



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

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**TOWN OF BOILING SPRINGS, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**(704) 739-0771**

**Town of Boiling Springs, North Carolina**  
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**June 30, 2020**

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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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 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.

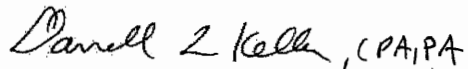
#### *Supplementary and Other Information*

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 January 29, 2021, 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

January 29, 2021

## TOWN OF BOILING SPRINGS, NORTH CAROLINA

### Management's Discussion and Analysis

June 30, 2020

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, 2020. 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

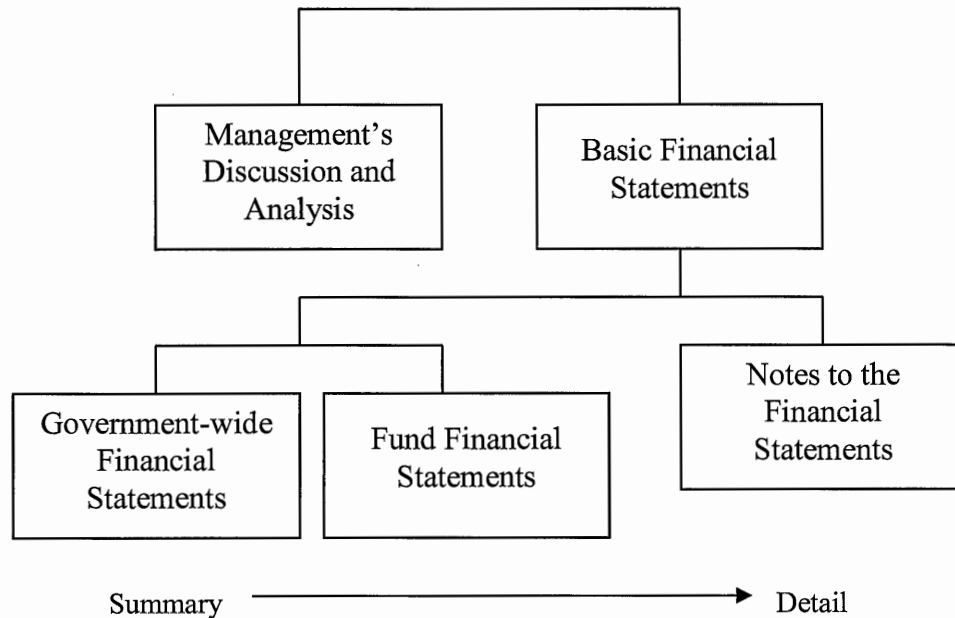
- The assets and deferred outflows of resources of the Town of Boiling Springs exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,189,331 (*net position*). Of this amount, \$1,165,528 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$44,273, 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 \$1,708,871, a decrease of \$478,057 in comparison with the prior year. Approximately 45.6 % of this total amount, or \$778,693, 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 Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,802,073	\$ 2,275,941	\$ 813,768	\$ 741,018	\$ 2,615,841	\$ 3,016,959
Net pension asset	-	-	-	-	-	-
Capital assets	3,350,631	2,953,667	5,115,795	5,267,937	8,466,426	8,221,604
Total assets	5,152,704	5,229,608	5,929,563	6,008,955	11,082,267	11,238,563
Deferred outflows of resources	223,059	209,323	61,560	64,462	284,619	273,785
Long term liabilities outstanding	924,843	903,700	1,006,737	1,144,790	1,931,580	2,048,490
Other liabilities	82,598	76,430	151,904	133,806	234,502	210,236
Total liabilities	1,007,441	980,130	1,158,641	1,278,596	2,166,082	2,258,726
Deferred inflows of resources	9,971	15,237	1,502	2,781	11,473	18,018
Net position:						
Net investment in capital assets	2,941,131	2,498,667	4,226,181	4,219,153	7,167,312	6,717,820
Restricted	856,491	1,234,140	-	-	856,491	1,234,140
Unrestricted	560,729	710,757	604,799	570,887	1,165,528	1,281,644
Total net position	\$ 4,358,351	\$ 4,443,564	\$ 4,830,980	\$ 4,790,040	\$ 9,189,331	\$ 9,233,604

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 \$9,189,331 as of June 30, 2020. The Town's net position decreased by \$44,273 for the fiscal year ended June 30, 2020. However, the largest portion (78%) 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 \$1,165,528 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 99.28%.
- Garbage and recycling fees were increased.

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

Figure 3

	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>		<b><u>Total</u></b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Revenues:						
Program revenues:						
Charges for services	\$ 318,302	\$ 225,897	\$1,586,628	\$ 1,558,840	\$ 1,904,930	\$ 1,784,737
Operating grants and contributions	276,051	237,818	-	-	276,051	237,818
Capital grants and contributions	226,305	49,130	-	-	226,305	49,130
General revenues:						
Property taxes	1,125,999	1,076,140	-	-	1,125,999	1,076,140
Other taxes	646,036	662,245	-	-	646,036	662,245
Other	89,228	110,678	27,147	30,771	116,375	141,449
Total revenues	<u>2,681,921</u>	<u>2,361,908</u>	<u>1,613,775</u>	<u>1,589,611</u>	<u>4,295,696</u>	<u>3,951,519</u>
Expenses:						
General government	648,453	551,483	-	-	648,453	551,483
Public safety	1,177,140	916,296	-	-	1,177,140	916,296
Transportation	310,150	221,947	-	-	310,150	221,947
Environmental protection	393,519	353,044	-	-	393,519	353,044
Culture and recreation	225,140	192,736	-	-	225,140	192,736
Interest on long-term debt	12,732	14,038	-	-	12,732	14,038
Water and sewer	-	-	1,572,835	1,405,786	1,572,835	1,405,786
Total expenses	<u>2,767,134</u>	<u>2,249,544</u>	<u>1,572,835</u>	<u>1,405,786</u>	<u>4,339,969</u>	<u>3,655,330</u>
Increase (decrease) in net position	(85,213)	112,364	40,940	183,825	(44,273)	296,189
Net position, beginning of year	4,443,564	4,331,200	4,790,040	4,606,215	9,233,604	8,937,415
Net position, end of year	<u>\$ 4,358,351</u>	<u>\$ 4,443,564</u>	<u>\$ 4,830,980</u>	<u>\$ 4,790,040</u>	<u>\$ 9,189,331</u>	<u>\$ 9,233,604</u>

**Governmental activities:** Governmental activities decreased the Town's net position by \$85,213.

**Business-type activities:** Business-type activities increased the Town of Boiling Springs' net position by \$40,940.

### **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 \$778,693, while total fund balance reached \$1,644,113. 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 29.3% of total General Fund expenditures, while total fund balance represents 61.9% 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 29.3% of general fund expenditures, while total fund balance represents 61.9% 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.

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 \$604,799. 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, 2020 totals \$8,466,426 (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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>
Land and construction in progress	\$ 421,922	\$ 401,523	\$ 33,069	\$ 36,069	\$ 454,991	\$ 437,592
Buildings and system	1,777,581	1,833,634	1,954,158	2,050,918	3,731,739	3,884,552
Machinery and equipment	464,770	17,556	3,078,831	3,092,493	3,543,601	3,110,049
Infrastructure	340,724	351,781	-	-	340,724	351,781
Vehicles and motorized equipment	345,634	349,173	49,737	88,457	395,371	437,630
Total capital assets (net of depreciation)	\$ 3,350,631	\$ 2,953,667	\$ 5,115,795	\$ 5,267,937	\$ 8,466,426	\$ 8,221,604

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, 2020, the Town of Boiling Springs had total outstanding debt of \$1,299,114. 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Direct Placement Town Hall	\$ 409,500	\$ 455,000	\$ 220,500	\$ 245,000	\$ 630,000	\$ 700,000
Direct Placement Pump Station	-	-	367,972	420,539	367,972	420,539
Direct Placement Water	-	-	285,971	360,489	285,971	360,489
Direct Placement Sewer	-	-	15,171	22,756	15,171	22,756
Pension Related Debt (LGERS)	276,711	233,972	92,237	77,991	368,948	311,963
Pension Related Debt (LEO)	181,908	156,456	-	-	181,908	156,456
Total Debt	\$ 868,119	\$ 845,428	\$ 981,851	\$ 1,126,775	\$ 1,849,970	\$ 1,972,203

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 \$22,368,733.

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.
- In spite of the current coronavirus pandemic, we are currently experiencing moderate growth with the construction of a few single-family homes, business expansions, and new businesses utilizing vacant commercial space.

### **Budget Highlights for Fiscal Year Ending June 30, 2021**

**Governmental Activities:** The governmental fund's primary revenue resource is property taxes. Due to increasing costs to maintain the 2011 Lodal trash truck, it has been budgeted to be replaced in the 2020-2021 fiscal year. Due to the coronavirus pandemic but in spite of increasing costs, the town did not increase the tax rate or any service rates.

To provide and plan for the Town's current and future planning and development needs, the Town contracted with a consultant in 2018-2019 to develop a Downtown Master Plan. This plan was funded by a Department of Commerce Grant. This plan coincided 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. In spite of the pandemic, those projects were completed by the end of fiscal year 2019-2020, but there is no plan for future projects building on the results of those projects due to financial uncertainty due to the pandemic.

The pandemic has also stalled a couple of sidewalk projects that had been in process during the 2019-2020 fiscal year. Those projects depended on North Carolina Department of Transportation funds which have become unavailable due to the pandemic. With no guaranteed timeline, those projects have been closed.

The Town 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 was completed in the 2019-20 fiscal year. No future improvements have been planned for 2020-2021 due to financial uncertainty surrounding the pandemic.

**Business-type Activities:** The Town of Boiling Springs purchases water from the City of Shelby for resale to town residents. The City of Shelby did not increase rates for the 2020-2021 fiscal year. Although 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 did not want to burden customers even more during the current pandemic. Gardner-Webb University is the Town's largest water and sewer customer. Due to the pandemic, on campus living and in person classes were discontinued in April, 2020. Because of the uncertainty of on-campus activity for 2020-2021, the Town budgeted water and sewer revenues conservatively for the 2020-2021 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, 2020**

	Primary Government			Boiling Springs Tourism Authority
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 721,817	\$ 433,887	\$ 1,155,704	\$ 52,505
Investment-NCCMT	82,699	89,847	172,546	-
Taxes receivables (net)	10,604	-	10,604	-
Accounts receivable (net)	26,418	195,874	222,292	-
Due from other governments	212,526	4,803	217,329	763
Prepaid Assets	3,887	2,002	5,889	3,000
Restricted cash and cash equivalents	744,122	87,355	831,477	-
Total current assets	1,802,073	813,768	2,615,841	56,268
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	147,077	-	147,077	-
Other capital assets, net of depreciation	2,928,709	5,082,726	8,011,435	-
Total capital assets	3,350,631	5,115,795	8,466,426	-
Total assets	\$ 5,152,704	\$ 5,929,563	\$ 11,082,267	\$ 56,268
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	223,059	61,560	284,619	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 82,598	\$ 64,549	\$ 147,147	\$ -
Customer deposits	-	87,355	87,355	-
Long-term liabilities:				
Compensated absences	56,724	24,886	81,610	-
Net pension liability	276,711	92,237	368,948	-
Total pension liability	181,908	-	181,908	-
Due within one year	45,500	162,257	207,757	-
Due in more than one year	364,000	727,357	1,091,357	-
Total liabilities	1,007,441	1,158,641	2,166,082	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	9,971	1,502	11,473	-
<b>NET POSITION</b>				
Net investment in capital assets	2,941,131	4,226,181	7,167,312	-
Restricted for:				
Stabilization by State Statutes	174,186	-	174,186	763
Streets	617,547	-	617,547	-
Capital projects	64,758	-	64,758	-
Unrestricted	560,729	604,799	1,165,528	55,505
Total net position	\$ 4,358,351	\$ 4,830,980	\$ 9,189,331	\$ 56,268

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, 2020**

								Boiling Springs Tourism Development Authority
Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 648,453	\$ -	\$ -	\$ -	\$ (648,453)	\$ -	\$ (648,453)	\$ -
Public safety	1,177,140	-	68,000	-	(1,109,140)	-	(1,109,140)	-
Transportation	310,150	-	125,142	-	(185,008)	-	(185,008)	-
Environmental protection	393,519	318,302	-	-	(75,217)	-	(75,217)	-
Cultural and recreation	225,140	-	82,909	226,305	84,074	-	84,074	-
Interest on long-term debt	12,732	-	-	-	(12,732)	-	(12,732)	-
Total governmental activities (See Note 1)	2,767,134	318,302	276,051	226,305	(1,946,476)	-	(1,946,476)	-
Business-type activities:								
Water and sewer	1,572,835	1,586,628	-	-	-	13,793	13,793	-
Total business-type activities	1,572,835	1,586,628	-	-	-	13,793	13,793	-
Total primary government	\$ 4,339,969	\$ 1,904,930	\$ 276,051	\$ 226,305	(1,946,476)	13,793	(1,932,683)	-
Component unit:								
Tourism Development Authority	\$ 15,916	-	-	-	-	-	-	(15,916)
Total component unit	\$ 15,916	\$ -	\$ -	\$ -	-	-	-	(15,916)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,125,999	-	1,125,999	-
Other taxes					646,036	-	646,036	17,106
Unrestricted investment earnings					8,980	5,648	14,628	78
Transfers					-	-	-	-
Miscellaneous					80,248	21,499	101,747	-
Total general revenues and transfers					1,861,263	27,147	1,888,410	17,184
Change in net position					(85,213)	40,940	(44,273)	1,268
Net position, beginning					4,443,564	4,790,040	9,233,604	55,000
Net position, ending					\$ 4,358,351	\$ 4,830,980	\$ 9,189,331	\$ 56,268

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

**Town of Boiling Springs  
Balance Sheet  
Governmental Fund  
June 30, 2020**

	General Fund	Pedestrian	Sidewalk Capital Project Fund	Revitalization Capital Project Fund	Park Improvement Project	Bicycle/Pedestrian Parking Study	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 721,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 721,817
Restricted cash	640,453	89,880	-	8,354	-	5,435	744,122
Investment-NCCMT	82,699	-	-	-	-	-	82,699
Receivables, net:							
Taxes	10,604	-	-	-	-	-	10,604
Accounts	26,418	-	-	-	-	-	26,418
Due from other governments	212,526	-	-	-	-	-	212,526
Prepaid Expenses	3,887	-	-	-	-	-	3,887
Total assets	<u>\$ 1,698,404</u>	<u>\$ 89,880</u>	<u>\$ -</u>	<u>\$ 8,354</u>	<u>\$ -</u>	<u>\$ 5,435</u>	<u>\$ 1,802,073</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 82,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,598
Due to other funds	(38,911)	-	-	-	38,911	-	-
Total liabilities	<u>43,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,911</u>	<u>-</u>	<u>82,598</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Property taxes receivable	<u>10,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,604</u>
<b>Fund balances:</b>							
<b>Non-spendable</b>							
Prepaid Expenses	3,887	-	-	-	-	-	3,887
<b>Restricted</b>							
Stabilization by State Statute	174,186	-	-	-	-	-	174,186
Streets	617,547	-	-	-	-	-	617,547
<b>Committed</b>							
Capital Reserve	69,800	-	-	-	-	-	69,800
<b>Assigned</b>							
Capital projects	-	89,880	-	8,354	(38,911)	5,435	64,758
Unassigned	<u>778,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>778,693</u>
Total fund balances	<u>1,644,113</u>	<u>89,880</u>	<u>-</u>	<u>8,354</u>	<u>(38,911)</u>	<u>5,435</u>	<u>1,708,871</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,698,404</u>	<u>\$ 89,880</u>	<u>\$ -</u>	<u>\$ 8,354</u>	<u>\$ -</u>	<u>\$ 5,435</u>	<u>\$ 1,802,073</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.	3,350,631
Net Pension Liability	(276,711)
Total pension liability	(181,908)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	92,989
Changes in proportion and differences between employer contributions and proportional share of contributions are deferred outflows of resources on the Statement of Net Position	130,070
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.	10,604
Pension related deferrals	(9,971)
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).	(466,224)
Net position of governmental activities	<u>\$ 4,358,351</u>

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

**Town of Boiling Springs**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended June 30, 2020**

	Major Funds						
	General Fund	Pedestrian Capital Project	Sidewalk Capital Project	Revitalization Capital Project	Park Improvement	Bicycle Pedestrian	Total Governmental Funds
<b>REVENUES</b>							
Ad valorem taxes	\$ 1,127,977	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,127,977
Other taxes and licenses	433,785	-	-	-	-	-	433,785
Unrestricted intergovernmental	212,251	-	-	-	-	-	212,251
Restricted intergovernmental	276,051	-	-	-	180,870	45,435	502,356
Permits and fees	391,813	-	-	-	-	-	391,813
Investment earnings	15,717	-	-	-	-	-	15,717
Total revenues	2,457,594	-	-	-	180,870	45,435	\$ 2,683,899
<b>EXPENDITURES</b>							
Current:							
General government	550,801	-	-	-	-	-	550,801
Public safety	1,120,895	-	-	-	-	-	1,120,895
Transportation	299,093	-	-	-	-	-	299,093
Environmental protection	355,915	-	-	-	-	-	355,915
Culture and recreation	212,933	-	-	-	-	-	212,933
Debt service:							
Principal	45,500	-	-	-	-	-	45,500
Interest	12,732	-	-	-	-	-	12,732
Capital outlay	55,424	-	-	28,000	448,484	32,179	564,087
Total expenditures	2,653,293	-	-	28,000	448,484	32,179	3,161,956
Excess (deficiency) of revenues over expenditures	(195,699)	-	-	(28,000)	(267,614)	13,256	(478,057)
<b>OTHER FINANCING SOURCES (USES)</b>							
Installment Loan Proceeds	-	-	-	-	-	-	-
Transfers (to) from other funds	175,490	-	(205,490)	-	30,000	-	-
Total other financing sources (uses)	175,490	-	(205,490)	-	30,000	-	-
Net change in fund balance	(20,209)	-	(205,490)	(28,000)	(237,614)	13,256	(478,057)
Fund balances, beginning	1,664,322	89,880	205,490	36,354	198,703	(7,821)	2,186,928
Fund balances, ending	\$ 1,644,113	\$ 89,880	\$ -	\$ 8,354	\$ (38,911)	\$ 5,435	\$ 1,708,871

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

**Exhibit 5**

**Town of Boiling Springs  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balance of the Governmental Funds to the Statement of Activities  
Governmental Funds  
For the Year Ended June 30, 2020**

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

Net changes in fund balances - total governmental funds	\$ (478,057)
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	396,963
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	80,347
Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities	12,642
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	(1,979)
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.	
Rounding	1
Change in Compensated Absences	1,548
Pension Expense	(142,178)
	<hr/>
Total changes in net position of governmental activities	<u><u>\$ (85,213)</u></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, 2020**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	1,105,500	1,105,500	1,127,977	22,477
Other taxes and licenses	436,300	436,300	433,785	(2,515)
Unrestricted intergovernmental	225,000	225,000	212,251	(12,749)
Restricted intergovernmental	278,200	278,200	276,051	(2,149)
Permits and fees	308,610	393,610	391,813	(1,797)
Investment earnings	19,000	19,000	15,717	(3,283)
Total revenues	2,372,610	2,457,610	2,457,594	(16)
<b>Expenditures:</b>				
Current:				
General government	569,750	619,250	561,101	58,149
Public safety	1,201,100	1,193,600	1,166,019	27,581
Transportation	322,900	322,900	299,093	23,807
Environmental protection	349,060	397,060	355,915	41,145
Cultural and recreation	218,500	228,500	212,933	15,567
Debt service:				
Principal retirement	-	45,500	45,500	-
Interest expense	58,300	12,800	12,732	68
Total expenditures	2,719,610	2,819,610	2,653,293	166,317
Revenues over (under) expenditures	(347,000)	(362,000)	(195,699)	166,301
<b>Other financing sources (uses):</b>				
Fund Balance Appropriated	405,912	392,000	-	(392,000)
Transfer to Capital Project Funds	(58,912)	(30,000)	175,490	205,490
Installment Loan Proceeds	-	-	-	-
Total other financing sources (uses)	347,000	362,000	175,490	(186,510)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	(20,209)	\$ (20,209)
Fund balances, beginning			1,664,322	
Fund balances, ending			<u>\$ 1,644,113</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, 2020**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 433,887
Restricted cash	87,355
Investment-NCCMT	89,847
Accounts receivable (net) - billed	132,303
Accounts receivable (net) - unbilled	63,571
Due from other governments	4,803
Prepaid Expenses	2,002
Total current assets	<u>813,768</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	33,069
Construction In Progress	-
Other capital assets, net of depreciation	5,082,726
Capital assets (net)	<u>5,115,795</u>
Total noncurrent assets	<u>5,115,795</u>
Total assets	<u>\$ 5,929,563</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>61,560</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	64,549
Customer deposits	87,355
Compensated absences	24,886
Installment loan-current portion	24,500
General obligation bonds payable-current	77,604
State Revolving Loan Fund Payable-Current	60,153
Total current liabilities	<u>339,047</u>
Noncurrent liabilities:	
Net pension liability	92,237
Installment loan payable-noncurrent (net)	196,000
State Revolving Loan Fund	208,367
Total noncurrent liabilities	<u>322,990</u>
Total liabilities	<u>819,594</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,502</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,226,181
Unrestricted	604,799
Total net position	<u>\$ 4,830,980</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, 2020

OPERATING REVENUES	
Water and Sewer Charges	\$ 1,552,788
Water and Sewer Taps	33,840
Total Operating Income	<u>1,586,628</u>
OPERATING EXPENSES	
Salaries	355,003
Utilities	80,358
Repairs and Maintenance	53,359
Non-capital Equipment Purchases	16,280
Materials and Supplies	178,813
Retirement	59,330
Social Security	27,329
Group Insurance	58,801
Uniforms	8,734
Gas	13,374
Contracted and Professional Service	417,347
Depreciation	272,949
Total Operating Expenses	<u>1,541,677</u>
Operating Income (Loss)	<u>44,951</u>
NON-OPERATING REVENUES (EXPENSES)	
Miscellaneous Revenues	19,210
Investment Earnings	5,648
Sale of Assets	2,289
Interest on Long Term Debt	(31,158)
Total Non-Operating Revenues (Expenses)	<u>(4,011)</u>
CHANGE IN NET POSITION	40,940
TOTAL NET POSITION, BEGINNING	4,790,040
TOTAL NET POSITION, ENDING	<u><u>\$ 4,830,980</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, 2020

Exhibit 9

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 1,505,736
Cash Paid for Goods and Services	(832,654)
Cash Paid to Employees	(355,003)
Customer Deposits - Net	10,560
Net Cash Provided by Operating Activities	<u>328,639</u>

CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:

Transfer to Capital Projects	-
Cash from Miscellaneous Revenues	19,210
Net Cash Provided By Noncapital Financing	<u>19,210</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Book Value of Assets Sold or Abandoned	28,215
Acquisition of Capital Assets	(149,022)
Principal Paid	(159,171)
Interest Paid	(31,158)
Net Cash Used for Capital and Related Financing Activities	<u>(311,136)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Investments	5,648
Gain on casualty	2,290
	<u>7,938</u>
Net Increase (Decrease) in Cash and Cash Equivalents	44,651
Cash and Cash Equivalents at Beginning of Year	566,438
Cash and Cash Equivalents at End of Year	<u>\$ 611,089</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ 44,951</u>
-------------------------	------------------

ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES:

Depreciation	272,949
Provision for Uncollectible Accounts	-
Pension Expense	-
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable and Accrued Interest	(26,702)
(Increase) Decrease in Due From Other Governments	(1,406)
(Increase) Decrease in Prepaid Assets	9
Decrease in Net Pension Asset	-
(Increase) Decrease in Deferred Outflows of Resources-Pensions	902
Increase (Decrease) in Net Pension Liability	14,246
Decrease in Deferred Inflows of Resources-Pensions	(1,279)
Increase (Decrease) in Accounts Payable	7,538
Increase (Decrease) in Customer Deposits	10,560
Increase (Decrease) in Compensated Absences	6,871
Total Adjustments	<u>10,739</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 328,639

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, 2020

**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, 2020

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. During the current year the Town Council voted to abandon this project and transferred all remaining cash back to the General Fund.

**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. This project was complete and placed in service at June 30, 2020.

**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

Town of Boiling Springs, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020

intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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

Town of Boiling Springs, North Carolina  
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bank or savings association whose principal office is located in North Carolina. Also, the Town and the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's 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, 2020.

Town of Boiling Springs Restricted Cash

Governmental Activities

General Fund

Streets	\$ 642,618
Capital Projects	<u>\$ 101,504</u>
Total Governmental Funds	<u>\$ 744,122</u>

Business-Type Activities

Customer Deposits	\$ 87,355
Capital Projects	<u>\$ -</u>
Total Business-Type Activities	<u>\$ 87,355</u>

Total Restricted Cash	<u><u>\$ 831,477</u></u>
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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, 2019. 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.

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5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of three years. The minimum capitalization costs are \$500. 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 one item 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 that meet the criterion for this category-property taxes receivable and pension deferrals.

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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 in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

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.

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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 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



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expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

**12. 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, 2020, the Town's deposits had a carrying amount of \$1,986,881 and a bank balance of \$2,071,118. 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, 2020, the Town's petty cash fund totaled \$300. The Authority's deposits had a carrying amount of \$52,505 and a bank balance amount of \$52,808.

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2. Investments

Investment Type	Valuation Measurement Method	Book Value	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Fair Value Level 1	\$ 172,546	N/A	AAAm
Total:		\$ 172,546		

At June 30, 2020, the Town of Boiling Springs had \$172,546 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	6/30/2020
General fund:	
Taxes Receivable	\$ 6,764
Accounts Receivable	-
Total	\$ 6,764
Enterprise Funds	97,259
Total	\$104,023

4. Capital Assets

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 274,845	\$ -	\$ -	\$ 274,845
Construction in progress	126,678	508,663	488,264	147,077
Total capital assets not being depreciated	401,523	508,663	488,264	421,922
<b>Capital assets being depreciated:</b>				
Buildings	2,224,303	-	-	2,224,303
Equipment	191,108	498,565	13,745	675,928
Vehicles and motorized equipment	1,166,964	45,124	-	1,212,088
Infrastructure	442,273	-	-	442,273
Total capital assets being depreciated	4,024,648	543,689	13,745	4,554,592
<b>Less accumulated depreciation for:</b>				
Buildings	390,669	56,053	-	446,722
Equipment	173,552	51,351	13,745	211,158
Vehicles and motorized equipment	817,791	48,663	-	866,454
Infrastructure	90,492	11,057	-	101,549
Total accumulated depreciation	1,472,504	167,124	13,745	1,625,883
Total capital assets being depreciated, net	2,552,144			2,928,709
<b>Governmental activity capital assets, net</b>	<b>\$ 2,953,667</b>			<b>\$ 3,350,631</b>

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

General Government	\$ 57,593
Public Safety	48,663
Transportation	11,057
Environmental protection	37,604
Cultural and recreational	12,207
Total depreciation expense	<u>\$ 167,124</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	40,931	43,931	-
Total capital assets not being depreciated	<u>36,069</u>	<u>40,931</u>	<u>43,931</u>	<u>33,069</u>
Capital assets being depreciated:				
Water lines & Equipment	4,471,041	-	316,690	4,154,351
Buildings	1,013,232	-	-	1,013,232
Clean Water Facility	1,062,720	-	-	1,062,720
Waste Water Treatment Plant	2,539,208	113,439	-	2,652,647
Vehicles	214,440	35,584	36,565	213,459
Total capital assets being depreciated	<u>9,300,641</u>	<u>149,023</u>	<u>353,255</u>	<u>9,096,409</u>
Less accumulated depreciation for:				
Water lines & Equipment	2,420,123	96,760	316,690	2,200,193
Buildings	99,591	25,980	-	125,571
Clean Water Facility	899,746	61,729	-	961,475
Waste Water Treatment Plant	523,330	62,092	-	585,422
Vehicles	125,983	26,388	11,349	141,022
Total accumulated depreciation	<u>4,068,773</u>	<u>272,949</u>	<u>328,039</u>	<u>4,013,683</u>
Total capital assets being depreciated, net	<u>5,231,868</u>			<u>5,082,726</u>
Water and Sewer fund capital assets, net	<u>\$ 5,267,937</u>			<u>\$ 5,115,795</u>

The discretely presented component unit (The Authority) did not have any capital assets or capital asset activity as of June 30, 2020.

## B. Liabilities

### 1. Pension Plan Obligations

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

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

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

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Boiling Springs employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Boiling Springs's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$107,129 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Town reported a liability of \$368,948 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial

Town of Boiling Springs, North Carolina  
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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, 2019, the Town's proportion was 0.01351%, which was an increase of 0.00036% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$162,605. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 63,173	\$ -
Changes of assumptions	60,132	-
Net difference between projected and actual earnings on pension plan investments	8,999	-
Changes in proportion and differences between City contributions and proportionate share of contributions	6,806	6,009
City contributions subsequent to the measurement date	107,129	-
Total	<u>\$ 246,239</u>	<u>\$ 6,009</u>

\$107,129 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2021	\$ 64,389
2022	20,412
2023	36,378
2024	11,922
2025	-
Thereafter	-
	<u>\$ 133,101</u>

*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.

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The actuarial assumptions used in the December 31, 2018 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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 2018 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.

*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:

Town of Boiling Springs, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
City's proportionate share of the net pension liability (asset)	\$ 843,851	\$ 368,948	\$ (25,793)

*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, 2018, 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>

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, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Town of Boiling Springs, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020

Inflation	2.50 percent
Salary increases	3.50 to 8.35 percent, including inflation and productivity factor
Discount rate	3.26 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, 2018.

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 \$12,642 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, 2020, the Town reported a total pension liability of \$181,908. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$20,224.

	<b>Deferred Outflows of</b>	<b>Deferred Inflows of</b>
Differences between expected and actual experience	\$ 22,674	\$ -
Changes of assumptions	9,619	5,464
County benefit payments and plan administrative expense made subsequent to the measurement date	6,087	-
Total	<u>\$ 38,380</u>	<u>\$ 5,464</u>

\$6,087 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year ended June 30:**

2021	\$ 5,496
2022	5,496
2023	5,658
2024	4,974
2025	3,541
Thereafter	1,664



Town of Boiling Springs, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020

*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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	\$ 197,752	\$ 181,908	\$ 167,302

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

	<b>2019</b>
Beginning balance	\$ 156,456
Service Cost	9,255
Interest on the total pension liability	5,473
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	17,203
Changes of assumptions or other inputs	5,695
Benefit payments	(12,174)
Other changes	-
Ending balance of the total pension liability	\$ 181,908

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, 2018 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, 2020

***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	\$ 162,605	\$ 20,224	\$ 182,829
Pension Liability	368,948	181,908	550,856
Proportionate share of the net pension liability	0.01351%	n/a	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	63,173	22,674	85,847
Changes of assumptions	60,132	9,619	69,751
Net difference between projected and actual earnings on plan investments	8,999	-	8,999
Changes in proportion and differences between contributions and proportionate share of contributions	6,806	-	6,806
Benefit payments and administrative costs paid subsequent to the measurement date	107,129	6,087	113,216
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	5,464	5,464
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,009	-	6,009

**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, 2020 were \$37,972, which consisted of \$22,587 from the Town and \$15,385 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, 2020 for general employees were \$53,743 which consisted of \$35,365 from the Town and \$18,378 from the general employees.

Town of Boiling Springs, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020

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	\$ 107,129
Benefit payments made and administrative expenses for LEOSSA	6,087
Differences between expected and actual experience	85,847
Changes of assumptions	69,751
Net difference between projected and actual earnings on pension plan investments	8,999
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,806
Total	<u>\$ 284,619</u>

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)	-	10,604
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,009	-
Changes of assumptions and other inputs	<u>5,464</u>	<u>-</u>
Total	<u>\$ 11,473</u>	<u>\$ 10,604</u>

Town of Boiling Springs, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020

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.

The Town provides health insurance to employees through Blue Cross Blue Shield. The Town pays 100% of the premium for the Employee only.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2020, 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, 2020 is \$285,971.

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, 2020 is \$220,500 in the Business-Type activities and \$409,500 in the Governmental Activities.

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, 2020 is \$15,171.

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

Town of Boiling Springs, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020

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, 2020 is \$367,972.

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% \$285,971

\$367,500 loan due in semi-annual installments of \$12,250 plus interest at 2.87% 220,500

State Revolving Loan Fund

\$1,051,348 loan due in annual installments of \$52,567 plus interest at 2.305% 367,972

\$151,706 loan due in annual installments of \$7,585 plus interest at 2.57%.	15,171
	\$889,614

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% 409,500

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
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	77,067	6,975	45,500	6,203
2026-2029	203,137	9,963	182,000	11,753
	-	-	-	-
Total	\$ 889,614	\$ 88,496	\$ 409,500	\$ 55,827

At June 30, 2020, the Town of Boiling Springs had a legal debt margin of \$22,414,233.

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, 2020

**b. Changes in Long-Term Liabilities**

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
Direct Placement Non General Obligation Town Hall	\$ 455,000	\$ -	\$ 45,500	\$ 409,500	\$ 45,500
Net Pension Liability (LGERS)	233,972	276,711	233,972	276,711	-
Total Pension Liability (LEOSSA)	156,456	181,908	156,456	181,908	-
Governmental activity long-term liabilities	\$ 845,428	\$ 458,619	\$ 435,928	\$ 868,119	\$ 45,500
Business-type activities:					
Direct Placement Non General Obligation Water	\$ 357,525	\$ -	\$ 71,554	\$ 285,971	\$ 77,604
Direct Placement Non General Obligation Town Hall	245,000	-	24,500	220,500	24,500
Direct Placement Non General Obligation Pump Stn	420,539	-	52,568	367,971	52,567
Direct Placement Non General Obligation Sewer	22,756	-	7,585	15,171	7,585
Net Pension Liability (LGERS)	77,991	92,237	77,991	92,237	-
Business-type activity long-term liabilities	\$ 1,123,811	\$ 92,237	\$ 234,198	\$ 981,850	\$ 162,256

**6. Asset Retirement Obligations**

Under GASB Statement No. 83 *Certain Asset Retirement Obligations*, the act of operating the wastewater treatment facility requires the Town to recognize a liability and corresponding deferred outflow of resources equal to the estimated current cost of activities that Federal and State laws require the Town to perform upon future retirement of the facility. The Town currently has no plan to retire or otherwise dispose of this facility. The Town is currently developing a plan and reviewing options for future retirement of the facility if that decision were made in the future. Until that plan is completed and approved, estimated costs are not determinable. As the liability is not currently estimable, no liability or deferred outflow has been recorded.

**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2020 consists of the following:

From/to 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:

<b>Total fund balance-General Fund</b>	<b>\$1,644,113</b>
Less;	
Prepaid Expenses	3,887
Stabilization by State Statute	174,186
Streets - Powell Bill	617,547
Capital Reserve	69,800
Working Capital / Fund Balance Policy	530,659
Remaining Fund Balance	248,034

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, 2020

**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. Impact of COVID-19 on the Town**

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases. Measures taken by Federal, State, and Local governments to contain the virus have affected economic activity. From March 19, 2020 through July 31, 2020, penalties for late payments on utilities were waived and payment plans up to six months could be utilized with no cut-offs for utility customers per the Governor's executive order. The impact of COVID-19 has reduced receipts from utility customers and other intergovernmental revenues received from governments due to stay at home orders to prevent the spread of the virus. Depending on the duration of the COVID-19 crisis and continued government restrictions, the Town may experience further negative results. The exact impact of the Town's activities cannot be predicted and no adjustment has been made to the financial statements for this uncertainty.

The Town is experiencing moderate growth even under the Coronavirus Pandemic. The Town has cancelled all plans for future capital projects due to financial uncertainty due to the pandemic.

**VI. Change in Accounting Principle**

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. The adoption of GASB 83 did not have an effect on the financial statements as the amount is not reasonably estimable at this time, however once it is estimable it may result in a restatement of the Water and Sewer Fund balances. Refer to note III B 6 for additional details.

#### 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 Seven Fiscal Years\*

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Boiling Springs' proportion of the net pension liability (asset) (%)	0.01351%	0.01315%	0.01397%	0.01393%	0.01479%	0.01435%	0.01400%
Boiling Springs' proportion of the net pension liability (asset) (\$)	\$ 368,948	\$ 311,963	\$ 213,423	\$ 295,641	\$ 66,377	\$ (84,629)	\$ 168,754
Boiling Springs' covered-employee payroll	\$ 953,201	\$ 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	38.71%	36.39%	26.03%	36.83%	8.08%	( 10.41%)	22.44%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	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 Seven Fiscal Years

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 107,129	\$ 75,684	\$ 65,845	\$ 60,850	\$ 54,904	\$ 59,078	\$ 58,092
Contributions in relation to the contractually required contribution	\$ 107,129	\$ 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>	<u>\$ -</u>
Boiling Springs' covered-employee payroll	\$ 1,159,113	\$ 953,201	\$ 857,359	\$ 818,975	\$ 802,735	\$ 821,058	\$ 813,045
Contributions as a percentage of covered-employee payroll	9.24%	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, 2020

	2020	2019	2018	2017
Beginning balance	\$ 156,456	\$ 156,267	\$ 140,944	\$ 144,680
Service Cost	9,255	8,061	6,330	6,618
Interest on the total pension liability	5,473	4,738	5,205	4,948
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	17,203	6,168	7,144	-
Changes of assumptions or other inputs	5,695	(6,136)	8,818	(3,128)
Benefit payments	(12,174)	(12,642)	(12,174)	(12,174)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>181,908</u>	<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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 181,908	\$ 156,456	\$ 156,267	\$ 140,944
Covered payroll	391,435	303,767	281,123	294,631
Total pension liability as a percentage of covered payroll	46.47%	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

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

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TOWN OF BOILING SPRINGS, NORTH CAROLINA  
GENERAL FUND

SCHEDULE 1

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	June 30, 2020		VARIANCE	6/30/2019
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES				
Advalorem Taxes:				
Current Year	\$ 1,098,000	\$ 1,118,309	\$ 20,309	\$ 1,067,624
Prior Years	6,500	9,836	3,336	10,642
Discounts & Interest-Net	1,000	(168)	(1,168)	(43)
Total	<u>1,105,500</u>	<u>1,127,977</u>	<u>22,477</u>	<u>1,078,223</u>
Other Taxes & Licenses:				
Local Option Sales Tax	436,300	433,785	(2,515)	439,866
Total	<u>436,300</u>	<u>433,785</u>	<u>(2,515)</u>	<u>439,866</u>
Unrestricted Intergovernmental Revenue:				
Franchise Tax	225,000	212,251	(12,749)	222,379
Restricted Intergovernmental Revenue:				
Grants	154,300	150,909	(3,391)	111,173
"State Street Aid" Allocation	123,900	125,142	1,242	126,645
	<u>278,200</u>	<u>276,051</u>	<u>(2,149)</u>	<u>237,818</u>
Permits, fees, other receipts:				
Court Fees	1,000	680	(320)	648
Zoning	2,500	4,305	1,805	1,530
Waste Fees	215,370	220,530	5,160	210,451
Recycling Fees	112,740	97,772	(14,968)	57,128
Other	62,000	68,526	6,526	46,768
Total	<u>393,610</u>	<u>391,813</u>	<u>(1,797)</u>	<u>316,525</u>
Investment Earnings:				
Interest-General Fund	12,000	8,980	(3,020)	11,921
Interest-Powell Bill	7,000	6,737	(263)	8,129
Total	<u>19,000</u>	<u>15,717</u>	<u>(3,283)</u>	<u>20,050</u>
TOTAL REVENUES	<u>\$ 2,457,610</u>	<u>\$ 2,457,594</u>	<u>\$ (16)</u>	<u>\$ 2,314,861</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

SCHEDULE 1

	June 30, 2020		VARIANCE	6/30/2019
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
EXPENDITURES:				
General Government:				
Operating Expenses	\$ 118,600	\$ 110,697	\$ 7,903	\$ 82,628
Contingency	-	-	-	-
Dues	21,350	21,896	(546)	19,394
Professional Services	16,500	15,294	1,206	16,423
Total	<u>156,450</u>	<u>147,887</u>	<u>8,563</u>	<u>118,445</u>
Administration:				
Salaries	219,850	213,800	6,050	190,155
Operating Expenses	8,000	5,051	2,949	2,666
Social Security	19,000	18,206	794	14,533
Retirement	31,150	31,118	32	25,091
Capital Outlay	50,250	10,300	39,950	-
Group Insurance	27,150	27,145	5	23,376
General Insurance	80,400	84,141	(3,741)	76,774
Total	<u>435,800</u>	<u>389,761</u>	<u>46,039</u>	<u>332,595</u>
Public Buildings:				
Operating Expenses	16,000	14,305	1,695	28,270
Utilities	11,000	9,148	1,852	9,109
Total	<u>27,000</u>	<u>23,453</u>	<u>3,547</u>	<u>37,379</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 619,250</u>	<u>\$ 561,101</u>	<u>\$ 58,149</u>	<u>\$ 488,419</u>
Public Safety:				
Police:				
Salaries	483,550	470,693	12,857	380,481
Capital Outlay	45,150	45,124	26	81,839
Operating Expenses	412,900	398,202	14,698	250,855
Total	<u>941,600</u>	<u>914,019</u>	<u>27,581</u>	<u>713,175</u>
Fire:				
Capital Outlay	-	-	-	-
Operating Expenses	252,000	252,000	-	244,125
Total	<u>252,000</u>	<u>252,000</u>	<u>-</u>	<u>244,125</u>
TOTAL PUBLIC SAFETY	<u>\$ 1,193,600</u>	<u>\$ 1,166,019</u>	<u>\$ 27,581</u>	<u>\$ 957,300</u>
Transportation:				
Operating Expenses	47,000	38,300	8,700	38,344
Capital Outlay	-	-	-	-
Street Repair-Powell Bill	275,900	260,793	15,107	172,546
Total	<u>322,900</u>	<u>299,093</u>	<u>23,807</u>	<u>210,890</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA  
GENERAL FUND

SCHEDULE 1

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020  
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	June 30, 2020		VARIANCE	6/30/2019
	BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
Environmental Protection:				
Salaries - Sanitation	\$ 116,650	\$ 111,890	\$ 4,760	\$ 122,210
Operating Expenses	134,210	101,446	32,764	99,915
Waste Fees	144,400	142,579	1,821	104,395
Capital Outlay	1,800	-	1,800	193,381
Total	<u>397,060</u>	<u>355,915</u>	<u>41,145</u>	<u>519,901</u>
Recreation:				
Salaries	81,300	78,344	2,956	74,850
Operating Expenses	147,200	134,589	12,611	117,886
Capital Outlay	-	-	-	-
	<u>228,500</u>	<u>212,933</u>	<u>15,567</u>	<u>192,736</u>
Debt service:				
Principal retirement	45,500	45,500	-	45,500
Interest	12,800	12,732	68	14,038
Total debt service	<u>58,300</u>	<u>58,232</u>	<u>68</u>	<u>59,538</u>
TOTAL EXPENDITURES	<u>2,819,610</u>	<u>2,653,293</u>	<u>166,317</u>	<u>2,428,784</u>
REVENUES OVER (UNDER) EXPENDITURES	(362,000)	(195,699)	166,301	(11,392)
OTHER FINANCING SOURCES (USES)				
Fund Balance Appropriated	392,000	-	(392,000)	-
Installment Debt Proceeds	-	-	-	-
Transfer (to) from Capital Project	<u>(30,000)</u>	<u>175,490</u>	<u>205,490</u>	<u>(199,353)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>(20,209)</u>	<u>\$ (20,209)</u>	<u>(313,276)</u>
FUND BALANCE				
Beginning of Year, July 1		1,664,322		1,977,598
End of Year, June 30		<u>\$ 1,644,113</u>		<u>\$ 1,664,322</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, 2020**

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Expenditures - Street Projects:</b>					
Engineering and architectural fees	39,500	18,521	-	18,521	20,979
Construction	242,000	-	-	-	242,000
Contingency	24,000	10,399	-	10,399	13,601
Total	<u>305,500</u>	<u>28,920</u>	<u>-</u>	<u>28,920</u>	<u>276,580</u>
<b>Other Revenues:</b>					
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>
<b>Revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 89,880</u>	<u>\$ -</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, 2020**

	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, 2020**

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures - Street Projects:					
Admin/Engineering/Surveying	5,000	7,500	-	7,500	(2,500)
Construction	35,000	7,146	28,000	35,146	(146)
Supplies, Materials, and Fixtures	11,000	-	-	-	11,000
Total	<u>51,000</u>	<u>14,646</u>	<u>28,000</u>	<u>42,646</u>	<u>8,354</u>
Other Revenues:					
Transfer from Powell Bill Fund	1,000	1,000	-	1,000	-
NC Department of Commerce	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
	<u>51,000</u>	<u>51,000</u>	<u>-</u>	<u>51,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 36,354</u>	<u>\$ (28,000)</u>	<u>\$ 8,354</u>	<u>\$ 8,354</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, 2020**

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Expenditures - Street Projects:</b>					
Engineering and architectural fees	50,000	39,780	9,350	49,130	870
Site preparation	55,000	-	54,989	54,989	11
Playground equipment	188,911	-	189,761	189,761	(850)
Sidewalks	125,000	-	125,001	125,001	(1)
Plantings	20,000	-	20,000	20,000	-
Miscellaneous	49,353	-	49,383	49,383	(30)
Total	488,264	39,780	448,484	488,264	-
<b>Other Revenues:</b>					
Grant from Cleveland County	80,000	-	80,000	80,000	-
Transfer from general fund	258,264	189,353	30,000	219,353	(38,911)
NC Dept. of Natural & Cultural Resources	150,000	49,130	100,870	150,000	-
	488,264	238,483	210,870	449,353	(38,911)
Revenues over (under) expenditures	\$ -	\$ 198,703	\$ (237,614)	\$ (38,911)	\$ (38,911)

**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, 2020**

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures - Street Projects:					
Planning and Design	50,000	17,821	32,179	50,000	-
Total	50,000	17,821	32,179	50,000	-
Other Revenues:					
Transfer from general fund	10,000	10,000	-	10,000	-
SPR Grant	40,000	-	45,435	45,435	5,435
	50,000	10,000	45,435	55,435	5,435
Revenues over (under) expenditures	\$ -	\$ (7,821)	\$ 8,256	\$ 5,435	\$ 5,435

## 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, 2020

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

	June 30, 2020		Variable	06/30/19
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>OPERATING REVENUES</b>				
Water & Sewer Charges	\$ 1,624,600	\$ 1,552,788	\$ (71,812)	\$ 1,514,550
Water & Sewer Taps	46,000	33,840	(12,160)	44,290
Total Operating Revenue	<u>1,670,600</u>	<u>1,586,628</u>	<u>(83,972)</u>	<u>1,558,840</u>
<b>NON OPERATING REVENUES</b>				
Lattimore reimbursements	-	-	-	-
Fund Balance Appropriated	-	-	-	-
Interest Income	5,400	5,648	248	5,824
Sale of Assets	-	2,289	2,289	-
Miscellaneous	30,000	19,210	(10,790)	24,947
TOTAL REVENUES	<u>\$ 1,706,000</u>	<u>\$ 1,613,775</u>	<u>\$ (92,225)</u>	<u>\$ 1,589,611</u>
<b>OPERATING EXPENDITURES</b>				
Salaries	\$ 358,650	\$ 355,003	\$ 3,647	\$ 278,387
Social Security	28,300	27,329	971	21,541
Retirement	51,650	45,461	6,189	28,703
Group Insurance	62,100	58,801	3,299	32,836
Utilities	88,950	80,358	8,592	82,266
Repairs & Maintenance	57,980	44,801	13,179	44,489
Materials & Supplies	73,750	72,735	1,015	49,260
Non-capital Equipment Purchases	15,820	16,280	(460)	725
Uniforms	7,600	8,734	(1,134)	6,231
Gas	14,000	13,374	626	14,405
Contracted Services	444,650	417,347	27,303	447,367
Insurance	49,040	51,695	(2,655)	48,461
Telephone & Postage	42,600	39,046	3,554	29,673
Travel and Training	6,650	4,385	2,265	2,607
Miscellaneous	12,810	10,952	1,858	15,371
Total Operating Expenditures	<u>1,314,550</u>	<u>1,246,301</u>	<u>68,249</u>	<u>1,102,322</u>
<b>OTHER EXPENDITURES</b>				
Transfer from Capital Reserve	(25,000)	-	(25,000)	-
Transfer to Capital Project Fund	-	-	-	50,000
Capital Outlay	224,150	113,649	110,501	112,855
Debt Interest	-	31,158	(31,158)	36,231
Debt Principle	192,300	159,171	33,129	156,207
Total Other Expenditures	<u>391,450</u>	<u>303,978</u>	<u>87,472</u>	<u>355,293</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,706,000</u>	<u>\$ 1,550,279</u>	<u>\$ 155,721</u>	<u>\$ 1,457,615</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, 2020  
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

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	\$ 1,613,775
Total Expenditures from page 1 of 2	<u>1,550,279</u>
Excess Revenues over (under) Expenditures	63,496
Depreciation	(272,949)
Transfer to Capital Project	-
Pension Adjustment-GASB	(13,869)
Principle Payment on Debt	159,171
Capital Outlay	<u>105,091</u>
Change in Net Position at Exhibit 8	<u><u>\$ 40,940</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, 2020**

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Construction	50,000	3,000	40,931	43,931	6,069
Total	50,000	3,000	40,931	43,931	6,069
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	\$ (40,931)	\$ 6,069	\$ 6,069



## Other Schedules

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This section contains additional information required on property taxes.

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

TOWN OF BOILING SPRINGS, NORTH CAROLINA  
SCHEDULE OF TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2020

Schedule 9

	<u>Balance 7/1/2019</u>	<u>2019 Levy</u>	<u>Collections</u>	<u>Discoveries Adjustments</u>	<u>Balance 6/30/2020</u>
2009 Levy	\$ 392		\$ -	\$ (392)	\$ -
2010 Levy	418		-	-	418
2011 Levy	323		18	-	305
2012 Levy	1,152		9	-	1,143
2013 Levy	1,277		14	-	1,263
2014 Levy	654		-	-	654
2015 Levy	673		-	-	673
2016 Levy	928		640	-	288
2017 Levy	4,600		2,404	-	2,196
2018 Levy	9,104		6,751	-	2,353
2019 Levy	<u>-</u>	<u>1,126,384</u>	<u>1,118,309</u>		<u>8,075</u>
Totals	<u>\$ 19,521</u>	<u>\$ 1,126,384</u>	<u>\$ 1,128,145</u>	<u>\$ (392)</u>	<u>\$ 17,368</u>
Less: Allowance for uncollectible accounts					6,764
Ad Valorem taxes receivable - net					<u>\$ 10,604</u>

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

Reconcilement with revenues:	
Ad valorem taxes - general fund	\$ 1,127,977
Reconciling items:	
Adjustments	-
Interest collected	(3,042)
Discounts allowed	3,210
Total Collections	<u>\$ 1,128,145</u>

TOWN OF BOILING SPRINGS, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
TOWN WIDE LEVY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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	\$ 296,416,842	\$ 0.38	\$ 1,126,384	\$ 997,021	\$ 129,363
Discoveries:					
Current year taxes	-	0.38	-	-	-
Prior year taxes	-	-	-	-	-
Total	<u>296,416,842</u>	<u>0.38</u>	<u>1,126,384</u>	<u>951,171</u>	<u>129,363</u>
Abatements	-		-	-	-
Total property valuation	<u><u>\$ 296,416,842</u></u>				
Net Levy			1,126,384	997,021	129,363
Uncollected taxes at June 30, 2020			<u>8,075</u>	<u>8,075</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 1,118,309</u></u>	<u><u>\$ 988,946</u></u>	<u><u>\$ 129,363</u></u>
Current levy collection percentage			<u><u>99.28%</u></u>	<u><u>99.19%</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, 2020, and the related notes to the financial statements, which collectively comprise Town of Boiling Springs, North Carolina's basic financial statements and have issued our report thereon dated January 29, 2021. 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.

*Darrell L Keller, CPA, PA*

Darrell L. Keller, CPA, PA  
Kings Mountain, North Carolina  
January 29, 2021