</u>
Other Revenues:					
Transfer from Powell Bill Fund	1,000	1,000	-	1,000	-
NC Department of Commerce	50,000	50,000	-	50,000	-
	<u>51,000</u>	<u>51,000</u>	<u>-</u>	<u>51,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ (13,646)</u>	<u>\$ 36,354</u>	<u>\$ 36,354</u>

Town of Boling Springs, North Carolina
Capital Projects Fund -Park Improvement Project
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures - Street Projects:					
Engineering and architectural fees	50,000	-	39,780	39,780	10,220
Site preparation	25,000	-	-	-	25,000
Playground equipment	150,000	-	-	-	150,000
Sidewalks	125,000	-	-	-	125,000
Plantings	20,000	-	-	-	20,000
Miscellaneous	49,353	-	-	-	49,353
Total	419,353	-	39,780	39,780	379,573
Other Revenues:					
Grant from Cleveland County	80,000	-	-	-	(80,000)
Transfer from general fund	189,353	-	189,353	189,353	-
NC Dept. of Natural & Cultural Resources	150,000	-	49,130	49,130	(100,870)
	419,353	-	238,483	238,483	(180,870)
Revenues over (under) expenditures	\$ -	\$ -	\$ 198,703	\$ 198,703	\$ 198,703

Town of Boling Springs, North Carolina
Capital Projects Fund -North Main Street Corridor Bicycle/Pedestrian/Parking Study
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures - Street Projects:					
Planning and Design	50,000	-	17,821	17,821	32,179
Total	50,000	-	17,821	17,821	32,179
Other Revenues:					
Transfer from general fund	10,000	-	10,000	10,000	-
SPR Grant	40,000	-	-	-	(40,000)
	50,000	-	10,000	10,000	(40,000)
Revenues over (under) expenditures	\$ -	\$ -	\$ (7,821)	\$ (7,821)	\$ (7,821)

TOWN OF BOILING SPRINGS, NORTH CAROLINA

Schedule 7

WATER AND SEWER FUND

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

FOR THE YEAR ENDED JUNE 30, 2019

(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	June 30, 2019		Variable	06/30/18
	Budget	Actual	Favorable (Unfavorable)	Actual
OPERATING REVENUES				
Water & Sewer Charges	\$ 1,528,000	\$ 1,514,550	\$ (13,450)	\$ 1,342,814
Water & Sewer Taps	50,000	44,290	(5,710)	56,996
Total Operating Revenue	<u>1,578,000</u>	<u>1,558,840</u>	<u>(19,160)</u>	<u>1,399,810</u>
NON OPERATING REVENUES				
Lattimore reimbursements	-	-	-	10,312
Fund Balance Appropriated	-	-	-	-
Interest Income	3,000	5,824	2,824	2,635
Sale of Assets	-	-	-	-
Miscellaneous	20,000	24,947	4,947	18,888
TOTAL REVENUES	<u>\$ 1,601,000</u>	<u>\$ 1,589,611</u>	<u>\$ (11,389)</u>	<u>\$ 1,431,645</u>
OPERATING EXPENDITURES				
Salaries	\$ 285,580	\$ 278,387	\$ 7,193	\$ 263,274
Social Security	26,260	21,541	4,719	17,863
Retirement	39,630	28,703	10,927	30,376
Group Insurance	48,000	32,836	15,164	41,648
Utilities	82,550	82,266	284	69,567
Repairs & Maintenance	54,530	44,489	10,041	50,190
Materials & Supplies	51,740	49,260	2,480	56,365
Non-capital Equipment Purchases	4,840	725	4,115	6,679
Uniforms	7,660	6,231	1,429	7,393
Gas	14,700	14,405	295	13,462
Contracted Services	463,550	447,367	16,183	418,994
Insurance	48,500	48,461	39	45,854
Telephone & Postage	29,860	29,673	187	27,812
Travel and Training	2,860	2,607	253	1,748
Miscellaneous	12,300	15,371	(3,071)	15,413
Total Operating Expenditures	<u>1,172,560</u>	<u>1,102,322</u>	<u>70,238</u>	<u>1,066,638</u>
OTHER EXPENDITURES				
Transfer to Capital Reserve	-	-	-	-
Transfer to Capital Project Fund	53,900	50,000	3,900	40,000
Capital Outlay	181,800	112,855	68,945	70,948
Debt Interest	-	36,231	(36,231)	41,187
Debt Principle	192,740	156,207	36,533	153,361
Total Other Expenditures	<u>428,440</u>	<u>355,293</u>	<u>73,147</u>	<u>305,496</u>
TOTAL EXPENDITURES	<u>\$ 1,601,000</u>	<u>\$ 1,457,615</u>	<u>\$ 143,385</u>	<u>\$ 1,372,134</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA
WATER AND SEWER FUND
STATEMENT OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL (NON GAAP)
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

Schedule 7

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

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS

Total Revenues from page 1 of 2	\$ 1,589,611
Total Expenditures from page 1 of 2	<u>1,457,615</u>
Excess Revenues over (under) Expenditures	131,996
Depreciation	(265,051)
Transfer to Capital Project	50,000
Pension Adjustment-GASB	(2,182)
Principle Payment on Debt	156,207
Capital Outlay	<u>112,855</u>
Change in Net Position at Exhibit 8	<u><u>\$ 183,825</u></u>

Town of Boling Springs, North Carolina
Capital Projects Fund -Waste Water Treatment Plant Generator
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2019

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Construction	50,000	-	3,000	3,000	47,000
Total	50,000	-	3,000	3,000	47,000
Other Revenues:					
Transfer from Water Sewer Fund	50,000	-	50,000	50,000	-
	50,000	-	50,000	50,000	-
Revenues over (under) expenditures	\$ -	\$ -	\$ 47,000	\$ 47,000	\$ 47,000

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, 2019

Schedule 9

	Balance 7/1/2018	2018 Levy	Collections	Discoveries Adjustments	Balance 6/30/2019
2008 Levy	\$ 476		\$ -	\$ (476)	\$ -
2009 Levy	396		4	-	392
2010 Levy	418		-	-	418
2011 Levy	323		-	-	323
2012 Levy	1,152		-	-	1,152
2013 Levy	1,277		-	-	1,277
2014 Levy	654		-	-	654
2015 Levy	1,046		373	-	673
2016 Levy	3,677		2,749	-	928
2017 Levy	12,114		7,514	-	4,600
2018 Levy	<u>-</u>	<u>1,076,729</u>	<u>1,067,625</u>		<u>9,104</u>
Totals	<u>\$ 21,533</u>	<u>\$1,076,729</u>	<u>\$ 1,078,265</u>	<u>\$ (476)</u>	<u>\$ 19,521</u>
Less: Allowance for uncollectible accounts					6,938
Ad Valorem taxes receivable - net					<u>\$ 12,583</u>

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

Reconcilement with revenues:	
Ad valorem taxes - general fund	\$ 1,078,223
Reconciling items:	
Adjustments	(4)
Interest collected	(3,075)
Discounts allowed	3,121
Total Collections	<u>\$ 1,078,265</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SCHEDULE 10

	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	\$ 283,349,737	\$ 0.38	\$ 1,076,729	\$ 951,171	\$ 125,558
Discoveries:					
Current year taxes	-	0.38	-	-	-
Prior year taxes	-	-	-	-	-
Total	<u>283,349,737</u>	<u>0.38</u>	<u>1,076,729</u>	<u>951,171</u>	<u>125,558</u>
Abatements	-		-	-	-
Total property valuation	<u><u>\$ 283,349,737</u></u>				
Net Levy			1,076,729	951,171	125,558
Uncollected taxes at June 30, 2018			<u>9,104</u>	<u>9,104</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 1,067,625</u></u>	<u><u>\$ 942,067</u></u>	<u><u>\$ 125,558</u></u>
Current levy collection percentage			<u><u>99.15%</u></u>	<u><u>99.04%</u></u>	<u><u>100.00%</u></u>

Supplementary Information:

Compliance Section

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of Town of Boiling Springs, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Boiling Springs, North Carolina's basic financial statements and have issued our report thereon dated December 1, 2019. The financial statements of Boiling Springs Tourism Development Authority were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Boiling Springs Tourism Development Authority.

Internal Control Over Financial Reporting

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

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

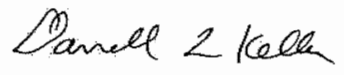
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations,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

Compliance and Other Matters

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

Purpose of this Report

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

 , CPA, PA

Darrell L. Keller, CPA, PA
Kings Mountain, North Carolina
December 1, 2019