

**Town of Spring Lake  
Spring Lake, North Carolina**

**Audited Financial Statements**

**Year Ended June 30, 2017**

**Town of Spring Lake, North Carolina**

**Audited Financial Statements**

**For the Year Ended June 30, 2017**

**Board of Aldermen**

Chris V. Rey, Mayor

Larry Dobbins, Mayor Pro-Tem

James Christian

Densie Lucas

James O'Garra

Fredricka Sutherland

**Administrative and Financial Staff**

William A. Zell, Interim Town Manager

Claiburn B. Watson, Finance Director

**Town of Spring Lake, North Carolina**  
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**June 30, 2017**

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## **Financial Section**

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# S. Preston Douglas & Associates, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
American Institute of CPAs  
N. C. Association of CPAs

### Independent Auditor's Report

To the Honorable Mayor and  
Members of the Board  
Spring Lake, North Carolina

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Spring Lake, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the 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 financial statement 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the Town of Spring Lake, North Carolina as of June 30, 2017, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year 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 Management's Discussion and Analysis on pages 3 through 10, the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 52, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 53 and 54, respectively, 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 55 and 56 be presented to supplement the basic financial statements. Such information, although not a required 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 basic financial statements of the Town of Spring Lake, North Carolina. The combining and individual fund 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 relates 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, based on our audit, the procedures performed as described above, 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, 2018 on our consideration of the Town of Spring Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the 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 Town of Spring Lake's internal control over financial reporting and compliance.

 S. Preston Douglas, CPA

Lumberton, North Carolina  
January 29, 2018



## **Management Discussion and Analysis**

**Town of Spring Lake, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Management's Discussion and Analysis**

As management of the Town of Spring Lake, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Spring Lake for the fiscal year ending June 30, 2017. 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.

**Financial Highlights**

The assets and deferred outflows of resources of the Town of Spring Lake exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,717,425.

The government's total net position increased in the amount of \$170,070.

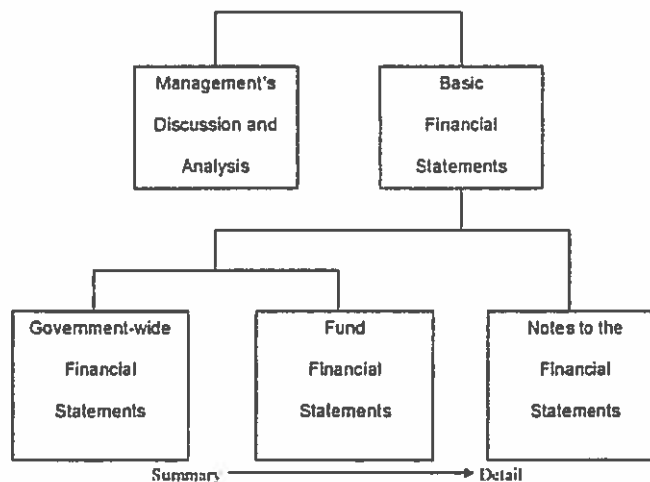
As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,232,960. Approximately 73.53% of this total amount, or \$2,377,418, is available for spending at the government's discretion.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,377,418 or 30.37% of total General Fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Spring Lake's basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Spring Lake.

Required Components of Annual Financial Report  
Figure 1



**Financial Statements**

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements 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.

**Town of Spring Lake, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2017**

There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, additional information is provided to show details about the Town's individual funds. Budgetary information required by the N.C. General Statutes can also 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, in a manner similar to the 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 they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities, 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. 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. This includes the water and sewer services offered by the Town of Spring Lake.

The government-wide financial statements can be found on pages 11 and 12 of this report.

**Fund Financial Statements.** The fund financial statements 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 Spring Lake, like other state and local governments, 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. All of the funds of the Town can be divided into two categories, governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies that are unexpended 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 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 a part of the fund financial statements.

The Town of Spring Lake 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.

**Town of Spring Lake, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2017**

**Governmental Funds (continued).** 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 final budget and the actual resources and charges.

**Proprietary Funds.** The Town of Spring Lake maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered a major fund of the Town.

**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 can be found on pages 21-50 of this report.

**Supplementary Information.** The combining statements, referred to earlier about non-major governmental funds and details of the enterprise funds, can be found on pages 56-76 of this report.

**Government-Wide Financial Analysis**

**The Town of Spring Lake's Net Position**  
**Figure 2**

|                                  | Governmental<br>Activities<br>2017 | Governmental<br>Activities<br>2016 | Business-type<br>Activities<br>2017 | Business-type<br>Activities<br>2016 | Totals<br>2017       | Totals<br>2016       |
|----------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|----------------------|----------------------|
| Current and other assets         | \$ 3,545,298                       | \$ 4,178,109                       | \$ 2,528,905                        | \$ 2,491,027                        | \$ 6,074,203         | \$ 6,669,136         |
| Capital assets                   | 6,723,599                          | 6,934,759                          | 11,134,882                          | 11,429,367                          | 17,858,481           | 18,364,126           |
| Total assets                     | <u>10,268,897</u>                  | <u>11,112,868</u>                  | <u>13,663,787</u>                   | <u>13,920,394</u>                   | <u>23,932,684</u>    | <u>25,033,262</u>    |
| Deferred Outflows of Resources   | 1,429,457                          | 521,587                            | 393,960                             | 147,114                             | 1,823,417            | 668,701              |
| Current liabilities              | 669,503                            | 1,092,332                          | 790,072                             | 805,596                             | 1,459,575            | 1,897,928            |
| Non-current liabilities          | 6,052,697                          | 5,539,656                          | 4,436,433                           | 4,507,761                           | 10,489,130           | 10,047,417           |
| Total liabilities                | <u>6,722,200</u>                   | <u>6,631,988</u>                   | <u>5,226,505</u>                    | <u>5,313,357</u>                    | <u>11,948,705</u>    | <u>11,945,345</u>    |
| Deferred Inflows of Resources    | 71,660                             | 163,226                            | 18,311                              | 46,038                              | 89,971               | 209,264              |
| Net position                     |                                    |                                    |                                     |                                     |                      |                      |
| Net investment in capital assets | 3,438,222                          | 2,917,956                          | 6,530,487                           | 6,824,972                           | 9,968,709            | 9,742,928            |
| Restricted                       | 719,852                            | 733,472                            | -                                   | -                                   | 719,852              | 733,472              |
| Unrestricted                     | 746,420                            | 1,187,813                          | 2,282,444                           | 1,883,141                           | 3,028,864            | 3,070,954            |
| Total net position               | <u>\$ 4,904,494</u>                | <u>\$ 4,839,241</u>                | <u>\$ 8,812,931</u>                 | <u>\$ 8,708,113</u>                 | <u>\$ 13,717,425</u> | <u>\$ 13,547,354</u> |

**Town of Spring Lake, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2017**

**Government-Wide Financial Analysis (continued)**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets of the Town exceeded liabilities by \$13,717,425 at the close of the current fiscal year.

By far the largest portion of the Town's net position, 72.68%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position, 5.25%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unassigned net position is \$3,026,434 or 22.06% of the total.

Ad valorem taxes were the largest revenue contributor for the governmental funds with 46.67% of total revenues. Unrestricted intergovernmental revenues were the next largest at 37.20%.

**Town of Spring Lake's Changes in Net Position**  
**Figure 3**

|  | Governmental<br>Activities<br>2017 | Governmental<br>Activities<br>2016 | Business-type<br>Activities<br>2017 | Business-type<br>Activities<br>2016 | Totals<br>2017       | Totals<br>2016       |
|--|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|----------------------|----------------------|
| <b>Revenues.</b>                                     |                                    |                                    |                                     |                                     |                      |                      |
| <b>Program revenues</b>                              |                                    |                                    |                                     |                                     |                      |                      |
| Charges for services                                 | \$ 129,838                         | \$ 126,417                         | \$ 4,320,065                        | \$ 4,267,276                        | \$ 4,449,903         | \$ 4,393,693         |
| Operating grants and contributions                   | 396,616                            | 377,319                            | -                                   | -                                   | 396,616              | 377,319              |
| Capital grants and contributions                     | 301,256                            | 38,490                             | -                                   | -                                   | 301,256              | 38,490               |
| <b>General revenues</b>                              |                                    |                                    |                                     |                                     |                      |                      |
| Property taxes                                       | 3,346,150                          | 3,270,737                          | -                                   | -                                   | 3,346,150            | 3,270,737            |
| Other taxes  | 114,875                            | 199,409                            | -                                   | -                                   | 114,875              | 199,409              |
| Unrestricted revenues                                | 2,669,887                          | 2,638,617                          | -                                   | -                                   | 2,669,887            | 2,638,617            |
| Other  | 216,121                            | 170,588                            | 82,549                              | 28,489                              | 298,670              | 199,077              |
| <b>Total revenues</b>                                | <b>7,174,743</b>                   | <b>6,821,577</b>                   | <b>4,402,614</b>                    | <b>4,295,765</b>                    | <b>11,577,357</b>    | <b>11,117,342</b>    |
| <b>Expenses.</b>                                     |                                    |                                    |                                     |                                     |                      |                      |
| General government                                   | 1,835,373                          | 1,380,790                          | -                                   | -                                   | 1,835,373            | 1,380,790            |
| Public safety  | 4,460,785                          | 4,259,005                          | -                                   | -                                   | 4,460,785            | 4,259,005            |
| Transportation                                       | 548,002                            | 597,124                            | -                                   | -                                   | 548,002              | 597,124              |
| Culture and recreation                               | 756,277                            | 723,116                            | -                                   | -                                   | 756,277              | 723,116              |
| Non-departmental                                     | 15,205                             | 10,035                             | -                                   | -                                   | 15,205               | 10,035               |
| Interest on long-term debt                           | 148,795                            | 140,840                            | -                                   | -                                   | 148,795              | 140,840              |
| Water and sewer                                      | -                                  | -                                  | 2,850,461                           | 2,716,967                           | 2,850,461            | 2,716,967            |
| Stormwater   | -                                  | -                                  | 596,943                             | 225,531                             | 596,943              | 225,531              |
| Sanitation   | -                                  | -                                  | 195,444                             | 491,395                             | 195,444              | 491,395              |
| <b>Total expenses</b>                                | <b>7,764,437</b>                   | <b>7,110,910</b>                   | <b>3,642,848</b>                    | <b>3,433,892</b>                    | <b>11,407,285</b>    | <b>10,544,802</b>    |
| Increase (decrease) in net position before transfers | (589,694)                          | (289,333)                          | 759,766                             | 861,873                             | 170,072              | 572,540              |
| Transfers  | 654,947                            | 784,408                            | (654,947)                           | (784,408)                           | -                    | -                    |
| <b>Change in net position</b>                        | <b>65,253</b>                      | <b>495,075</b>                     | <b>104,818</b>                      | <b>77,465</b>                       | <b>170,072</b>       | <b>572,540</b>       |
| Net position, beginning, restated                    | 4,839,241                          | 4,344,166                          | 8,708,113                           | 8,630,648                           | 13,547,354           | 12,974,814           |
| <b>Net position - June 30</b>                        | <b>\$ 4,904,494</b>                | <b>\$ 4,839,241</b>                | <b>\$ 8,812,931</b>                 | <b>\$ 8,708,113</b>                 | <b>\$ 13,717,425</b> | <b>\$ 13,547,354</b> |

**Town of Spring Lake, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2017**

**Government-Wide Financial Analysis (continued)**

Capital and operating grants for governmental activities furnished resources to support the five functions of the Town: general government, public safety, transportation, cultural and recreation, and non-departmental.

*Business-type activities.* Business-type activities increased the Town's net position by \$104,818. Key elements of the change in net position compared to prior year are as follows:

- Transfers to other funds decreased by \$129,461 compared to the prior year.
- Total revenues increased by \$106,849 compared to the prior year.
- Total expenses increased by \$208,956 compared to the prior year.

**Financial Analysis of the Government's Funds**

As noted earlier, the Town of Spring Lake uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

*Governmental Funds.* The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$3,232,960. Of this total amount, \$2,377,418 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed 1) to liquidate contracts and purchase orders of the prior year, or 2) for a variety of other restricted purposes.

The General Fund is the principal operating fund of the Town of Spring Lake. At the end of the fiscal year, unassigned fund balance for the general fund was \$2,377,418 with a total fund balance of \$2,907,807. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30.37% of total General Fund expenditures.

*Proprietary Funds.* The Town of Spring Lake's proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,631,856. Other factors concerning this fund have been discussed in the Town's business-type activities.

**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:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, which reflect actual cost.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services and obligations from prior years not completed.

**Town of Spring Lake, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2017**

**Capital Assets and Debt Administration Capital Assets**

The Town of Spring Lake's investments in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$17,858,481 (net of accumulated depreciation). The investments in capital assets includes buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

**Town of Spring Lake's Capital Assets**  
**(net of depreciation)**  
**Figure 4**

|                                  | Governmental<br>Activities<br>2017 | Governmental<br>Activities<br>2016 | Business-type<br>Activities<br>2017 | Business-type<br>Activities<br>2016 | Totals<br>2017 | Totals<br>2016 |
|----------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|----------------|----------------|
| Land                             | \$ 919,273                         | \$ 919,273                         | \$ 82,889                           | \$ 82,889                           | \$ 1,002,162   | \$ 1,002,162   |
| Buildings and system             | 2,336,195                          | 2,435,367                          | -                                   | -                                   | 2,336,195      | 2,435,367      |
| Machinery and equipment          | 300,459                            | 326,788                            | 263,061                             | 313,150                             | 563,520        | 639,938        |
| Infrastructure                   | 367,302                            | 365,534                            | 5,927,209                           | 6,152,127                           | 6,294,511      | 6,517,661      |
| Vehicles and motorized equipment | 242,922                            | 370,914                            | 2,003                               | 21,481                              | 244,925        | 392,395        |
| Construction and progress        | 2,557,448                          | 2,516,883                          | 4,859,720                           | 4,859,720                           | 7,417,168      | 7,376,603      |
| Total capital assets, net        | \$ 6,723,599                       | \$ 6,934,759                       | \$ 11,134,882                       | \$ 11,429,367                       | \$ 17,858,481  | \$ 18,364,126  |

Additional information on the Town's capital assets can be found in the notes on page 30 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Spring Lake had total bonded debt outstanding of \$7,507,923.

**Town of Spring Lake's Outstanding Debt**  
**Figure 5**

|                          | Governmental<br>Activities<br>2017 | Governmental<br>Activities<br>2016 | Business-type<br>Activities<br>2017 | Business-type<br>Activities<br>2016 | Totals<br>2017 | Totals<br>2016 |
|--------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|----------------|----------------|
| General obligation bonds | \$ -                               | \$ -                               | \$ 1,180,000                        | \$ 1,287,049                        | \$ 1,180,000   | \$ 1,287,049   |
| Revolving bonds          | -                                  | -                                  | 2,296,669                           | 2,484,725                           | 2,296,669      | 2,484,725      |
| Notes payable            | 3,282,948                          | 4,016,803                          | 748,306                             | 832,621                             | 4,031,254      | 4,849,424      |
| Total outstanding debt   | \$ 3,282,948                       | \$ 4,016,803                       | \$ 4,224,975                        | \$ 4,604,395                        | \$ 7,507,923   | \$ 8,621,198   |

North Carolina's General Statutes limit the amount of general obligation debt that a governmental unit can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Spring Lake is presently at \$37,995,840 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information pertaining to the Town of Spring Lake's long-term debt can be found in the notes on page 46 of this report.

**Town of Spring Lake, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2017**

**Economic Factors and Next Year's Budgets and Rates**

The following economic indicators reflect the growth of the Town:

- Courtyard by Marriott, a 61,885 square foot full service, four (4) story, one hundred (100) room hotel on North Fifth Street, recently opened in late December 2016. The total cost of construction was approximately \$8,050,000, with an approximate land value of \$157,000.
- Major Roadway improvements related to the U-4444B DOT Project are just about completed with only small landscaping and signage issues remaining. The NCDOT is in the planning phase with officials of the Fort Bragg Military Reservation to provide a new access gate in the vicinity of Odell Road within the corporate limits for the Town of Spring Lake. This new access will allow a more direct access from Fort Bragg into the Spring Lake commercial corridor when completed.
- Freedom Plaza, a 7,306 square foot commercial strip center is currently under construction on North Bragg Boulevard for use by restaurants, retail shops and other business purposes. The total cost of construction is approximately \$287,500 (shell only), with an approximate land value of \$205,481.
- Trojan Plaza, a 4,400 square foot commercial strip center has been completed on North Bragg Boulevard for use by restaurants, retail shops and other business purposes. The total cost of construction was \$300,000, with an approximate land value of \$165,000.
- Construction continues in the Balsawood Development, the Town's first "green community." Currently, ten (10) of the twenty (20) single family dwellings have been completed and certificates of occupancies issued, with four (4) additional single family dwellings currently under construction. The cost of construction for each single family dwelling is approximately \$115,000, not including land value. In addition, future plans also call for eight (8) condominium units to be constructed.
- A regional grocery store chain, Compare Foods, has begun renovation efforts at the Southwind Plaza Shopping Center on North Bragg Boulevard with an approximate location size of 25,000 square feet.
- A regional fast food restaurant, Cookout, has been completed on Highway 210. The total cost of construction is approximately \$820,862, with an approximate land value of \$175,247.



**Town of Spring Lake, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2017**

**Budget Highlights for the Fiscal Year Ended June 30, 2018**

**Governmental Activities.** In order to continue the Town's current level of service to its citizens, the Town's ad valorem tax rate remained the same at \$0.70. In addition, the budget included funding for an additional part time Senior Center Assistant position, the Fire Department received approval to convert three (3) Fire Fighter positions to three (3) Fire Lieutenant positions and the Police Department also received approval to convert one (1) Police Lieutenant position to a Police Officer position. A Cost of Living Adjustment (COLA) of 2% for all Governmental Town employees will be instituted beginning with the January 8<sup>th</sup>, 2018 pay period.

As a result of Session Law 2014-3, commonly known as House Bill 1050 "Omnibus Tax Law Changes," the Town experienced a loss in Privilege License tax revenues in the prior fiscal year. The negative impact continued in the FY 2017-2018 budget year as the law eliminated a local government's authority to levy the privilege license tax. The remaining budgeted revenues were projected to be flat for the coming fiscal year.

Technology improvements will continue to be at the forefront of future Town budgets. The Town is currently continuing to review upgrading its existing financial software. All software purchased will be a fully integrated software system with improved reporting and document imaging and archiving capabilities.

**Business-Type Activities.** The Water and Sewer Fund will include a project to support the annual replacement of 1 (one) of 6 (six) aerators at the waste water treatment plant on an annual basis. In addition, the FY 2017-2018 Budget included funding for a Water Rate Feasibility Study to develop recommendations for future Board consideration.

The Stormwater Fund does not have any new projects planned at the present time.

The Sanitation Fund does not have any new projects planned at the present time.

A Cost of Living Adjustment (COLA) of 2% for all Business-Type Town employees will be instituted beginning with the January 8<sup>th</sup>, 2018 pay period.

For both Governmental and Business-Type Activities, the FY 2017-2018 overall Town Budget included a decrease of \$236,146 of debt service expenditures over the FY 2016-2017 Budget. The Town pre-paid numerous outstanding debt obligations by using fund balance from the General, Water and Sewer & Stormwater Funds.

**Request for Information**

This financial report is designed to provide a general overview of the Town of Spring Lake's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, Town of Spring Lake, P.O. Box 617, Spring Lake, NC 28390.

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## Basic Financial Statements

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**Town of Spring Lake, North Carolina**  
**Statement of Net Position**  
**June 30, 2017**

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
| <b>ASSETS</b>   |                            |                             |                      |
| Current assets:   |                            |                             |                      |
| Cash and cash equivalents   | \$ 2,813,028               | \$ 1,622,144                | \$ 4,435,172         |
| Restricted cash and cash equivalents                                | -                          | 356,830                     | 356,830              |
| Taxes receivables (net)   | 126,724                    | -                           | 126,724              |
| Inventories   | -                          | 58,821                      | 58,821               |
| Accounts receivables (net)  | 605,546                    | 491,111                     | 1,096,657            |
| <b>Total current assets</b>   | <u>3,545,298</u>           | <u>2,528,906</u>            | <u>6,074,204</u>     |
| Non-current assets:   |                            |                             |                      |
| Capital assets (Note 4):  |                            |                             |                      |
| Land, non-depreciable improvements,<br>and construction in progress | 3,476,721                  | 4,942,609                   | 8,419,330            |
| Other capital assets, net of depreciation                           | 3,246,878                  | 6,192,273                   | 9,439,151            |
| <b>Total capital assets</b>   | <u>6,723,599</u>           | <u>11,134,882</u>           | <u>17,858,481</u>    |
| <b>Total assets</b>   | <u>10,268,897</u>          | <u>13,663,788</u>           | <u>23,932,685</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                               |                            |                             |                      |
| Pension deferrals   | 1,429,457                  | 393,960                     | 1,823,417            |
| <b>Total deferred outflows of resources</b>                         | <u>1,429,457</u>           | <u>393,960</u>              | <u>1,823,417</u>     |
| <b>LIABILITIES</b>  |                            |                             |                      |
| Current liabilities:  |                            |                             |                      |
| Accounts payable and accrued expenses                               | 255,471                    | 92,335                      | 347,806              |
| Customer deposits   | -                          | 356,830                     | 356,830              |
| Current portion of long-term liabilities                            | 414,032                    | 300,906                     | 714,938              |
| <b>Total current liabilities</b>                                    | <u>669,503</u>             | <u>750,071</u>              | <u>1,419,574</u>     |
| Long-term liabilities:  |                            |                             |                      |
| Due in more than one year   | 4,449,273                  | 4,166,871                   | 8,616,144            |
| Net pension liability   | 1,097,545                  | 309,564                     | 1,407,109            |
| Total pension liability   | 505,879                    | -                           | 505,879              |
| <b>Total liabilities</b>  | <u>6,722,200</u>           | <u>5,226,506</u>            | <u>11,948,706</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                            |                             |                      |
| Pension deferrals   | 71,660                     | 18,311                      | 89,971               |
| <b>Total deferred inflows of resources</b>                          | <u>71,660</u>              | <u>18,311</u>               | <u>89,971</u>        |
| <b>NET POSITION</b>   |                            |                             |                      |
| Net investment in capital assets                                    | 3,440,651                  | 6,530,487                   | 9,971,138            |
| Restricted for:   |                            |                             |                      |
| Stabilization by State Statute                                      | 605,546                    | -                           | 605,546              |
| Capital Projects  | 114,306                    | -                           | 114,306              |
| Unrestricted (deficit)  | 743,991                    | 2,282,444                   | 3,026,435            |
| <b>Total net position</b>   | <u>\$ 4,904,494</u>        | <u>\$ 8,812,931</u>         | <u>\$ 13,717,425</u> |

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

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**Town of Spring Lake, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

| Functions/Programs                                    | Program Revenues     |                      |                                    | Net (Expense) Revenue and Changes in Net Position |                         |   |                    |
|---|----------------------|----------------------|------------------------------------|---|-------------------------|---|--------------------|
|   | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                  | Governmental Activities | Primary Government Business-type Activities | Total              |
| <b>Primary government:</b>                            |                      |                      |                                    |   |                         |   |                    |
| <b>Governmental Activities:</b>                       |                      |                      |                                    |   |                         |   |                    |
| General government                                    | \$ 1,835,373         | \$ 17,833            | \$ -                               | \$ -  | \$ (1,817,540)          | \$ -  | \$ (1,817,540)     |
| Public safety   | 4,460,785            | 69,833               | 85,374                             | 301,256   | (4,004,322)             | -   | (4,004,322)        |
| Transportation  | 548,002              | -                    | 289,441                            | -   | (258,561)               | -   | (258,561)          |
| Cultural and recreation                               | 756,277              | 42,172               | 21,801                             | -   | (692,304)               | -   | (692,304)          |
| Non-departmental                                      | 15,205               | -                    | -                                  | -   | (15,205)                | -   | (15,205)           |
| Interest on long-term debt                            | 148,795              | -                    | -                                  | -   | (148,795)               | -   | (148,795)          |
| <b>Total governmental activities</b>                  | <b>7,764,437</b>     | <b>129,838</b>       | <b>396,616</b>                     | <b>301,256</b>                                    | <b>(6,936,727)</b>      | <b>-</b>                                    | <b>(6,936,727)</b> |
| <b>Business-type activities:</b>                      |                      |                      |                                    |   |                         |   |                    |
| Water and sewer                                       | 2,850,461            | 3,341,958            | -                                  | -   | -                       | 491,497                                     | 491,497            |
| Sanitation  | 596,943              | 687,539              | -                                  | -   | -                       | 90,596                                      | 90,596             |
| Stormwater  | 195,444              | 290,568              | -                                  | -   | -                       | 95,124                                      | 95,124             |
| <b>Total business-type activities</b>                 | <b>3,642,849</b>     | <b>4,320,065</b>     | <b>-</b>                           | <b>-</b>  | <b>-</b>                | <b>677,216</b>                              | <b>677,216</b>     |
| <b>Total primary government</b>                       | <b>\$ 11,407,286</b> | <b>\$ 4,449,903</b>  | <b>\$ 396,616</b>                  | <b>\$ 301,256</b>                                 | <b>(6,936,727)</b>      | <b>677,216</b>                              | <b>(6,259,511)</b> |
| <b>General revenues:</b>                              |                      |                      |                                    |   |                         |   |                    |
| Taxes:  |                      |                      |                                    |   |                         |   |                    |
| Property taxes, levied for general purpose            |                      |                      |                                    |   | 3,346,150               | -   | 3,346,150          |
| Unrestricted intergovernmental                        |                      |                      |                                    |   | 2,669,887               | -   | 2,669,887          |
| Other taxes and licenses                              |                      |                      |                                    |   | 114,875                 | -   | 114,875            |
| Investment earnings, unrestricted                     |                      |                      |                                    |   | 16,833                  | 14,531                                      | 31,364             |
| Miscellaneous, unrestricted                           |                      |                      |                                    |   | 199,288                 | 68,018                                      | 267,306            |
| <b>Total general revenues not including transfers</b> |                      |                      |                                    |   | <b>6,347,033</b>        | <b>82,549</b>                               | <b>6,429,582</b>   |
| Transfers   |                      |                      |                                    |   | 654,947                 | (654,947)                                   | -                  |
| <b>Total general revenues and transfers</b>           |                      |                      |                                    |   | <b>7,001,980</b>        | <b>(572,398)</b>                            | <b>6,429,582</b>   |
| Change in net position                                |                      |                      |                                    |   | 65,253                  | 104,818                                     | 170,070            |
| Net position, beginning                               |                      |                      |                                    |   | 5,076,559               | 8,708,113                                   | 13,784,672         |
| Restatement   |                      |                      |                                    |   | (237,318)               | -   | (237,318)          |
| Net position, beginning, restated                     |                      |                      |                                    |   | 4,839,241               | 8,708,113                                   | 13,547,354         |
| Net position, ending                                  |                      |                      |                                    |   | \$ 4,904,494            | \$ 8,812,931                                | \$ 13,717,425      |

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**Town of Spring Lake, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

|  | <u>Major Fund</u>          | <u>Total</u>             | <u>Total</u>               |
|--|----------------------------|--------------------------|----------------------------|
|  | <u>General</u>             | <u>Non-Major</u>         | <u>Governmental</u>        |
|  |                            | <u>Funds</u>             | <u>Funds</u>               |
| <b><u>ASSETS</u></b>   |                            |                          |                            |
| Cash and cash equivalents  | \$ 2,536,843               | \$ 276,186               | \$ 2,813,029               |
| Taxes receivable, net  | 126,724                    | -                        | 126,724                    |
| Accounts receivable, net   | 530,389                    | 55,660                   | 586,049                    |
| <b>Total assets</b>  | <b><u>\$ 3,193,956</u></b> | <b><u>\$ 331,846</u></b> | <b><u>\$ 3,525,802</u></b> |
| <b><u>LIABILITIES</u></b>  |                            |                          |                            |
| Accounts payable and accrued liabilities                                       | \$ 159,426                 | \$ 6,693                 | \$ 166,119                 |
| <b>Total liabilities</b>   | <b><u>159,426</u></b>      | <b><u>6,693</u></b>      | <b><u>166,119</u></b>      |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                    |                            |                          |                            |
| Property taxes receivable  | 126,724                    | -                        | 126,724                    |
| <b>Total deferred inflows of resources</b>                                     | <b><u>126,724</u></b>      | <b><u>-</u></b>          | <b><u>126,724</u></b>      |
| <b><u>FUND BALANCES</u></b>  |                            |                          |                            |
| Restricted:  |                            |                          |                            |
| Stabilization by State Statue  | 530,389                    | 51,198                   | 581,587                    |
| Public Safety  | -                          | 159,649                  | 159,649                    |
| Capital Projects   | -                          | 114,306                  | 114,306                    |
| Assigned:  |                            |                          |                            |
| Subsequent Year's Expenditures   | -                          | -                        | -                          |
| Unassigned   | 2,377,418                  | -                        | 2,377,418                  |
| <b>Total fund balances</b>   | <b><u>2,907,807</u></b>    | <b><u>325,153</u></b>    | <b><u>3,232,960</u></b>    |
| <b>Total liabilities, deferred inflows of resources,<br/>and fund balances</b> | <b><u>\$ 3,193,957</u></b> | <b><u>\$ 331,846</u></b> |                            |

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

**Town of Spring Lake, North Carolina**  
**Balance Sheet**  
**Governmental Funds (continued)**  
**June 30, 2017**

Amounts reported for governmental activities in the Statement of Net Position (Page 11) are different because:

|  |           |                    |
|--|-----------|--------------------|
| Total fund balances, governmental funds  | \$        | 3,232,960          |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.  |           |                    |
| Gross capital assets at historical cost  |           | 13,140,583         |
| Accumulated depreciation   |           | <u>(6,416,984)</u> |
|  |           | 6,723,599          |
| Internal service funds are used by management to charge the costs of fleet maintenance, to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. |           |                    |
|  |           | 658                |
| Deferred outflows of resources related to pensions and are not reported in the funds   |           |                    |
|  |           | 1,429,456          |
| Earned revenues considered deferred inflows of resources in fund statements  |           |                    |
|  |           | 126,724            |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:  |           |                    |
| Gross long-term debt   |           | (4,863,304)        |
| Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore not reported in the funds   |           |                    |
|  |           | (70,513)           |
| Net pension liability  |           |                    |
|  |           | (1,097,545)        |
| Total pension liability  |           |                    |
|  |           | (505,879)          |
| Pension related deferrals  |           |                    |
|  |           | <u>(71,660)</u>    |
| Net position of governmental activities  |           |                    |
|  | <u>\$</u> | <u>4,904,494</u>   |

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

**Town of Spring Lake, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

|  | <u>Major Fund</u>   | <u>Total<br/>Non-Major<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|--------------------------------------|---|
|  | <u>General</u>      |                                      |   |
| <b>Revenues:</b>   |                     |                                      |   |
| Ad valorem taxes   | \$ 3,348,891        | \$ -                                 | \$ 3,348,891                            |
| Other taxes and licenses                                 | 77,454              | -                                    | 77,454                                  |
| Unrestricted intergovernmental                           | 2,669,887           | -                                    | 2,669,887                               |
| Restricted intergovernmental                             | 434,037             | -                                    | 434,037                                 |
| Permits and fees   | 87,666              | -                                    | 87,666                                  |
| Sales and services                                       | 42,172              | -                                    | 42,172                                  |
| Contributions/grant proceeds                             | -                   | 317,506                              | 317,506                                 |
| Investment earnings                                      | 16,833              | -                                    | 16,833                                  |
| Miscellaneous  | 181,313             | 1,725                                | 183,038                                 |
| <b>Total revenues</b>                                    | <u>6,858,253</u>    | <u>319,231</u>                       | <u>7,177,484</u>                        |
| <b>Expenditures:</b>                                     |                     |                                      |   |
| Current:   |                     |                                      |   |
| General government                                       | 1,642,043           | 66,764                               | 1,708,807                               |
| Public safety  | 4,009,054           | 144,303                              | 4,153,357                               |
| Transportation   | 510,235             | -                                    | 510,235                                 |
| Cultural and recreational                                | 704,156             | -                                    | 704,156                                 |
| Non-departmental   | 14,157              | -                                    | 14,157                                  |
| Debt service:  |                     |                                      |   |
| Principal  | 799,855             | -                                    | 799,855                                 |
| Interest and other charges                               | 148,795             | -                                    | 148,795                                 |
| <b>Total expenditures</b>                                | <u>7,828,295</u>    | <u>211,067</u>                       | <u>8,039,362</u>                        |
| <b>Excess (deficiency) of revenues over expenditures</b> | <u>(970,042)</u>    | <u>108,164</u>                       | <u>(861,878)</u>                        |
| <b>Other financing sources (uses)</b>                    |                     |                                      |   |
| Transfers from/to other funds                            | 389,357             | 49,500                               | 438,857                                 |
| Installment purchase proceeds                            | 66,000              | -                                    | 66,000                                  |
| <b>Total other financing sources (uses)</b>              | <u>455,357</u>      | <u>49,500</u>                        | <u>504,857</u>                          |
| <b>Net change in fund balances</b>                       | (514,685)           | 157,664                              | (357,021)                               |
| <b>Fund balances, beginning</b>                          | <u>3,422,492</u>    | <u>167,489</u>                       | <u>3,589,981</u>                        |
| <b>Fund balances, ending</b>                             | <u>\$ 2,907,807</u> | <u>\$ 325,153</u>                    | <u>\$ 3,232,960</u>                     |

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

**Town of Spring Lake, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**June 30, 2017**

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

|  |                  |                      |
|--|------------------|----------------------|
| Net change in fund balances - total governmental funds   | \$               | (357,021)            |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>   |                  |                      |
| Capital outlay expenditures which were capitalized   | \$ 127,720       |                      |
| Depreciation expense for governmental assets   | <u>(338,880)</u> | (211,160)            |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities   |                  | 465,348              |
| Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities  |                  | 32,691               |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                  |                      |
| Change in unavailable revenue for tax revenues   |                  | (2,742)              |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> |                  |                      |
| New long-term debt issued  | (66,000)         |                      |
| Principal payments on long-term debt   | 799,855          |                      |
| (Increase) decrease in accrued interest payable  | <u>11,824</u>    | 745,679              |
| Consolidation adjustment for the Internal Service Fund   |                  |                      |
| Net revenue (expense) of the internal service fund   |                  | 227                  |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>   |                  |                      |
| Compensated absences   | 28,200           |                      |
| Other postemployment benefits  | (237,553)        |                      |
| LEO revenue (expense)  | (46,559)         |                      |
| Pension revenue (expense)  | <u>(351,857)</u> | <u>(607,769)</u>     |
| <b>Total changes in net position of governmental activities</b>  | <b>\$</b>        | <b><u>65,253</u></b> |

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

**Town of Spring Lake, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2017**

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| <b>Revenues:</b>                            |                            |                         |                     |   |
| Ad valorem taxes                            | \$ 3,250,589               | \$ 3,288,069            | \$ 3,348,891        | \$ 60,822   |
| Other taxes and licenses                    | 71,800                     | 82,020                  | 77,454              | (4,566)   |
| Unrestricted intergovernmental              | 2,698,685                  | 2,749,250               | 2,669,887           | (79,363)  |
| Restricted intergovernmental                | 445,923                    | 440,640                 | 434,037             | (6,603)   |
| Permits and fees                            | 101,415                    | 94,765                  | 87,666              | (7,099)   |
| Sales and services                          | 28,025                     | 32,975                  | 42,172              | 9,197   |
| Investment earnings                         | 1,600                      | 5,000                   | 16,833              | 11,833  |
| Other revenue                               | 31,000                     | 72,490                  | 181,313             | 108,823   |
| <b>Total revenues</b>                       | <u>6,629,037</u>           | <u>6,765,209</u>        | <u>6,858,253</u>    | <u>93,044</u>   |
| <b>Expenditures:</b>                        |                            |                         |                     |   |
| Current:                                    |                            |                         |                     |   |
| General government                          | 1,559,702                  | 1,687,672               | 1,642,043           | 45,629  |
| Public safety                               | 3,819,689                  | 4,031,513               | 4,009,054           | 22,459  |
| Transportation                              | 572,056                    | 542,632                 | 510,235             | 32,397  |
| Cultural and recreational                   | 681,952                    | 707,625                 | 704,156             | 3,469   |
| Nondepartmental                             | 11,000                     | 15,200                  | 14,157              | 1,043   |
| Debt service:                               |                            |                         |                     |   |
| Principal retirement                        | 403,169                    | 799,855                 | 799,855             | -   |
| Interest and other charges                  | 147,268                    | 148,797                 | 148,795             | 2   |
| <b>Total expenditures</b>                   | <u>7,194,836</u>           | <u>7,933,294</u>        | <u>7,828,295</u>    | <u>104,999</u>  |
| <b>Revenues over (under) expenditures</b>   | <u>(565,799)</u>           | <u>(1,168,085)</u>      | <u>(970,042)</u>    | <u>198,043</u>  |
| <b>Other financing sources (uses):</b>      |                            |                         |                     |   |
| Installment purchase proceeds               |                            |                         | 66,000              |   |
| Transfers (to) from                         |                            |                         | 389,357             |   |
| <b>Total other financing sources (uses)</b> | <u>565,799</u>             | <u>456,857</u>          | <u>455,357</u>      | <u>(1,500)</u>  |
| Fund balance appropriated                   | <u>-</u>                   | <u>711,228</u>          | <u>-</u>            | <u>(711,228)</u>  |
| <b>Net change in fund balances</b>          | <u>\$ -</u>                | <u>\$ -</u>             | <u>(514,685)</u>    | <u>\$ (514,685)</u>   |
| Fund balance, beginning                     |                            |                         | <u>3,422,492</u>    |   |
| Fund balance, ending                        |                            |                         | <u>\$ 2,907,807</u> |   |

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

**Town of Spring Lake, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

| <u>ASSETS</u>                                | <u>Major Enterprise Funds</u>   |                            |                            |                     | <u>Internal<br/>Service Fund</u> |
|--|---------------------------------|----------------------------|----------------------------|---------------------|----------------------------------|
|  | <u>Water and<br/>Sewer Fund</u> | <u>Sanitation<br/>Fund</u> | <u>Stormwater<br/>Fund</u> | <u>Total</u>        |                                  |
| <b>Current assets:</b>                       |                                 |                            |                            |                     |                                  |
| Cash and cash equivalents                    | \$ 616,824                      | \$ 477,781                 | \$ 527,539                 | \$ 1,622,144        | \$ -                             |
| Restricted cash and cash equivalents         | 356,830                         | -                          | -                          | 356,830             | -                                |
| Accounts receivable (net)                    | 469,678                         | 18,343                     | 3,090                      | 491,111             | 19,496                           |
| Inventories                                  | 58,821                          | -                          | -                          | 58,821              | -                                |
| <b>Total current assets</b>                  | <b>1,502,153</b>                | <b>496,124</b>             | <b>530,629</b>             | <b>2,528,906</b>    | <b>19,496</b>                    |
| <b>Non-current assets:</b>                   |                                 |                            |                            |                     |                                  |
| <b>Capital assets:</b>                       |                                 |                            |                            |                     |                                  |
| Land and other non-depreciable assets        | 4,942,609                       | -                          | -                          | 4,942,609           | -                                |
| Other capital assets, net of depreciation    | 5,848,123                       | 183,201                    | 160,949                    | 6,192,273           | -                                |
| <b>Capital assets (net)</b>                  | <b>10,790,732</b>               | <b>183,201</b>             | <b>160,949</b>             | <b>11,134,882</b>   | <b>-</b>                         |
| <b>Total noncurrent assets</b>               | <b>10,790,732</b>               | <b>183,201</b>             | <b>160,949</b>             | <b>11,134,882</b>   | <b>-</b>                         |
| <b>Total assets</b>                          | <b>12,292,885</b>               | <b>679,325</b>             | <b>691,578</b>             | <b>13,663,788</b>   | <b>19,496</b>                    |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b> |                                 |                            |                            |                     |                                  |
| Pension deferrals                            | 286,516                         | 53,722                     | 53,722                     | 393,960             | -                                |
| <b>Total deferred outflows of resources</b>  | <b>286,516</b>                  | <b>53,722</b>              | <b>53,722</b>              | <b>393,960</b>      | <b>-</b>                         |
| <b><u>LIABILITIES</u></b>                    |                                 |                            |                            |                     |                                  |
| <b>Current liabilities:</b>                  |                                 |                            |                            |                     |                                  |
| Accounts payable and accrued liabilities     | 35,414                          | 35,057                     | 21,864                     | 92,335              | 18,838                           |
| Compensated absences                         | 26,400                          | 6,400                      | 7,200                      | 40,000              | -                                |
| Customer deposits                            | 356,830                         | -                          | -                          | 356,830             | -                                |
| Current portion of long-term debt            | 252,334                         | 48,572                     | -                          | 300,906             | -                                |
| <b>Total current liabilities</b>             | <b>670,978</b>                  | <b>90,029</b>              | <b>29,064</b>              | <b>790,071</b>      | <b>18,838</b>                    |
| <b>Noncurrent liabilities:</b>               |                                 |                            |                            |                     |                                  |
| Compensated absences                         | 20,001                          | 5,125                      | 5,002                      | 30,128              | -                                |
| Other post-employment benefits               | 93,374                          | 49,706                     | 29,594                     | 172,674             | -                                |
| Net pension liability                        | 225,137                         | 42,213                     | 42,213                     | 309,563             | -                                |
| Noncurrent portion of long-term debt         | 3,738,401                       | 185,669                    | -                          | 3,924,070           | -                                |
| <b>Total noncurrent liabilities</b>          | <b>4,076,913</b>                | <b>282,713</b>             | <b>76,809</b>              | <b>4,436,435</b>    | <b>-</b>                         |
| <b>Total liabilities</b>                     | <b>4,747,891</b>                | <b>372,742</b>             | <b>105,873</b>             | <b>5,226,506</b>    | <b>18,838</b>                    |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>  |                                 |                            |                            |                     |                                  |
| Pension deferrals                            | 13,317                          | 2,497                      | 2,497                      | 18,311              | -                                |
| <b>Total deferred inflows of resources</b>   | <b>13,317</b>                   | <b>2,497</b>               | <b>2,497</b>               | <b>18,311</b>       | <b>-</b>                         |
| <b><u>NET POSITION</u></b>                   |                                 |                            |                            |                     |                                  |
| Net investment in capital assets             | 6,186,337                       | 183,201                    | 160,949                    | 6,530,487           | -                                |
| Unrestricted                                 | 1,631,856                       | 174,607                    | 475,981                    | 2,282,444           | 658                              |
| <b>Total net position</b>                    | <b>\$ 7,818,193</b>             | <b>\$ 357,808</b>          | <b>\$ 636,930</b>          | <b>\$ 8,812,931</b> | <b>\$ 658</b>                    |

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

**Town of Spring Lake, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

|   | Major Enterprise Funds  |                    |                    | Total               | Internal<br>Service Fund |
|---|-------------------------|--------------------|--------------------|---------------------|--------------------------|
|   | Water and<br>Sewer Fund | Sanitation<br>Fund | Stormwater<br>Fund |                     |                          |
| <b>Operating revenues:</b>                                  |                         |                    |                    |                     |                          |
| Charges for services  | \$ 3,311,273            | \$ 687,539         | \$ 290,568         | \$ 4,289,380        | \$ -                     |
| Other operating revenues                                    | 30,685                  | -                  | -                  | 30,685              | -                        |
| <b>Total operating revenues</b>                             | <u>3,341,958</u>        | <u>687,539</u>     | <u>290,568</u>     | <u>4,320,065</u>    | <u>-</u>                 |
| <b>Operating expenses:</b>                                  |                         |                    |                    |                     |                          |
| Administration  | -                       | -                  | 183,633            | 183,633             | -                        |
| Sanitation  | -                       | 567,050            | -                  | 567,050             | -                        |
| Revenue collections   | 1,067,922               | -                  | -                  | 1,067,922           | -                        |
| Revenue billing   | 300,895                 | -                  | -                  | 300,895             | -                        |
| Water and sewer operations                                  | 625,043                 | -                  | -                  | 625,043             | -                        |
| Waste water treatment plant                                 | 481,003                 | -                  | -                  | 481,003             | -                        |
| Fleet maintenance   | -                       | -                  | -                  | -                   | 215,863                  |
| Depreciation  | 375,598                 | 29,894             | 11,811             | 417,303             | -                        |
| <b>Total operating expenses</b>                             | <u>2,850,461</u>        | <u>596,944</u>     | <u>195,444</u>     | <u>3,642,849</u>    | <u>215,863</u>           |
| <b>Operating income (loss)</b>                              | <u>491,497</u>          | <u>90,595</u>      | <u>95,124</u>      | <u>677,216</u>      | <u>(215,863)</u>         |
| <b>Nonoperating revenues (expenses):</b>                    |                         |                    |                    |                     |                          |
| Investment earnings   | 9,826                   | 1,673              | 3,032              | 14,531              | -                        |
| Sale of materials   | 316                     | -                  | -                  | 316                 | -                        |
| Miscellaneous   | 168,093                 | 48                 | -                  | 168,141             | -                        |
| Interest and other charges                                  | (100,439)               | -                  | -                  | (100,439)           | -                        |
| <b>Total nonoperating revenue (expenses)</b>                | <u>77,796</u>           | <u>1,721</u>       | <u>3,032</u>       | <u>82,549</u>       | <u>-</u>                 |
| <b>Income (loss) before contributions<br/>and transfers</b> | <u>569,293</u>          | <u>92,316</u>      | <u>98,156</u>      | <u>759,765</u>      | <u>(215,863)</u>         |
| Capital contributions                                       | -                       | -                  | -                  | -                   | -                        |
| Transfers in (out)  | (488,507)               | (95,000)           | (71,440)           | (654,947)           | 216,090                  |
| <b>Total contributions and transfers</b>                    | <u>(488,507)</u>        | <u>(95,000)</u>    | <u>(71,440)</u>    | <u>(654,947)</u>    | <u>216,090</u>           |
| <b>Change in net position</b>                               | 80,786                  | (2,684)            | 26,716             | 104,818             | 227                      |
| <b>Total net position, beginning</b>                        | 7,737,407               | 360,492            | 610,214            | 8,708,113           | 431                      |
| <b>Total net position, ending</b>                           | <u>\$ 7,818,193</u>     | <u>\$ 357,808</u>  | <u>\$ 636,930</u>  | <u>\$ 8,812,931</u> | <u>\$ 658</u>            |

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

**Town of Spring Lake, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

|  | <b>Major Enterprise Fund</b>    |                            |                            |                     | <b>Internal<br/>Service Fund</b> |
|--|---------------------------------|----------------------------|----------------------------|---------------------|----------------------------------|
|  | <b>Water and<br/>Sewer Fund</b> | <b>Sanitation<br/>Fund</b> | <b>Stormwater<br/>Fund</b> | <b>Total</b>        |                                  |
| <b>Cash flows from operating activities:</b>   |                                 |                            |                            |                     |                                  |
| Cash received from customers   | \$ 3,333,804                    | \$ 683,040                 | \$ 289,736                 | \$ 4,306,580        | \$ -                             |
| Cash paid for goods and services   | (1,378,289)                     |                            | (59,646)                   | (1,437,935)         | (98,211)                         |
| Cash paid to employees for services  | (912,876)                       | (143,505)                  | (127,106)                  | (1,183,487)         | (117,690)                        |
| Other operating activities   | (246,590)                       | (382,245)                  | -                          | (628,835)           | (189)                            |
| <b>Net cash provided (used) by operating activities</b>  | <u>796,049</u>                  | <u>157,290</u>             | <u>102,984</u>             | <u>1,056,323</u>    | <u>(216,090)</u>                 |
| <b>Cash flows from non-capital financing activities:</b>   |                                 |                            |                            |                     |                                  |
| Transfers  | (488,507)                       | (95,000)                   | (71,440)                   | (654,947)           | 216,090                          |
| <b>Net cash provided (used) by non-capital financing activities</b>  | <u>(488,507)</u>                | <u>(95,000)</u>            | <u>(71,440)</u>            | <u>(654,947)</u>    | <u>216,090</u>                   |
| <b>Cash flows from capital and related financing activities:</b>   |                                 |                            |                            |                     |                                  |
| Acquisition and construction of capital assets   | (122,819)                       | -                          | -                          | (122,819)           | -                                |
| Principal paid on bonds & installment notes  | (613,662)                       | -                          | (20,000)                   | (633,662)           | -                                |
| Loan proceeds  | -                               | 234,241                    | 20,000                     | 254,241             | -                                |
| Interest paid on bonds and installment notes   | (100,439)                       | -                          | -                          | (100,439)           | -                                |
| Sale of materials  | 316                             | -                          | -                          | 316                 | -                                |
| Miscellaneous  | 167,887                         | 48                         | -                          | 167,935             | -                                |
| Capital contributions and grants   | -                               | -                          | -                          | -                   | -                                |
| <b>Net cash provided (used) by capital and related financing activities</b>                                  | <u>(668,717)</u>                | <u>234,289</u>             | <u>-</u>                   | <u>(434,428)</u>    | <u>-</u>                         |
| <b>Cash flows from investing activities:</b>   |                                 |                            |                            |                     |                                  |
| Interest on investments  | 9,826                           | 1,673                      | 3,032                      | 14,531              | -                                |
| <b>Net cash provided (used) by investing activities</b>  | <u>9,826</u>                    | <u>1,673</u>               | <u>3,032</u>               | <u>14,531</u>       | <u>-</u>                         |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <u>(351,349)</u>                | <u>298,252</u>             | <u>34,576</u>              | <u>(18,521)</u>     | <u>-</u>                         |
| <b>Cash and cash equivalents - beginning of year</b>   | <u>1,325,002</u>                | <u>179,529</u>             | <u>492,964</u>             | <u>1,997,495</u>    | <u>-</u>                         |
| <b>Cash and cash equivalents - end of year</b>   | <u>\$ 973,653</u>               | <u>\$ 477,781</u>          | <u>\$ 527,539</u>          | <u>\$ 1,978,974</u> | <u>\$ -</u>                      |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>        |                                 |                            |                            |                     |                                  |
| <b>Operating income (loss)</b>   | <u>\$ 491,497</u>               | <u>\$ 90,595</u>           | <u>\$ 95,124</u>           | <u>\$ 677,216</u>   | <u>\$ (215,674)</u>              |
| <b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b> |                                 |                            |                            |                     |                                  |
| Depreciation   | 375,598                         | 29,894                     | 11,811                     | 417,303             | -                                |
| Change in assets, deferred outflows of resources, and liabilities:   |                                 |                            |                            |                     |                                  |
| (Increase) decrease in accounts receivable   | (53,020)                        | (4,499)                    | (543)                      | (58,062)            | (6,240)                          |
| (Increase) decrease in inventories   | 1,866                           | -                          | -                          | 1,866               | -                                |
| Increase in deferred outflows of resources - pensions  | (179,524)                       | (33,660)                   | (33,660)                   | (246,844)           | -                                |
| Increase (decrease) in pension liability   | 176,409                         | 33,077                     | 33,077                     | 242,563             | -                                |
| Decrease in deferred inflows of resources - pensions   | (20,165)                        | (3,781)                    | (3,781)                    | (27,727)            | -                                |
| Increase (decrease) in accounts payable and accrued liabilities  | (66,301)                        | 32,434                     | (1,616)                    | (35,483)            | 5,824                            |
| Increase (decrease) in OPEB liability  | 18,478                          | 9,836                      | 5,856                      | 34,170              | -                                |
| Increase (decrease) in compensated absences  | 7,925                           | 3,394                      | (3,284)                    | 8,035               | -                                |
| Increase (decrease) in deposits  | 43,286                          | -                          | -                          | 43,286              | -                                |
| <b>Total adjustments</b>   | <u>304,552</u>                  | <u>66,695</u>              | <u>7,860</u>               | <u>379,107</u>      | <u>(416)</u>                     |
| <b>Net cash provided (used) by operating activities</b>  | <u>\$ 796,049</u>               | <u>\$ 157,290</u>          | <u>\$ 102,984</u>          | <u>\$ 1,056,323</u> | <u>\$ (216,090)</u>              |

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



**Notes to the Financial Statements**

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Spring Lake, North Carolina ("the Town") 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 Spring Lake is a municipal corporation that is governed by an elected mayor and a five-member Board of Aldermen. As required by generally accepted accounting principles, these financial statements include all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or are financially independent upon the Town.

**B - Basis of Presentation**

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods and 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 – government and proprietary – are presented. The emphasis of the 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 the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

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

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B - Basis of Presentation - Fund Accounting (continued)**

The Town reports the following non-major governmental funds:

**Spring Fling Fund** - This fund accounts for the receipt of donations and expenditures on the celebration of the opening of baseball season.

**Public Safety Grants and Projects Fund** - This fund accounts for the receipt of public safety operating and capital grants and the related expenditures.

**Recreation Capital Projects Fund** - This fund accounts for the receipt of capital grants and the related expenditures.

**Street Capital Projects Fund** - This fund accounts for the receipt of installment purchase proceeds and the related expenditures for street projects.

The Town reports the following major enterprise funds:

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

**Sanitation Fund** - This fund is used to account for those operations involved in the collection and disposal of solid waste for the citizens of the Town.

**Stormwater Fund** - This fund is used to account for the design, construction, and operations of drainage and stormwater services for the Town.

The Town reports the following fund types:

**Internal Service Fund** - This fund is used to account for the accumulation and allocation of costs associated with the Town's vehicle maintenance needs.

**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 the 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.

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C - Measurement Focus and Basis of Accounting (continued)**

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad Valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2015, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the 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, 2015 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 revenue for the Town of Spring Lake because the tax is levied by Cumberland County and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenue that is unearned at year-end is recorded as deferred revenue.

**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 and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for Special Revenue Funds and Capital Projects Funds. The Enterprise Fund projects are consolidated with their respective operating funds for reporting purposes. The Fleet Maintenance Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the Town's budget ordinance was approved, as is required by the General Statutes. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized to transfer up to 10 percent of any department's appropriation to any other department within the same fund. Any interfund transfer must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**1. Deposits and Investments**

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town 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 to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT).

The Town of Spring Lake's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

In accordance with State law, the Town of Spring Lake has invested in securities that are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

**Town of Spring Lake's Restricted Cash**

Business-type activities:

Water and Sewer Fund

|                                |    |         |
|--------------------------------|----|---------|
| Customer deposits              | \$ | 356,830 |
| Total business-type activities | \$ | 356,830 |

|                       |    |         |
|-----------------------|----|---------|
| Total restricted cash | \$ | 356,830 |
|-----------------------|----|---------|

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**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 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 6th. These taxes are based on the assessed values as of January 1, 2016. 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 revenue is reported net of such discounts.

**5. Allowance 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. Inventories**

Inventories are maintained for all enterprise fund material and supplies held for subsequent use. The inventories are valued at the lower of cost or market (first-in, first-out method), and the cost is expensed when consumed rather than when purchased.

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Minimum capitalization costs are \$5,000 for all asset categories. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

|                         | <u>Estimated Useful Lives</u> |
|-------------------------|-------------------------------|
| Buildings               | 40                            |
| Other improvements      | 5 - 40                        |
| Furniture and equipment | 5 - 10                        |
| Vehicles                | 5 - 10                        |

**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 meet this criterion – pension deferrals for the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criteria for this category – property taxes receivable and pension related deferrals.

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**9. Long-Term Obligations**

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

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources 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 thirty (30) days of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense is recorded and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designed as a current liability in the government-wide financial statements.

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

**11. Net Position / Fund Balances**

**Net Position**

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; 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:

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

*Inventories* – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not expendable.

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**11. Net Position / Fund Balances (continued)**

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

*Restricted for Stabilization by State Statute* – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

*Restricted for Spring Fling Celebration* – portion of fund balance available for the payment of the annual Spring Fling Celebration.

*Restricted for Public Safety* – portion of fund balance that is associated with public safety grants.

*Restricted for Capital Projects* – portion of fund balance that is restricted for capital projects (Street Capital Project and Recreation Capital Project).

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body. 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 to remove or revise the limitation.

Assigned fund balance – portion of fund balance that the Town 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 \$100,000.

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

The Town of Spring Lake has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director 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 Director has the authority to deviate from this policy if it is in the best interest of the Town.

**12. Defined Benefit Cost-Sharing Plans**

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



**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A - Noncompliance with North Carolina General Statutes**

None

**B - Deficit in Fund Balance or Net Position of Individual Funds**

None

**C - Excess of Expenditures over Appropriations**

None

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

**A - Assets**

**1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal Deposit Insurance Coverage level are collateralized with securities held by the Town's agents in this unit's names. 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, these deposits are considered to be held by the Town. 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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town 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 has no policy regarding custodial risk for deposits.

At June 30, 2017, the Town's deposits had a carrying amount of \$4,792,002 and a bank balance of \$4,654,492. Federal Deposit Insurance covered the bank balance of the Town. At June 30, 2017, the Town's petty cash amounted to \$930.

**2. Investments**

| <b>Investments by Type</b>                         | <b>Valuation Measurement Method</b> | <b>Book Value at 6/30/2017</b> | <b>Maturity</b> | <b>Rating</b> |
|--|-------------------------------------|--------------------------------|-----------------|---------------|
| NC Capital Management Trust - Government Portfolio | Amortized Cost                      | \$ 2,148,965                   | N/A             | AAAm          |
| NC Capital Management Trust - Term Portfolio       | Fair Value Level 1                  | 1,014,314                      | June 30, 2018   | Unrated       |
| <b>Total:</b>                                      |                                     | <b>\$ 3,163,279</b>            |                 |               |

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A - Assets (continued)**

**2. Investments (continued)**

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

*Investment Rate Risk.* The Town has no policy regarding investment rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits at least half of the Town's investment portfolio to maturities of less than 12 months. Also, the Town's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

*Credit Risk.* The Town has no policy regarding credit risk. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017. The Town's investment in the NC Capital Management Trust Term Portfolios is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

*Custodial Credit Risk.* The Town has no policy on custodial credit risk.

*Concentration of Credit Risk.* The Town places no limit on the amount that the Town may invest in any one issuer.

**3. Receivables - Allowance for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2017 are net of the following allowance for doubtful accounts:

|  |              |
|--|--------------|
| General Fund:                              |              |
| Taxes receivable                           | \$ 120,000   |
| Total General Fund                         | \$ 120,000   |
| Enterprise Fund:                           |              |
| Water and Sewer Fund - accounts receivable | \$ 986,263   |
| Total Enterprise Fund                      | \$ 986,263   |
| Total                                      | \$ 1,106,263 |

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A - Assets (continued)**

**4. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

| Governmental activities:                           | Beginning<br>Balances | Increases      | Decreases | Ending<br>Balances  |
|--|-----------------------|----------------|-----------|---------------------|
| <b>Capital assets not being depreciated:</b>       |                       |                |           |                     |
| Land   | \$ 919,273            | \$ -           | \$ -      | \$ 919,273          |
| Construction in progress                           | 2,516,883             | 40,565         | -         | 2,557,448           |
| Total capital assets not being depreciated         | <u>3,436,156</u>      | <u>40,565</u>  | <u>-</u>  | <u>3,476,721</u>    |
| <b>Capital assets being depreciated:</b>           |                       |                |           |                     |
| Buildings  | 4,677,521             | -              | -         | 4,677,521           |
| Other Improvements                                 | 560,520               | 24,810         | -         | 585,330             |
| Equipment  | 1,108,764             | -              | -         | 1,108,764           |
| Vehicles   | 3,229,902             | 62,345         | -         | 3,292,247           |
| Total capital assets being depreciated:            | <u>9,576,707</u>      | <u>87,155</u>  | <u>-</u>  | <u>9,663,862</u>    |
| <b>Less accumulated depreciation for:</b>          |                       |                |           |                     |
| Buildings  | 2,242,154             | 99,172         | -         | 2,341,326           |
| Other Improvements                                 | 194,986               | 23,042         | -         | 218,028             |
| Equipment  | 781,976               | 26,329         | -         | 808,305             |
| Vehicles   | 2,858,988             | 190,337        | -         | 3,049,325           |
| Total accumulated depreciation                     | <u>6,078,104</u>      | <u>338,880</u> | <u>-</u>  | <u>6,416,984</u>    |
| Total capital assets being depreciated, net        | <u>3,498,603</u>      |                |           | <u>3,246,878</u>    |
| <b>Governmental activities capital assets, net</b> | <u>\$ 6,934,759</u>   |                |           | <u>\$ 6,723,599</u> |

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

|                            |                   |
|----------------------------|-------------------|
| General government         | \$ 43,554         |
| Public safety              | 177,137           |
| Transportation             | 33,112            |
| Cultural and recreational  | 85,077            |
| Total depreciation expense | <u>\$ 338,880</u> |

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A - Assets (continued)**

**4. Capital Assets (continued)**

| Business-type activities:                       |                      |                |           | Ending               |
|---|----------------------|----------------|-----------|----------------------|
| Water and sewer fund:                           | Beginning            |                | Decreases | Balances             |
|   | Balances             | Increases      |           |                      |
| <b>Capital assets not being depreciated:</b>    |                      |                |           |                      |
| Land  | \$ 82,889            | \$ -           | \$ -      | \$ 82,889            |
| Construction in progress                        | 4,859,720            | -              | -         | 4,859,720            |
| Total capital assets not being depreciated      | <u>4,942,609</u>     | -              | -         | <u>4,942,609</u>     |
| <b>Capital assets being depreciated:</b>        |                      |                |           |                      |
| Water and sewer system                          | 10,375,276           | 64,419         | -         | 10,439,695           |
| Waste water treatment plant                     | 3,896,572            | 28,870         | -         | 3,925,442            |
| Equipment                                       | 1,062,444            | 29,530         | -         | 1,091,974            |
| Vehicles  | 254,967              | -              | -         | 254,967              |
| Total capital assets being depreciated:         | <u>15,589,259</u>    | <u>122,819</u> | -         | <u>15,712,078</u>    |
| <b>Less accumulated depreciation for:</b>       |                      |                |           |                      |
| Water and sewer system                          | 5,759,637            | 231,468        | -         | 5,991,105            |
| Waste water treatment plant                     | 2,512,844            | 78,928         | -         | 2,591,772            |
| Equipment                                       | 958,766              | 53,348         | -         | 1,012,114            |
| Vehicles  | 257,110              | 11,854         | -         | 268,964              |
| Total accumulated depreciation                  | <u>9,488,357</u>     | <u>375,598</u> | -         | <u>9,863,955</u>     |
| Total capital assets being depreciated, net     | <u>6,100,902</u>     |                |           | <u>5,848,123</u>     |
| <b>Water and sewer fund capital assets, net</b> | <u>\$ 11,043,511</u> |                |           | <u>\$ 10,790,732</u> |

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A - Assets (continued)**

**4. Capital Assets (continued)**

|   | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances |
|---|-----------------------|-----------|-----------|--------------------|
| <b>Stormwater fund:</b>                     |                       |           |           |                    |
| <b>Capital assets being depreciated:</b>    |                       |           |           |                    |
| Stormwater system                           | \$ 195,279            | \$ -      | \$ -      | \$ 195,279         |
| Equipment                                   | 7,100                 | -         | -         | 7,100              |
| Vehicles                                    | 171,171               | -         | -         | 171,171            |
| Total capital assets being depreciated:     | 373,550               | -         | -         | 373,550            |
| <b>Less accumulated depreciation for:</b>   |                       |           |           |                    |
| Stormwater system                           | 42,519                | 7,811     | -         | 50,330             |
| Equipment                                   | 7,100                 | -         | -         | 7,100              |
| Vehicles                                    | 151,171               | 4,000     | -         | 155,171            |
| Total accumulated depreciation              | 200,790               | 11,811    | -         | 212,601            |
| Total capital assets being depreciated, net | 172,760               |           |           | 160,949            |
| <b>Stormwater fund capital assets, net</b>  | <b>\$ 172,760</b>     |           |           | <b>\$ 160,949</b>  |
| <br>  |                       |           |           |                    |
|   | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances |
| <b>Sanitation fund:</b>                     |                       |           |           |                    |
| <b>Capital assets being depreciated:</b>    |                       |           |           |                    |
| Equipment                                   | \$ 283,692            | \$ -      | \$ -      | \$ 283,692         |
| Vehicles                                    | 189,472               | -         | -         | 189,472            |
| Total capital assets being depreciated:     | 473,164               | -         | -         | 473,164            |
| <b>Less accumulated depreciation for:</b>   |                       |           |           |                    |
| Equipment                                   | 70,597                | 29,894    | -         | 100,491            |
| Vehicles                                    | 189,472               | -         | -         | 189,472            |
| Total accumulated depreciation              | 260,069               | 29,894    | -         | 289,963            |
| Total capital assets being depreciated, net | 213,095               |           |           | 183,201            |
| <b>Sanitation fund capital assets, net</b>  | <b>\$ 213,095</b>     |           |           | <b>\$ 183,201</b>  |

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities**

**1. Pension Plan and Postemployment Obligations**

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

*Plan Description.* The Town of Spring Lake is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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 Spring Lake 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 Spring Lake's contractually required contribution rate for the year ended June 30, 2017, was 7.41% of compensation for law enforcement officers and 7.07% for general employees, 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 Spring Lake were \$596,601 for the year ended June 30, 2017.

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

**a. Local Governmental Employees' Retirement System (continued)**

*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, 2017, the Town reported a liability of \$1,407,108 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.06630%, which was a decrease of 0.0663% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense (revenue) of \$193,612. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 26,437                                     | \$ 49,307                                    |
| Changes of assumptions  | 96,374  | -  |
| Net difference between projected and actual earnings on pension plan investments                          | 777,953                                       | -  |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 293,360                                       | 33,924                                       |
| Town contributions subsequent to the measurement date   | 596,601                                       | -  |
| Total   | \$ 1,790,725                                  | \$ 83,231                                    |

\$596,601 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended June 30:</b> |            |
|----------------------------|------------|
| 2018                       | \$ 199,386 |
| 2019                       | 199,663    |
| 2020                       | 449,026    |
| 2021                       | 262,821    |
| 2022                       | -          |
| Thereafter                 | -          |

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*a. Local Governmental Employees' Retirement System (continued)*

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

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 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 7.75 percent, including inflation and productivity factor         |
| Investment rate of return | 7.25 percent, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the December 31, 2015 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, 2016 are summarized in the following table:

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income         | 29.0%                    | 1.4%  |
| Global Equity        | 42.0%                    | 5.3%  |
| Real Estate          | 8.0%                     | 4.3%  |
| Alternatives         | 8.0%                     | 8.9%  |
| Credit               | 7.0%                     | 6.0%  |
| Inflation Protection | 6.0%                     | 4.0%  |
| Total                | 100.0%                   |   |



**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

**a. Local Governmental Employees' Retirement System (continued)**

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

|   | 1%<br>Decrease<br>(6.25%) | Discount<br>Rate<br>(7.25%) | 1%<br>Increase<br>(8.25%) |
|---|---------------------------|-----------------------------|---------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 3,339,724              | \$ 1,407,108                | \$ (207,156)              |

*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.

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*b. Law Enforcement Officers' Special Separation Allowance*

1. *Plan Description.*

The Town of Spring Lake 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 have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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 County law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

|   |    |
|---|----|
| Retirees and dependents receiving benefits                          | 3  |
| Terminated plan members entitled to, but not yet receiving benefits | -  |
| Active plan members   | 30 |
| Total   | 33 |

2. *Summary of Significant Accounting Policies*

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

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

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 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 7.35 percent, including inflation and productivity factor |
| Discount rate    | 3.71 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, 2016. Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

*b. Law Enforcement Officers' Special Separation Allowance (continued)*

*4. 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 \$32,275 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, 2017, the Town reported a total pension liability of \$505,879. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$13,868.

|  | <b>Deferred<br/>Outflow of</b> | <b>Deferred<br/>Inflows of</b> |
|--|--------------------------------|--------------------------------|
| Defferences between expected and actual experience   | \$ -                           | \$ -                           |
| Changes of assumptions   | -                              | 6,741                          |
| County benefit payments and plan administrative<br>expense made subsequent to the measurement date | 32,691                         | -                              |
| <b>Total</b>   | <b>\$ 32,691</b>               | <b>\$ 6,741</b>                |

\$32,691 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended June 30:</b> |    |       |
|----------------------------|----|-------|
| 2018                       | \$ | 1,373 |
| 2019                       |    | 1,373 |
| 2020                       |    | 1,373 |
| 2021                       |    | 1,373 |
| 2022                       |    | 1,249 |
| Thereafter                 |    | -     |

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

**b. Law Enforcement Officers' Special Separation Allowance (continued)**

**4. Contributions (continued)**

\$32,691 paid as benefits came due and \$416 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*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 3.71 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 (2.71 percent) or 1-percentage-point higher (4.71 percent) than the current rate:

|                         | 1% Decrease<br>(2.86%) | Discount rate<br>(3.86%) | 1% Increase<br>(4.86%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Total pension liability | \$ 534,717             | \$ 505,879               | \$ 479,402             |

**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2017**

|   | 2017       |
|---|------------|
| Beginning balance   | \$ 505,533 |
| Service Cost  | 30,166     |
| Interest on the total pension liability   | 17,350     |
| Changes of benefit terms  | -          |
| Differences between expected and actual experience<br>in the measurement of the total pension liability | -          |
| Changes of assumptions or other inputs  | (8,114)    |
| Benefit payments  | (39,056)   |
| Other changes   | -          |
| Ending balance of the total pension liability   | \$ 505,879 |

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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

**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, 2017 were \$73,431, which consisted of \$56,871 from the Town and \$16,560 from the law enforcement officers. No amounts were forfeited.

**d. Supplemental Retirement Income Plan for Non-Law Enforcement Employees**

*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 non-law enforcement officers employed by the Town.

*Funding Policy.* The Town's plan requires the Town to contribute each month an amount equal to two percent of each eligible employee's salary, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$85,037, which consisted of \$54,687 from the Town and \$30,350 from the employees. No amounts were forfeited.

**e. Firefighters' and Rescue Squad Workers' Pension Fund**

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Spring Lake, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*e. Firemen's and Rescue Squad Workers' Pension Fund (continued)*

*Benefits Provided.* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions.* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2016, the State contributed \$13,900,000 to the plan.

*Refunds of Contributions.* Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

*f. Other Postemployment Benefits*

Healthcare Benefits

Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The plan provides postemployment healthcare benefits to retirees of the Town, provided they have at least 15 years of creditable service with the Town and at least 60 years of age, or 20 years of service and at least 60 years of age. Those employees retiring under disability must have 15 years of service with the Town.

Membership of the HCB Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

|   | <u>General<br/>Employees</u> | <u>Law Enforcement<br/>Officers</u> | <u>Firefighters</u> |
|---|------------------------------|-------------------------------------|---------------------|
| Retirees and dependents receiving benefits                          | 12                           | -                                   | -                   |
| Terminated plan members entitled to, but not yet receiving benefits | -                            | -                                   | -                   |
| Active plan members   | 54                           | 28                                  | 17                  |
| Total   | <u>66</u>                    | <u>28</u>                           | <u>17</u>           |

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

**f. Other Postemployment Benefits (continued)**

*Funding policy:* The Town currently charges Pre-65 retirees \$25 per month for healthcare and prescription drug coverage. The Town pays the remainder of the retirees' coverage. The Town also pays 100% of dental, vision, and life insurance for pre-65 and post-65 retirees. The Town pays the full cost of the Medicare supplemental policy, which includes Medicare Part D prescription drug coverage. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The following table show the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the health care benefits:

Healthcare Benefits

|   |    |           |
|---|----|-----------|
| Annual required contribution                | \$ | 341,624   |
| Interest on net OPEB obligation             |    | 44,058    |
| Adjustments to annual required contribution |    | 42,089    |
| Annual OPEB cost (expense)                  |    | 343,593   |
| Contributions made                          |    | (71,872)  |
| Increase (decrease) in net OPEB             |    | 271,721   |
| Net OPEB obligation, beginning of year      |    | 1,101,454 |
| Net OPEB obligation, end of year            | \$ | 1,373,175 |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 were as follows:

| Year Ended<br>June 30 | <u>3 Year Trend Information</u> |  | Net OPEB<br>Obligation |
|-----------------------|---------------------------------|--|------------------------|
|                       | Annual<br>OPEB Cost             | Percentage of Annual<br>OPEB Cost Contrib. |                        |
| 2017                  | \$343,593                       | 20.9%                                      | \$1,373,175            |
| 2016                  | 242,025                         | 28.6%                                      | 1,101,454              |
| 2015                  | 237,056                         | 27.3%                                      | 928,751                |

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*f. Other Postemployment Benefits (continued)*

*Fund Status and Funding Progress.* As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,155,404. The covered payroll (annual payroll) of active employees covered by the plan was \$3,853,314 and the ratio of the UAAL to the covered payroll was 81.89%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about the actuarial accrued liabilities for benefit.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 12.00 to 6.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2015, was 30 years.

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.



**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**3. Deferred Outflows and Inflows of Resources**

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

|   |           |                         |
|---|-----------|-------------------------|
| Contributions to pension plan in current fiscal year  | \$        | 596,601                 |
| Benefit payments made and administrative expenses for LEOSSA  |           | 32,691                  |
| Differences between expected and actual experience  |           | 26,437                  |
| Changes of assumptions  |           | 96,374                  |
| Net difference between projected and actual   |           | 777,953                 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions |           | 293,361                 |
| Charge on refunding   |           | -                       |
| <b>Total</b>  | <b>\$</b> | <b><u>1,823,417</u></b> |

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

|   | Statement of Net<br>Position | General Fund<br>Balance sheet |
|---|------------------------------|-------------------------------|
| Prepaid taxes (General Fund)  | \$ -                         | \$ -                          |
| Taxes Receivable, less penalties (General Fund)   | -                            | 126,724                       |
| Changes in assumptions  | -                            | -                             |
| Differences between expected and actual experience  | 49,307                       | -                             |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 40,664                       | -                             |
| <b>Total</b>  | <b><u>\$ 89,971</u></b>      | <b><u>\$ 126,724</u></b>      |

**4. 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 participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

4. Risk Management (continued)

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Director is individually bonded for \$135,000 and the tax collector is bonded for \$25,000. The remaining employees that have access to cash are covered under a blanket insurance policy for \$50,000.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance, as the Town does not feel that, based on the location of their assets, the added cost of flood insurance is justifiable.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2017, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Installment Purchase

The Town has entered into various installment purchase contracts to finance the purchase of equipment, police cars, and fire protection equipment.

Notes payable included in the accompanying financial statements include the purchase of various equipment and construction of water lines. The Town's notes payable at June 30, 2017 are comprised of the following individual notes:

*Governmental Activities:*

|  |                            |
|--|----------------------------|
| Note payable to finance the Community Center due in annual installments of \$131,241 including interest at 4.125%.   | \$ 2,235,377               |
| Note payable to finance police vehicles in the amount of \$66,000, closed on 7-27-16, an installments due for \$22,641 including interest at 1.45% (Prepayment of Note on 6-27-17) | -                          |
| Note payable to finance street paving project due in annual installments of \$150,000 including interest at 2.43%.   | <u>1,050,000</u>           |
| Total governmental activities  | <u><u>\$ 3,285,377</u></u> |

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**6. Long-Term Obligations (continued)**

**a. Installment Purchase (continued)**

*Business-type Activities:*

|   |            |
|---|------------|
| Note payable to finance two screw pumps at the WWTP due in annual installments of \$49,676 including interest at 3.43%. | \$ 514,065 |
|---|------------|

|  |   |
|--|---|
| Note payable to finance a stormwater vehicle, in the amount of \$20,000, closed on 7-27-16, Annual installments due for \$6,860.92 including int at 1.45%. (Prepayment of Note on 6-27-17) | - |
|--|---|

|   |                |
|---|----------------|
| Note payable to finance a Freightliner Clam Shell Truck for the Sanitation Department, in the amount of \$234,241, closed on July 27, 2016. Annual installments due for \$49,063 including interest at 1.56%. | <u>234,241</u> |
|---|----------------|

|                                |                |
|--------------------------------|----------------|
| Total business-type activities | <u>748,306</u> |
|--------------------------------|----------------|

|                             |                     |
|-----------------------------|---------------------|
| Total installment purchases | <u>\$ 4,031,254</u> |
|-----------------------------|---------------------|

**b. General Obligation Indebtedness**

The general obligation bonds and non-general obligation bonds issued to finance the construction of water and sewer systems facilities are being retired by the resources of the enterprise fund. Accordingly, these bonds are recorded as long-term debt in the Enterprise Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2017 are comprised of the following individual issues:

Serviced by the Water and Sewer Fund:

|  |            |
|--|------------|
| Water, Series 2008 Bonds (general obligation), issued February 19, 2008; principal installments ranging from \$9,000 to \$36,000, beginning June 1, 2008 through June 1, 2047; interest at 4.625%, payable annually. | \$ 718,000 |
|--|------------|

|   |                |
|---|----------------|
| Sanitary Sewer, Series 2008 Bonds (general obligation), issued February 19, 2008; principal installments ranging from \$6,000 to \$24,000, beginning June 1, 2008 through June 1, 2047; interest at 4.625%, payable annually. | <u>462,000</u> |
|---|----------------|

|                     |                     |
|---------------------|---------------------|
| Total bonds payable | <u>\$ 1,180,000</u> |
|---------------------|---------------------|

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**c. Federal Revolving Loans**

|  |                            |
|--|----------------------------|
| DENR - WWTP Project - Phase I, issued October 17, 2013;<br>principal installments ranging of \$89,678, through May 1, 2029; interest at 0.00%, payable annually.           | \$ 1,076,140               |
| DENR - Lower Little River Project - Phase I, issued May 16, 2013;<br>principal installments ranging of \$33,634, through May 6, 2033; interest at 0.00%, payable annually. | 538,148                    |
| DENR - Lillington Hwy Water Main, issued March 14, 2014;<br>principal installments ranging of \$40,140, through May 1, 2034; interest at 0.00%, payable annually.          | <u>682,381</u>             |
| Total federal revolving loans  | <u><u>\$ 2,296,669</u></u> |

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

The following is a summary of changes in the Town's long-term obligations as of June 30, 2017.

|  | Beginning           | Increases           | Decreases             | Ending              | Current           |
|--|---------------------|---------------------|-----------------------|---------------------|-------------------|
|  | Balances            | Balances            | Balances              | Balance             | Portion           |
| <b>Governmental activities:</b>              |                     |                     |                       |                     |                   |
| Installment purchase                         | \$ 4,016,803        | \$ 66,000           | \$ (799,855)          | \$ 3,282,948        | \$ 189,032        |
| Compensated absences                         | 408,056             | 224,800             | (253,000)             | 379,856             | 225,000           |
| Other postemployment benefits                | 962,948             | 300,387             | (62,834)              | 1,200,501           | -                 |
| Net pension obligation (LGERS)               | 237,551             | 1,259,698           | (399,705)             | 1,097,545           | -                 |
| Total pension obligation (LEO)               | <u>505,533</u>      | <u>46,559</u>       | <u>(46,213)</u>       | <u>505,879</u>      | <u>-</u>          |
| Governmental activity long-term liabilities  | <u>\$ 5,616,550</u> | <u>\$ 1,897,444</u> | <u>\$ (1,115,689)</u> | <u>\$ 6,466,729</u> | <u>\$ 414,032</u> |
| <br>   |                     |                     |                       |                     |                   |
| <b>Business-type activities:</b>             |                     |                     |                       |                     |                   |
| Installment purchase                         | \$ 832,621          | \$ 254,241          | \$ (338,556)          | \$ 748,306          | \$ 77,453         |
| General obligation bonds                     | 1,287,049           | -                   | (107,049)             | 1,180,000           | 20,000            |
| Federal revolving loan                       | 2,484,725           | -                   | (188,056)             | 2,296,669           | 163,453           |
| Compensated absences                         | 62,091              | 39,890              | (31,853)              | 70,128              | 40,000            |
| Other postemployment benefits                | 138,506             | 43,206              | (9,038)               | 172,674             | -                 |
| Net pension obligation (LGERS)               | <u>67,002</u>       | <u>355,300</u>      | <u>(112,737)</u>      | <u>309,564</u>      | <u>-</u>          |
| Business-type activity long-term liabilities | <u>\$ 4,804,992</u> | <u>\$ 692,637</u>   | <u>\$ (787,289)</u>   | <u>\$ 4,777,341</u> | <u>\$ 300,906</u> |

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

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

The following summarizes the annual debt service requirement to maturity for the Town (excluding compensated absences, Law Enforcement Officer's Special Separation Allowance, LGERS pension, and OPEB):

| Years Ending<br>June 30:       | Installment Purchases |                     | Obligation Bonds |             | Total Debt Due     |                     |
|--------------------------------|-----------------------|---------------------|------------------|-------------|--------------------|---------------------|
|                                | Principal             | Interest            | Principal        | Interest    | Principal          | Interest            |
| <u>Governmental Activities</u> |                       |                     |                  |             |                    |                     |
| 2018                           | \$ 189,032            | \$ 117,522          | \$ -             | \$ -        | 189,032            | \$ 117,522          |
| 2019                           | 190,642               | 112,297             | -                | -           | 190,642            | 112,297             |
| 2020                           | 192,318               | 107,006             | -                | -           | 192,318            | 107,006             |
| 2021                           | 194,064               | 101,645             | -                | -           | 194,064            | 101,645             |
| 2022                           | 195,882               | 96,212              | -                | -           | 195,882            | 96,212              |
| 2023-2027                      | 559,410               | 407,680             | -                | -           | 559,410            | 407,680             |
| 2028-2032                      | 317,511               | 338,734             | -                | -           | 317,511            | 338,734             |
| 2033-2037                      | 388,628               | 267,617             | -                | -           | 388,628            | 267,617             |
| 2038-2042                      | 475,674               | 180,571             | -                | -           | 475,674            | 180,571             |
| 2043-2047                      | 579,787               | 74,029              | -                | -           | 579,787            | 74,029              |
|                                | <u>\$3,282,948</u>    | <u>\$ 1,803,313</u> | <u>\$ -</u>      | <u>\$ -</u> | <u>\$3,282,948</u> | <u>\$ 1,803,313</u> |

| Years Ending<br>June 30:        | Revolving Loans &<br>Installment Purchases |                     | Obligation Bonds    |                   | Total Debt Due     |                     |
|---------------------------------|--|---------------------|---------------------|-------------------|--------------------|---------------------|
|                                 | Principal                                  | Interest            | Principal           | Interest          | Principal          | Interest            |
| <u>Business-type Activities</u> |  |                     |                     |                   |                    |                     |
| 2018                            | \$ 240,906                                 | \$ 21,287           | \$ 20,000           | \$ 54,575         | \$ 260,906         | \$ 75,862           |
| 2019                            | 242,713                                    | 19,479              | 21,000              | 53,650            | 263,713            | 73,129              |
| 2020                            | 244,569                                    | 17,623              | 23,000              | 52,679            | 267,569            | 70,302              |
| 2021                            | 246,476                                    | 15,716              | 23,000              | 51,615            | 269,476            | 67,331              |
| 2022                            | 248,434                                    | 13,758              | 25,000              | 50,551            | 273,434            | 64,309              |
| 2023-2027                       | 1,020,374                                  | 45,270              | 140,000             | 234,626           | 1,160,374          | 279,896             |
| 2028-2032                       | 687,589                                    | 9,668               | 174,000             | 199,199           | 861,589            | 208,867             |
| 2033-2037                       | 113,914                                    | -                   | 220,000             | 154,938           | 333,914            | 154,938             |
| 2038-2042                       | -  | -                   | 278,000             | 98,836            | 278,000            | 98,836              |
| 2043-2047                       | -  | -                   | 256,000             | 31,450            | 256,000            | 31,450              |
|                                 | <u>\$3,044,975</u>                         | <u>\$ 142,801</u>   | <u>\$ 1,180,000</u> | <u>\$ 982,119</u> | <u>\$4,224,975</u> | <u>\$ 1,124,920</u> |
| <b>Total</b>                    | <u>\$6,327,923</u>                         | <u>\$ 1,946,114</u> | <u>\$ 1,180,000</u> | <u>\$ 982,119</u> | <u>\$7,507,923</u> | <u>\$ 2,928,233</u> |

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**C - Interfund Balances and Activity**

Transfers from/to other funds consist of the following:

|   | <b>Amount</b> |
|---|---------------|
| From the Water and Sewer Fund to the General Fund           | \$ 427,272    |
| From the Stormwater Fund to the General Fund                | 75,000        |
| From the Sanitation Fund to the General Fund                | 75,000        |
| From the Water and Sewer Fund to the Fleet Maintenance Fund | 52,639        |
| From the Sanitation Fund to the Fleet Maintenance Fund      | 20,000        |
| From the Stormwater Fund to the Fleet Maintenance Fund      | 5,036         |
|   | \$ 654,947    |

Interfund Transfers are used to move unrestricted revenues to programs in other funds in accordance with budgetary authorizations.

During FY 2016-2017, the Town made a budgeted interfund transfer of \$427,272 from the Water and Sewer Fund to the General Fund for overall and shared operations/expenses.

During FY 2016-2017, the Town made a budgeted interfund transfer of \$75,000 from the Stormwater Fund to the General Fund for overall and shared operations/expenses.

During FY 2016-2017, the Town made a budgeted interfund transfer of \$75,000 from the Sanitation Fund to the General Fund for overall and shared operations/expenses.

During FY 2016-2017, the Town made a budgeted interfund transfer of \$52,639 from the Water and Sewer Fund to the Fleet Maintenance Fund for operations/expenses provided for the Water and Sewer Fund.

During FY 2016-2017, the Town made a budgeted interfund transfer of \$20,000 from the Sanitation Fund to the Fleet Maintenance Fund for operations/expenses provided for the General Fund.

During FY 2016-2017, the Town made a budgeted interfund transfer of \$5,036 from the Stormwater Fund to the Fleet Maintenance Fund for operations/expenses provided for the Stormwater Fund.

**D - Net Investment in Capital Assets**

|                                 | <b>Governmental</b> | <b>Business-Type</b> |
|---------------------------------|---------------------|----------------------|
| Capital assets                  | \$ 6,723,599        | \$ 11,134,882        |
| less: long-term debt            | (3,282,948)         | (4,604,395)          |
| Net investment in capital asset | \$ 3,440,651        | \$ 6,530,487         |

**E - Fund Balance**

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

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2017**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**E - Fund Balance (continued)**

|                                   |    |                  |
|-----------------------------------|----|------------------|
| Total fund balance - General Fund | \$ | 2,907,807        |
| Less:                             |    |                  |
| Stabilization by State Statute    |    | 530,389          |
| <b>Remaining fund balance</b>     |    | <b>2,377,418</b> |

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. There were no outstanding encumbrances at June 30, 2017.

**NOTE 4 - JOINT VENTURES**

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. The participating governments do not have an equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2017. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

**NOTE 5 - 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 monies 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 monies.

**NOTE 6 - SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 29, 2018, which is the date the financial statements were available to be issued.

**NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2017). As a result, net position for the governmental activities decreased \$237,318.

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## Required Supplementary Financial Data

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**This section contains additional information required by generally accepted accounting principles.**

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- Schedule of Funding Progress for Other Post Employment Benefits.
- Schedule of Employer Contributions for Other Post Employment Benefits.
- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System.
- Schedule of Contributions to 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 Spring Lake, North Carolina  
Other Postemployment Benefits  
Required Supplementary Information**

**Schedule of Funding Progress**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>Projected<br>Unit Credit<br>(b) | Unfunded AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL<br>as a % of<br>Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|--|---------------------------------|--------------------------|---------------------------|--|
| 12/31/15                       | \$ -                                   | \$ 3,155,404   | \$ 3,155,404                    | 0.00%                    | \$3,853,314               | 81.89%   |
| 12/31/12                       | -                                      | 2,041,175  | 2,041,175                       | 0.00%                    | 3,682,004                 | 55.44%   |
| 12/31/09                       | -                                      | 2,041,175  | 2,041,175                       | 0.00%                    | 3,333,934                 | 61.22%   |

**Schedule of Employer Contributions**

| Year Ended<br>June 30 | Annual Required<br>Contribution | Percentage<br>Contributed |
|-----------------------|---------------------------------|---------------------------|
| 2017                  | \$ 343,593                      | 20.90%                    |
| 2016                  | 242,025                         | 28.64%                    |
| 2015                  | 237,056                         | 27.33%                    |
| 2014                  | 209,673                         | 25.40%                    |

**Town of Spring Lake, North Carolina**  
**Town of Spring Lake's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Four Fiscal Years**

**Local Government Employees' Retirement System**

|  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|--|--------------|--------------|--------------|--------------|
| Spring Lake's proportionate share of the net pension liability (%)   | 0.0663%      | 0.6786%      | 0.6842%      | 0.0003%      |
| Spring Lake's proportionate share of the net pension liability (\$)  | \$ 1,407,108 | \$ 304,553   | \$ (403,504) | \$ 883,546   |
| Spring Lake's covered payroll  | \$ 4,208,064 | \$ 3,776,744 | \$ 3,496,257 | \$ 3,416,816 |
| Spring Lake's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 33.44%       | 8.06%        | -11.54%      | 25.86%       |
| Plan fiduciary net position as a percentage of the total pension liability                                     | 91.47%       | 98.09%       | 102.64%      | 94.35%       |

\* The amounts presented are for the prior fiscal year.

**Town of Spring Lake, North Carolina**  
**Town of Spring Lake's Contributions**  
**Required Supplementary Information**  
**Last Four Fiscal Years**

**Local Government Employees' Retirement System**

|  | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|----------------|----------------|
| Contractually required contribution                                  | \$ 505,438     | \$ 510,313     | \$ 486,138     | \$ 472,604     |
| Contributions in relation to the contractually required contribution | <u>505,438</u> | <u>510,313</u> | <u>486,138</u> | <u>472,604</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Spring Lake's covered-employee payroll                               | \$ 3,776,744   | \$ 3,496,257   | \$ 3,416,816   | \$ 3,416,816   |
| Contributions as a percentage of covered-employee payroll            | 13.38%         | 14.60%         | 14.23%         | 13.83%         |

**Town of Spring Lake, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2017**

|   |    | 2017     |
|---|----|----------|
| Beginning balance   | \$ | 505,533  |
| Service Cost  |    | 30,166   |
| Interest on the total pension liability   |    | 17,350   |
| Changes of benefit terms  |    | -        |
| Differences between expected and actual experience<br>in the measurement of the total pension liability |    | -        |
| Changes of assumptions or other inputs  |    | (8,114)  |
| Benefit payments  |    | (39,056) |
| Other changes   |    | -        |
| Ending balance of the total pension liability   | \$ | 505,879  |

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

**Town of Spring Lake, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2017**

|  | <u>2017</u> |
|--|-------------|
| Total pension liability                                    | \$ 505,879  |
| Covered payroll  | 1,319,390   |
| Total pension liability as a percentage of covered payroll | 38.34%      |

Notes to the schedules:

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

## **Individual Fund Statements and Schedules**

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**General Fund**

**Town of Spring Lake, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Year Ended June 30, 2017**

|   | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|-------------------|-------------------|---|
| <b>Revenues:</b>                          |                   |                   |   |
| <b>Ad valorem taxes:</b>                  |                   |                   |   |
| Taxes                                     | \$                | \$ 3,338,023      | \$  |
| Penalties and interest                    |                   | 10,868            |   |
| <b>Total</b>                              | <u>3,288,069</u>  | <u>3,348,891</u>  | <u>60,822</u>                               |
| <b>Other taxes and licenses:</b>          |                   |                   |   |
| Rental vehicle tax                        |                   | 34,619            |   |
| Motor vehicle tax                         |                   | 42,260            |   |
| Privilege licenses                        |                   | 575               |   |
| <b>Total</b>                              | <u>82,020</u>     | <u>77,454</u>     | <u>(4,566)</u>                              |
| <b>Unrestricted intergovernmental:</b>    |                   |                   |   |
| Electricity franchise tax                 |                   | 361,135           |   |
| Video programming                         |                   | 147,339           |   |
| Local option sales tax                    |                   | 1,878,433         |   |
| Telecommunications tax                    |                   | 72,179            |   |
| Beer and wine tax                         |                   | 53,305            |   |
| Beer and wine reimbursement               |                   | 16,445            |   |
| Sales tax agreement reimbursement         |                   | 139,236           |   |
| Solid waste reimbursement                 |                   | 1,815             |   |
| <b>Total</b>                              | <u>2,749,250</u>  | <u>2,669,887</u>  | <u>(79,363)</u>                             |
| <b>Restricted intergovernmental:</b>      |                   |                   |   |
| Senior citizens grant (from Mid Carolina) |                   | 21,801            |   |
| Fire local grant                          |                   | 2,500             |   |
| County recreation tax                     |                   | 37,421            |   |
| Powell bill allocation                    |                   | 281,658           |   |
| Machester fire tax                        |                   | 82,874            |   |
| NCDOT road maintenance                    |                   | 7,783             |   |
| <b>Total</b>                              | <u>\$ 440,640</u> | <u>\$ 434,037</u> | <u>\$ (6,603)</u>                           |

**Town of Spring Lake, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2017**

|                                 | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---------------------------------|------------------|------------------|---|
| <b>Permits and fees:</b>        |                  |                  |   |
| Permits and inspection fees     | \$               | \$ 31,726        | \$  |
| Planning fees                   |                  | 17,833           |   |
| Fire department fees            |                  | 35,603           |   |
| Police department fees          |                  | 2,504            |   |
| <b>Total</b>                    | <u>94,765</u>    | <u>87,666</u>    | <u>(7,099)</u>                              |
| <b>Sales and services:</b>      |                  |                  |   |
| Recreation fees and concessions |                  | 42,172           |   |
| <b>Total</b>                    | <u>32,975</u>    | <u>42,172</u>    | <u>9,197</u>                                |
| <b>Investment earnings</b>      | <u>5,000</u>     | <u>16,833</u>    | <u>11,833</u>                               |
| <b>Other revenues:</b>          |                  |                  |   |
| Sale of capital assets          |                  | -                |   |
| Insurance settlements           |                  | 123,003          |   |
| Employee insurance premium      |                  | 33,715           |   |
| Other revenues                  |                  | 24,596           |   |
| <b>Total</b>                    | <u>72,490</u>    | <u>181,314</u>   | <u>108,824</u>                              |
| <b>Total revenues</b>           | <u>6,765,209</u> | <u>6,858,253</u> | <u>93,044</u>                               |
| <b>Expenditures:</b>            |                  |                  |   |
| <b>General government:</b>      |                  |                  |   |
| Governing body:                 |                  |                  |   |
| Elected officials               |                  | 89,496           |   |
| Dues and subscriptions          |                  | 14,350           |   |
| Other operating expenditures    |                  | 33,632           |   |
| <b>Total</b>                    | <u>137,688</u>   | <u>137,478</u>   | <u>210</u>                                  |
| <b>Administration:</b>          |                  |                  |   |
| Salaries and employee benefits  |                  | 289,479          |   |
| Other operating expenditures    |                  | 19,423           |   |
| Capital outlay                  |                  | -                |   |
| <b>Total</b>                    | <u>308,935</u>   | <u>308,902</u>   | <u>33</u>                                   |
| <b>Elections:</b>               |                  |                  |   |
| Operating expenses              |                  | -                |   |
| <b>Total</b>                    | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>                                 |

**Town of Spring Lake, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2017**

|                                 | <u>Budget</u>       | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---------------------------------|---------------------|---------------------|---|
| <b>Finance:</b>                 |                     |                     |   |
| Salaries and benefits           | \$                  | \$ 247,990          | \$  |
| Professional services           |                     | 9,800               |   |
| Other operating expenditures    |                     | 40,893              |   |
| Capital outlay                  |                     | -                   |   |
| <b>Total</b>                    | <u>299,558</u>      | <u>298,683</u>      | <u>875</u>                                  |
| <b>Human resources:</b>         |                     |                     |   |
| Salaries and employee benefits  |                     | 81,382              |   |
| Other operating expenditures    |                     | 14,828              |   |
| <b>Total</b>                    | <u>98,286</u>       | <u>96,210</u>       | <u>2,076</u>                                |
| <b>Legal services:</b>          |                     |                     |   |
| Professional services           |                     | 31,909              |   |
| <b>Total</b>                    | <u>52,000</u>       | <u>31,909</u>       | <u>20,092</u>                               |
| <b>Tax collection:</b>          |                     |                     |   |
| Professional services           |                     | 53,408              |   |
| <b>Total</b>                    | <u>54,000</u>       | <u>53,408</u>       | <u>592</u>                                  |
| <b>Planning:</b>                |                     |                     |   |
| Other operating expenditures    |                     | 63,104              |   |
| <b>Total</b>                    | <u>69,000</u>       | <u>63,104</u>       | <u>5,896</u>                                |
| <b>Information technology:</b>  |                     |                     |   |
| Other operating expenditures    |                     | 240,896             |   |
| <b>Total</b>                    | <u>252,450</u>      | <u>240,896</u>      | <u>11,554</u>                               |
| <b>Public buildings:</b>        |                     |                     |   |
| Salaries and employee benefits  |                     | 97,368              |   |
| Other operating expenditures    |                     | 93,589              |   |
| <b>Total</b>                    | <u>191,980</u>      | <u>190,957</u>      | <u>1,023</u>                                |
| <b>Public works:</b>            |                     |                     |   |
| Salaries and employee benefits  |                     | 188,164             |   |
| Other operating expenditures    |                     | 32,332              |   |
| <b>Total</b>                    | <u>223,775</u>      | <u>220,496</u>      | <u>3,279</u>                                |
| <b>Total general government</b> | <u>\$ 1,687,672</u> | <u>\$ 1,642,043</u> | <u>\$ 45,629</u>                            |

**Town of Spring Lake, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2017**

|                                   | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|-----------------------------------|-------------------|-------------------|---|
| <b>Public safety:</b>             |                   |                   |   |
| <b>Police department:</b>         |                   |                   |   |
| Salaries and employee benefits    | \$                | \$ 1,983,191      | \$  |
| Other operating expenditures      |                   | 363,189           |   |
| Capital outlay                    |                   | 62,345            |   |
| <b>Total</b>                      | <u>2,421,720</u>  | <u>2,408,726</u>  | <u>12,994</u>                               |
| <b>Inspections:</b>               |                   |                   |   |
| Salaries and employee benefits    |                   | 224,647           |   |
| Other operating expenditures      |                   | 22,530            |   |
| <b>Total</b>                      | <u>254,058</u>    | <u>247,176</u>    | <u>6,882</u>                                |
| <b>Fire:</b>                      |                   |                   |   |
| Salaries and employee benefits    |                   | 1,156,262         |   |
| Other operating expenditures      |                   | 196,890           |   |
| Capital outlay                    |                   | -                 |   |
| <b>Total</b>                      | <u>1,355,735</u>  | <u>1,353,152</u>  | <u>2,583</u>                                |
| <b>Total public safety</b>        | <u>4,031,513</u>  | <u>4,009,054</u>  | <u>22,459</u>                               |
| <b>Transportation:</b>            |                   |                   |   |
| <b>Streets:</b>                   |                   |                   |   |
| Salaries and employee benefits    |                   | 214,168           |   |
| Other operating expenditures      |                   | 182,427           |   |
| <b>Total</b>                      | <u>420,458</u>    | <u>396,596</u>    | <u>23,862</u>                               |
| <b>Public transportation:</b>     |                   |                   |   |
| Other operating expenditures      |                   | 113,639           |   |
| <b>Total</b>                      | <u>122,174</u>    | <u>113,639</u>    | <u>8,535</u>                                |
| <b>Total transportation</b>       | <u>542,632</u>    | <u>510,235</u>    | <u>32,397</u>                               |
| <b>Cultural and recreational:</b> |                   |                   |   |
| <b>Recreation:</b>                |                   |                   |   |
| Salaries and employee benefits    |                   | 397,491           |   |
| Professional services             |                   | 167,555           |   |
| Capital outlay                    |                   | -                 |   |
| <b>Total</b>                      | <u>\$ 565,141</u> | <u>\$ 565,046</u> | <u>\$ 95</u>                                |

**Town of Spring Lake, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2017**

|   | <u>Budget</u>      | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|--------------------|---------------------|---|
| <b>Cultural and recreational (continued):</b> |                    |                     |   |
| <b>Senior enrichment center:</b>              |                    |                     |   |
| Salaries and employee benefits                | \$                 | \$ 110,211          | \$  |
| Other operating expenditures                  |                    | 28,899              |   |
| Capital outlay                                |                    | -                   |   |
| <b>Total</b>                                  | <u>142,484</u>     | <u>139,110</u>      | <u>3,373</u>                                |
| <b>Total cultural and recreational</b>        | <u>707,625</u>     | <u>704,156</u>      | <u>3,469</u>                                |
| <b>Non-departmental:</b>                      |                    |                     |   |
| Special appropriations                        |                    | 14,157              |   |
| <b>Total</b>                                  | <u>15,200</u>      | <u>14,157</u>       | <u>1,043</u>                                |
| <b>Debt service:</b>                          |                    |                     |   |
| Principal                                     |                    | 799,855             |   |
| Interest                                      |                    | 148,795             |   |
| <b>Total</b>                                  | <u>948,652</u>     | <u>948,650</u>      | <u>2</u>                                    |
| <b>Total expenditures</b>                     | <u>7,933,294</u>   | <u>7,828,295</u>    | <u>104,999</u>                              |
| <b>Revenues over (under) expenditures</b>     | <u>(1,168,085)</u> | <u>(970,042)</u>    | <u>198,043</u>                              |
| <b>Other financing sources (uses):</b>        |                    |                     |   |
| Installment purchase proceeds                 |                    | 66,000              |   |
| Transfer from other funds:                    |                    |                     |   |
| Enterprise Funds                              |                    | 577,272             |   |
| Transfers to other funds:                     |                    |                     |   |
| Capital Projects Fund                         |                    | (49,500)            |   |
| Fleet Maintenance Fund                        |                    | (138,415)           |   |
| <b>Total other financing sources (uses)</b>   | <u>456,857</u>     | <u>455,357</u>      | <u>(1,500)</u>                              |
| Fund balance appropriated                     | <u>711,228</u>     | -                   | <u>711,228</u>                              |
| <b>Net change in fund balances</b>            | <u>\$ -</u>        | <u>(514,685)</u>    | <u>\$ (514,685)</u>                         |
| <b>Fund balances, beginning</b>               |                    | 3,422,492           |   |
| <b>Fund balances, ending</b>                  |                    | <u>\$ 2,907,807</u> |   |

## **Non-Major Governmental Funds**

**Town of Spring Lake, North Carolina**  
**Non-Major Governmental Funds**  
**Combining Balance Sheet**  
**For the Year Ended June 30, 2017**

|  | Special Revenue Funds   |  | Capital Project Fund              |                                       | Combining<br>Totals |
|--|-------------------------|--|-----------------------------------|---------------------------------------|---------------------|
|  | Spring<br>Fling<br>Fund | Public Safety<br>Grants and<br>Projects Fund | Street<br>Capital Project<br>Fund | Recreation<br>Capital Project<br>Fund |                     |
| <b>Assets:</b>                             |                         |  |                                   |                                       |                     |
| Cash and cash equivalents                  | \$ -                    | \$ 161,880                                   | \$ 114,306                        | \$ -                                  | \$ 276,186          |
| Accounts receivable                        | 3,547                   | 21,600                                       | 27,673                            | 2,840                                 | 55,660              |
| <b>Total assets</b>                        | <b>\$ 3,547</b>         | <b>\$ 183,480</b>                            | <b>\$ 141,979</b>                 | <b>\$ 2,840</b>                       | <b>\$ 331,846</b>   |
| <b>Liabilities and fund balances:</b>      |                         |  |                                   |                                       |                     |
| <b>Liabilities:</b>                        |                         |  |                                   |                                       |                     |
| Accounts payable                           | \$ 2,160                | \$ 2,230                                     | \$ -                              | \$ 2,303                              | \$ 6,693            |
| <b>Total liabilities</b>                   | <b>2,160</b>            | <b>2,230</b>                                 | <b>-</b>                          | <b>2,303</b>                          | <b>6,693</b>        |
| <b>Fund balances:</b>                      |                         |  |                                   |                                       |                     |
| Restricted:                                |                         |  |                                   |                                       |                     |
| Stabilization by State Statue              | 1,387                   | 21,601                                       | 27,673                            | 537                                   | 51,198              |
| Public Safety                              | -                       | 159,649                                      | -                                 | -                                     | 159,649             |
| Capital Projects                           | -                       | -  | 114,306                           | -                                     | 114,306             |
| Unassigned                                 | -                       | -  | -                                 | -                                     | -                   |
| <b>Total fund balances</b>                 | <b>1,387</b>            | <b>181,250</b>                               | <b>141,979</b>                    | <b>537</b>                            | <b>325,153</b>      |
| <b>Total liabilities and fund balances</b> | <b>\$ 3,547</b>         | <b>\$ 183,480</b>                            | <b>\$ 141,979</b>                 | <b>\$ 2,840</b>                       | <b>\$ 331,846</b>   |



**Town of Spring Lake, North Carolina**  
**Non-Major Governmental Fund**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Year Ended June 30, 2017**

|   | <u>Special Revenue Funds</u>     |   | <u>Capital Project Funds</u>               |  | <u>Combining<br/>Totals</u> |
|---|----------------------------------|---|--|--|-----------------------------|
|   | <u>Spring<br/>Fling<br/>Fund</u> | <u>Public Safety<br/>Grants and<br/>Projects Fund</u> | <u>Street<br/>Capital Project<br/>Fund</u> | <u>Recreation<br/>Capital Project<br/>Fund</u> |                             |
| <b>Revenues:</b>                          |                                  |   |  |  |                             |
| Contribution proceeds                     | \$ 16,250                        | \$ -  | \$ -                                       | \$ -   | \$ 16,250                   |
| Grant proceeds                            | -                                | 301,256   | -  | -  | 301,256                     |
| Miscellaneous income                      | 1,725                            | -   | -  | -  | 1,725                       |
| <b>Total revenues</b>                     | <b>17,975</b>                    | <b>301,256</b>  | <b>-</b>                                   | <b>-</b>                                       | <b>319,231</b>              |
| <b>Expenditures:</b>                      |                                  |   |  |  |                             |
| Current:                                  |                                  |   |  |  |                             |
| General government                        | 17,801                           | -   | -  | 48,963   | 66,764                      |
| Public safety                             | -                                | 128,053   | 16,250                                     | -  | 144,303                     |
| <b>Total expenditures</b>                 | <b>17,801</b>                    | <b>128,053</b>  | <b>16,250</b>                              | <b>48,963</b>                                  | <b>211,067</b>              |
| <b>Other financing sources (uses):</b>    |                                  |   |  |  |                             |
| Installment purchase proceeds             | -                                | -   | -  | -  | -                           |
| Transfers from/(to) other funds           | -                                | -   | -  | 49,500   | 49,500                      |
| <b>Total other sources (uses)</b>         | <b>-</b>                         | <b>-</b>  | <b>-</b>                                   | <b>49,500</b>                                  | <b>49,500</b>               |
| <b>Revenues over (under) expenditures</b> | <b>174</b>                       | <b>173,203</b>  | <b>(16,250)</b>                            | <b>537</b>                                     | <b>157,664</b>              |
| <b>Fund balance, beginning</b>            | <b>1,213</b>                     | <b>8,048</b>  | <b>158,228</b>                             | <b>-</b>                                       | <b>167,489</b>              |
| <b>Fund balance, ending</b>               | <b>\$ 1,387</b>                  | <b>\$ 181,251</b>                                     | <b>\$ 141,978</b>                          | <b>\$ 537</b>                                  | <b>\$ 325,153</b>           |

**Town of Spring Lake, North Carolina**  
**Spring Fling Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Year Ended June 30, 2017**

|   | <u>Budget</u> | <u>Actual</u>   | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|---------------|-----------------|---|
| <b>Revenues:</b>                            |               |                 |   |
| Contribution proceeds                       | \$ 13,900     | \$ 16,250       | \$ 2,350                                    |
| Miscellaneous income                        | 4,000         | 1,725           | (2,275)                                     |
| <b>Total revenues</b>                       | <u>17,900</u> | <u>17,975</u>   | <u>75</u>                                   |
| <b>Expenditures:</b>                        |               |                 |   |
| Contracted services                         | -             | 17,801          |   |
| Other operating expenditures                | -             | -               |   |
| <b>Total expenditures</b>                   | <u>17,900</u> | <u>17,801</u>   | <u>99</u>                                   |
| <b>Other financing sources (uses):</b>      |               |                 |   |
| <b>Total other financing sources (uses)</b> | <u>-</u>      | <u>-</u>        | <u>-</u>                                    |
| <br>  |               |                 |   |
| <b>Revenues over (under) expenditures</b>   | <u>\$ -</u>   | 174             | <u>\$ 174</u>                               |
| <br>  |               |                 |   |
| <b>Fund balance, beginning</b>              |               | 1,212           |   |
| <b>Fund balance, ending</b>                 |               | <u>\$ 1,387</u> |   |

**Town of Spring Lake, North Carolina**  
**Public Safety Grants and Projects Fund**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Year Ended June 30, 2017**

|   | Project<br>Authorization | Prior Year<br>Actual | Current<br>Year   | Total to<br>Date      | Variance<br>Positive<br>(Negative) |
|---|--------------------------|----------------------|-------------------|-----------------------|------------------------------------|
| <b>Revenues:</b>                              |                          |                      |                   |                       |                                    |
| Governor's highway safety program             | \$ 506,093               | \$ 272,565           | \$ -              | \$ 272,565            | \$ (233,528)                       |
| Safer Grant                                   | -                        | -                    | 301,256           | 301,256               | 301,256                            |
| Miscellaneous income                          | -                        | 4,027                | -                 | 4,027                 | 4,027                              |
| <b>Total revenues</b>                         | <u>506,093</u>           | <u>276,592</u>       | <u>301,256</u>    | <u>577,848</u>        | <u>71,755</u>                      |
| <b>Expenditures:</b>                          |                          |                      |                   |                       |                                    |
| Salaries and employee benefits                | 478,212                  | 192,668              | 77,980            | 270,648               | 207,564                            |
| Other operating expenditures                  | 47,711                   | 28,359               | 25,263            | 53,622                | (5,911)                            |
| Capital outlay                                | 214,250                  | 434,885              | 24,810            | 459,695               | (245,445)                          |
| <b>Total expenditures</b>                     | <u>740,173</u>           | <u>655,912</u>       | <u>128,053</u>    | <u>783,965</u>        | <u>(43,792)</u>                    |
| <b>Other financing sources (uses):</b>        |                          |                      |                   |                       |                                    |
| Installment purchase proceeds                 | 100,750                  | 98,039               | -                 | 98,039                | 2,711                              |
| Transfers (to) from general fund              | 133,330                  | 289,329              | -                 | 289,329               | (155,999)                          |
| <b>Total other sources (uses)</b>             | <u>234,080</u>           | <u>387,368</u>       | <u>-</u>          | <u>387,368</u>        | <u>(153,288)</u>                   |
| <br><b>Revenues over (under) expenditures</b> | <br><u>\$ -</u>          | <br><u>\$ 8,048</u>  | <br>173,203       | <br><u>\$ 181,251</u> | <br><u>\$ 181,251</u>              |
| <br><b>Fund balance, beginning</b>            |                          |                      | <br>8,048         |                       |                                    |
| <b>Fund balance, ending</b>                   |                          |                      | <u>\$ 181,251</u> |                       |                                    |

**Town of Spring Lake, North Carolina**  
**Street Capital Project Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-**  
**Budget and Actual (Non – GAAP)**  
**For the Year Ended June 30, 2017**

|  | Project<br>Authorization | Prior Year<br>Actual | Current<br>Year   | Total to<br>Date  | Variance<br>Positive<br>(Negative) |
|--|--------------------------|----------------------|-------------------|-------------------|------------------------------------|
| <b>Revenues:</b>                       |                          |                      |                   |                   |                                    |
| Miscellaneous income                   | \$ -                     | \$ 79                | \$ -              | \$ 79             | \$ 79                              |
| <b>Total revenues</b>                  | <b>-</b>                 | <b>79</b>            | <b>-</b>          | <b>79</b>         | <b>79</b>                          |
| <b>Expenditures:</b>                   |                          |                      |                   |                   |                                    |
| Professional services                  | 87,600                   | 86,348               | 16,250            | 102,598           | (14,998)                           |
| Contracted services                    | -                        | 6,052                | -                 | 6,052             | (6,052)                            |
| Capital outlay                         | 1,853,534                | 1,690,585            | -                 | 1,690,585         | 162,949                            |
| <b>Total expenditures</b>              | <b>1,941,134</b>         | <b>1,782,985</b>     | <b>16,250</b>     | <b>1,799,235</b>  | <b>141,899</b>                     |
| <b>Other financing sources (uses):</b> |                          |                      |                   |                   |                                    |
| Transfers from/(to) other funds        | 441,134                  | 441,134              | -                 | 441,134           | -                                  |
| Installment purchase proceeds          | 1,500,000                | 1,500,000            | -                 | 1,500,000         | -                                  |
| <b>Total other sources (uses)</b>      | <b>1,941,134</b>         | <b>1,941,134</b>     | <b>-</b>          | <b>1,941,134</b>  | <b>-</b>                           |
| <br>                                   |                          |                      |                   |                   |                                    |
| <b>Net change in fund balance</b>      | <b>\$ -</b>              | <b>\$ 158,228</b>    | <b>(16,250)</b>   | <b>\$ 141,978</b> | <b>\$ 141,978</b>                  |
| <br>                                   |                          |                      |                   |                   |                                    |
| <b>Fund balance, beginning</b>         |                          |                      | <b>158,228</b>    |                   |                                    |
| <b>Fund balance, ending</b>            |                          |                      | <b>\$ 141,978</b> |                   |                                    |

**Town of Spring Lake, North Carolina**  
**Recreation Capital Project Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

|                                   | Project<br>Authorization | Prior Year<br>Actual | Current<br>Year | Total to<br>Date | Variance<br>Positive<br>(Negative) |
|-----------------------------------|--------------------------|----------------------|-----------------|------------------|------------------------------------|
| <b>Revenues:</b>                  |                          |                      |                 |                  |                                    |
| PARTF grant                       | \$ 426,400               | \$ 363,148           | \$ -            | \$ 363,148       | \$ (63,252)                        |
| Miscellaneous income              | -                        | 66                   | -               | 66               | 66                                 |
| <b>Total revenues</b>             | <u>426,400</u>           | <u>363,214</u>       | <u>-</u>        | <u>363,214</u>   | <u>(63,186)</u>                    |
| <b>Expenditures:</b>              |                          |                      |                 |                  |                                    |
| Professional services             | 155,250                  | 102,882              | 8,398           | 111,280          | 43,970                             |
| Contracted services               | 42,850                   | 5,214                | -               | 5,214            | 37,636                             |
| Capital outlay                    | 596,750                  | 626,703              | 40,565          | 667,268          | (70,518)                           |
| <b>Total expenditures</b>         | <u>794,850</u>           | <u>734,799</u>       | <u>48,963</u>   | <u>783,762</u>   | <u>11,088</u>                      |
| <b>Other financing sources:</b>   |                          |                      |                 |                  |                                    |
| Transfers from/(to) other funds   | -                        | 3,135                | 49,500          | 52,635           | 52,635                             |
| Installment purchase proceeds     | 368,450                  | 368,450              | -               | 368,450          | -                                  |
| <b>Total other sources (uses)</b> | <u>368,450</u>           | <u>371,585</u>       | <u>49,500</u>   | <u>421,085</u>   | <u>-</u>                           |
| <b>Net change in fund balance</b> | <u>\$ -</u>              | <u>\$ -</u>          | <u>537</u>      | <u>\$ 537</u>    | <u>\$ 537</u>                      |
| <b>Fund balance, beginning</b>    |                          |                      | -               |                  |                                    |
| <b>Fund balance, ending</b>       |                          |                      | <u>\$ 537</u>   |                  |                                    |

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## **Enterprise Funds**

**Town of Spring Lake, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ending June 30, 2017**

|                                   | <u>Budget</u>     | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|-----------------------------------|-------------------|-------------------|---|
| <b>Revenues:</b>                  |                   |                   |   |
| <b>Charges for services:</b>      |                   |                   |   |
| Water and sewer charges           | \$                | \$ 3,172,487      | \$  |
| Service charges and late fees     |                   | 138,786           |   |
| <b>Total</b>                      | <u>3,336,900</u>  | <u>3,311,273</u>  | <u>(25,627)</u>                             |
| <b>Water and sewer taps:</b>      |                   |                   |   |
| Other operating revenues          |                   | 28,965            |   |
| <b>Total</b>                      | <u>27,000</u>     | <u>28,965</u>     | <u>1,965</u>                                |
| <b>Total operating revenues</b>   | <u>3,363,900</u>  | <u>3,340,238</u>  | <u>(23,662)</u>                             |
| <b>Non-operating revenues:</b>    |                   |                   |   |
| Interest income                   |                   | 9,826             |   |
| Sale of materials                 |                   | 316               |   |
| Insurance settlement              |                   | 146,504           |   |
| Other                             |                   | 21,589            |   |
| <b>Total</b>                      | <u>22,595</u>     | <u>178,235</u>    | <u>155,640</u>                              |
| <b>Total revenues</b>             | <u>3,386,495</u>  | <u>3,518,473</u>  | <u>131,978</u>                              |
| <b>Expenditures:</b>              |                   |                   |   |
| <b>Revenue collections:</b>       |                   |                   |   |
| Salaries and employee benefits    |                   | 127,890           |   |
| Water purchases                   |                   | 900,158           |   |
| Other operating expenditures      |                   | 36,861            |   |
| Capital outlay                    |                   | -                 |   |
| <b>Total</b>                      | <u>1,075,959</u>  | <u>1,064,909</u>  | <u>11,050</u>                               |
| <b>Revenue billing:</b>           |                   |                   |   |
| Salaries and employee benefits    |                   | 262,320           |   |
| Other operating expenditures      |                   | 47,418            |   |
| Capital outlay                    |                   | 9,675             |   |
| <b>Total</b>                      | <u>319,843</u>    | <u>319,413</u>    | <u>430</u>                                  |
| <b>Water and sewer operation:</b> |                   |                   |   |
| Salaries and employee benefits    |                   | 343,323           |   |
| Repairs and maintenance           |                   | 125,168           |   |
| Other operating expenditures      |                   | 153,426           |   |
| Capital outlay                    |                   | 63,744            |   |
| <b>Total</b>                      | <u>\$ 686,459</u> | <u>\$ 685,661</u> | <u>\$ 798</u>                               |



**Town of Spring Lake, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP) (Continued)**  
**For the Year Ending June 30, 2017**

|  | <u>Budget</u>    | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|------------------|---------------------|---|
| <b>Waste water treatment plant:</b>  |                  |                     |   |
| Salaries and employee benefits   | \$               | \$ 179,632          | \$  |
| Electricity  |                  | 90,216              |   |
| Repairs and maintenance  |                  | 24,397              |   |
| Contracted services  |                  | 87,775              |   |
| Other operating expenditures   |                  | 93,159              |   |
| Capital outlay   |                  | 49,400              |   |
| <b>Total</b>   | <u>598,172</u>   | <u>524,579</u>      | <u>73,593</u>                               |
| <b>Debt service:</b>   |                  |                     |   |
| Principal payments   |                  | 613,662             |   |
| Interest   |                  | 100,439             |   |
| <b>Total</b>   | <u>714,110</u>   | <u>714,101</u>      | <u>9</u>                                    |
| <b>Total expenditures</b>  | <u>3,394,543</u> | <u>3,308,663</u>    | <u>85,880</u>                               |
| <b>Revenues over (under) expenditures</b>  | <u>(8,048)</u>   | <u>209,811</u>      | <u>217,859</u>                              |
| <b>Other financing sources (uses):</b>   |                  |                     |   |
| Transfer to general fund   |                  | (415,500)           |   |
| Transfer to post retirement fund   |                  | (11,772)            |   |
| Transfer to stormwater fund  |                  | (8,596)             |   |
| Transfer to fleet maintenance fund   |                  | (52,639)            |   |
| Installment purchase proceeds  |                  | -                   |   |
| Appropriated fund balance  |                  | -                   |   |
| <b>Total</b>   | <u>8,048</u>     | <u>(488,507)</u>    | <u>(496,555)</u>                            |
| <b>Revenues and other financing sources<br/>(uses) over (under) expenditures</b> | <u>\$ -</u>      | <u>\$ (278,696)</u> | <u>\$ (278,696)</u>                         |

**Town of Spring Lake, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues, Expenditures**  
**Budget and Actual (Non - GAAP) (continued)**  
**For the Year Ended June 30, 2017**

|  | <b>Budget</b> | <b>Actual</b>       | <b>Variance<br/>Positive<br/>(Negative)</b> |
|--|---------------|---------------------|---|
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b> |               |                     |   |
| <b>Revenues and other financing sources<br/>(uses) over (under) expenditures</b>   |               | <b>\$ (278,696)</b> |   |
| <b>Reconciling items:</b>  |               |                     |   |
| Impact fees  |               | 1,720               |   |
| Capital contributions  |               | -                   |   |
| Capital outlay   |               | 122,819             |   |
| Principal payments   |               | 613,662             |   |
| Decrease in net pension asset  |               | -                   |   |
| Increase in deferred outflows of resources - pensions                              |               | 179,524             |   |
| Increase in net pension liability  |               | (176,409)           |   |
| Decrease in deferred inflows of resources - pensions                               |               | 20,165              |   |
| Increase in accrued OPEB liability   |               | (18,476)            |   |
| Decrease in accrued vacation   |               | (7,925)             |   |
| Depreciation   |               | (375,598)           |   |
| <b>Total reconciling items</b>   |               | <b>359,482</b>      |   |
| <b>Change in net position</b>  |               | <b>\$ 80,786</b>    |   |

**Town of Spring Lake, North Carolina**  
**Water and Sewer Improvements Project**  
**Schedule of Revenues, Expenditures**  
**Budget and Actual (Non - GAAP)**  
**From Inception and for Year Ended June 30, 2017**

|  | Project<br>Authorization | Actual              |                 | Total to<br>Date    | Variance<br>Positive<br>(Negative) |
|--|--------------------------|---------------------|-----------------|---------------------|------------------------------------|
|  |                          | Prior<br>Years      | Current<br>Year |                     |                                    |
| <b>Revenues:</b>   |                          |                     |                 |                     |                                    |
| Impact fees  | \$ -                     | \$ 6,580            | \$ 1,720        | \$ 8,300            | \$ 8,300                           |
| <b>Expenditures:</b>   |                          |                     |                 |                     |                                    |
| Professional fees  | 652,775                  | 629,158             | -               | 629,158             | 23,617                             |
| Capital outlay   | 3,579,476                | 3,445,240           | -               | 3,445,240           | 134,236                            |
| <b>Total expenditures</b>  | <b>4,232,251</b>         | <b>4,074,398</b>    | <b>-</b>        | <b>4,074,398</b>    | <b>157,853</b>                     |
| <b>Revenue over (under) expenditures</b>   | <b>(4,232,251)</b>       | <b>(4,067,818)</b>  | <b>1,720</b>    | <b>(4,066,098)</b>  | <b>166,153</b>                     |
| <b>Other financing sources:</b>  |                          |                     |                 |                     |                                    |
| CDBG grant   | 87,389                   | 82,603              | -               | 82,603              | (4,786)                            |
| Clean water management trust fund  | 37,000                   | 37,000              | -               | 37,000              | -                                  |
| DWSRF WWTP (CS370750-03)   | 1,402,770                | 1,345,175           | -               | 1,345,175           | (57,595)                           |
| DWSRF revolving loan (CS370750-04)   | 681,146                  | 672,685             | -               | 672,685             | (8,461)                            |
| DWSRF grant (CS370750-04)  | 681,146                  | 672,685             | -               | 672,685             | (8,461)                            |
| PWS Loan (H-LRX-F-12-1685)   | 1,186,478                | 802,801             | -               | 802,801             | (383,677)                          |
| Interfund transfers  | 156,322                  | 82,052              | -               | 82,052              | (74,270)                           |
| <b>Total other sources (uses)</b>  | <b>4,232,251</b>         | <b>3,695,001</b>    | <b>-</b>        | <b>3,695,001</b>    | <b>(537,250)</b>                   |
| <b>Revenues and financing other sources<br/>(uses) over (under) expenditures</b> | <b>\$ -</b>              | <b>\$ (372,817)</b> | <b>\$ 1,720</b> | <b>\$ (371,097)</b> | <b>\$ (371,097)</b>                |

**Town of Spring Lake, North Carolina**  
**Stormwater Fund**  
**Schedule of Revenues, Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2017**

|  | <u>Budget</u>   | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-----------------|------------------|---|
| <b>Revenues:</b>   |                 |                  |   |
| <b>Charges for services:</b>   |                 |                  |   |
| Stormwater fees  | \$              | \$ 290,568       | \$  |
| <b>Total</b>   | <u>281,350</u>  | <u>290,568</u>   | <u>9,218</u>                                |
| <b>Non-operating revenues:</b>   |                 |                  |   |
| Interest earned on investments   |                 | 3,032            |   |
| Miscellaneous  |                 | -                |   |
| <b>Total</b>   | <u>900</u>      | <u>3,032</u>     | <u>2,132</u>                                |
| <b>Total revenues</b>  | <u>282,250</u>  | <u>293,600</u>   | <u>11,350</u>                               |
| <b>Expenditures:</b>   |                 |                  |   |
| <b>Stormwater:</b>   |                 |                  |   |
| Salaries and employee benefits   |                 | 127,106          |   |
| Professional services  |                 | 1,344            |   |
| Operating expenses   |                 | 56,976           |   |
| Debt service - principal   |                 | 20,000           |   |
| Capital outlay   |                 | -                |   |
| <b>Total</b>   | <u>231,100</u>  | <u>205,426</u>   | <u>25,674</u>                               |
| <b>Revenues over (under) expenditures</b>                              | <u>51,150</u>   | <u>88,174</u>    | <u>37,024</u>                               |
| <b>Other financing sources (uses):</b>                                 |                 |                  |   |
| Transfer to general fund   |                 | (75,000)         |   |
| Transfer to fleet maintenance fund                                     |                 | (5,036)          |   |
| Transfer from capital projects   |                 | -                |   |
| Transfer from water and sewer fund                                     |                 | 8,596            |   |
| Transfer from general fund   |                 | -                |   |
| Installment purchase proceeds  |                 | 20,000           |   |
| <b>Total</b>   | <u>(51,150)</u> | <u>(51,440)</u>  | <u>(290)</u>                                |
| <b>Revenues and other sources<br/>(uses) over (under) expenditures</b> | <u>\$ -</u>     | <u>\$ 36,734</u> | <u>\$ 36,734</u>                            |

**Town of Spring Lake, North Carolina**  
**Stormwater Fund**  
**Schedule of Revenues, Expenditures**  
**Budget and Actual (Non - GAAP) (continued)**  
**For the Year Ended June 30, 2017**

|  | Budget | Actual           | Variance<br>Positive<br>(Negative) |
|--|--------|------------------|------------------------------------|
| <b>Reconciliation from budgetary<br/>basis (modified accrual) to full accrual:</b> |        |                  |                                    |
| <b>Revenues and other financing sources<br/>(uses) over (under) expenditures</b>   |        | \$ 36,734        |                                    |
| <b>Reconciling items:</b>  |        |                  |                                    |
| Principal retirement   |        | 20,000           |                                    |
| Installment purchases proceeds   |        | (20,000)         |                                    |
| Increase in deferred outflows of resources - pensions                              |        | 33,660           |                                    |
| Increase in net pension liability  |        | (33,077)         |                                    |
| Decrease in deferred inflows of resources - pensions                               |        | 3,781            |                                    |
| Increase in accrued OPEB liability   |        | (5,856)          |                                    |
| Increase in accrued vacation   |        | 3,284            |                                    |
| Depreciation   |        | (11,811)         |                                    |
| <b>Total reconciling items</b>   |        | <b>(10,019)</b>  |                                    |
| <b>Change in net position</b>  |        | <b>\$ 26,716</b> |                                    |

**Town of Spring Lake, North Carolina**  
**Sanitation Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non – GAAP)**  
**For the Year Ended June 30, 2017**

|  | <u>Budget</u>   | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-----------------|-------------------|---|
| <b>Revenues:</b>   |                 |                   |   |
| <b>Charges for services:</b>   |                 |                   |   |
| Solid waste fees   | \$              | \$ 687,539        | \$  |
| Other operating income   |                 | -                 |   |
| <b>Total</b>   | <u>674,050</u>  | <u>687,539</u>    | <u>13,489</u>                               |
| <b>Non-operating revenues:</b>   |                 |                   |   |
| Interest earned on investments   |                 | 1,673             |   |
| Miscellaneous  |                 | 48                |   |
| <b>Total</b>   | <u>500</u>      | <u>1,721</u>      | <u>1,221</u>                                |
| <b>Total revenues</b>  | <u>674,550</u>  | <u>689,259</u>    | <u>14,709</u>                               |
| <b>Expenditures:</b>   |                 |                   |   |
| <b>Sanitation:</b>   |                 |                   |   |
| Salaries and employee benefits   |                 | 143,469           |   |
| Collection expenses  |                 | 338,460           |   |
| Operating expenses   |                 | 76,255            |   |
| Capital outlay   |                 | -                 |   |
| <b>Total</b>   | <u>579,550</u>  | <u>558,184</u>    | <u>21,366</u>                               |
| <b>Total expenditures</b>  | <u>579,550</u>  | <u>558,184</u>    | <u>21,366</u>                               |
| <b>Revenues over (under) expenditures</b>  | <u>95,000</u>   | <u>131,076</u>    | <u>34,855</u>                               |
| <b>Other financing sources (uses):</b>   |                 |                   |   |
| Transfer from general fund   |                 | -                 |   |
| Transfer to general fund   |                 | (75,000)          |   |
| Transfer to fleet maintenance fund   |                 | (20,000)          |   |
| Installment loan proceeds  |                 | 234,241           |   |
| <b>Total</b>   | <u>(95,000)</u> | <u>139,241</u>    | <u>234,241</u>                              |
| <b>Revenues and other financing sources<br/>(uses) over (under) expenditures</b> | <u>\$ -</u>     | <u>\$ 270,317</u> | <u>\$ 270,317</u>                           |

**Town of Spring Lake, North Carolina**  
**Sanitation Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non – GAAP) (continued)**  
**For the Year Ended June 30, 2017**

|  | <u>Budget</u> | <u>Actual</u>     | <u>Positive<br/>(Negative)</u> |
|--|---------------|-------------------|--------------------------------|
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b> |               |                   |                                |
| <b>Revenues and other financing sources<br/>(uses) over (under) expenditures</b>   |               | \$ 270,317        |                                |
| <b>Reconciling items:</b>  |               |                   |                                |
| Installment purchase proceeds  |               | (234,241)         |                                |
| Increase in deferred outflows of resources - pensions                              |               | 33,660            |                                |
| Increase in net pension liability  |               | (33,077)          |                                |
| Decrease in deferred inflows of resources - pensions                               |               | 3,781             |                                |
| Increase in accrued OPEB liability   |               | (9,835)           |                                |
| Increase in accrued vacation   |               | (3,395)           |                                |
| Depreciation   |               | (29,894)          |                                |
| <b>Total reconciling items</b>   |               | <b>(273,001)</b>  |                                |
| <b>Change in net position</b>  |               | <b>\$ (2,684)</b> |                                |

**Town of Spring Lake, North Carolina  
 Fleet Maintenance Internal Service Fund  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non – GAAP)  
 For the Year Ended June 30, 2017**

|   | <u>Budget</u>  | <u>Actual</u>  | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|----------------|----------------|---|
| <b>Revenues:</b>                            |                |                |   |
| Contribution proceeds                       | \$ -           | \$ -           | \$ -  |
| Miscellaneous income                        |                | -              |   |
| <b>Total revenues</b>                       | <u>-</u>       | <u>-</u>       | <u>-</u>                                    |
| <b>Expenditures:</b>                        |                |                |   |
| Salaries and employee benefits              |                | 117,652        |   |
| Other operating expenditures                |                | 98,211         |   |
| <b>Total expenditures</b>                   | <u>255,042</u> | <u>215,863</u> | <u>39,179</u>                               |
| <b>Other financing sources (uses):</b>      |                |                |   |
| Transfers from/(to) other funds             |                | 216,090        |   |
| <b>Total other financing sources (uses)</b> | <u>255,042</u> | <u>216,090</u> | <u>38,952</u>                               |
| <br>  |                |                |   |
| <b>Revenues over (under) expenditures</b>   | <u>\$ -</u>    | 227            | <u>\$ 227</u>                               |
| <br>  |                |                |   |
| <b>Fund balance, beginning</b>              |                | 431            |   |
| <b>Fund balance, ending</b>                 |                | <u>\$ 658</u>  |   |



## Other Schedules

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**This section contains additional information on property taxes.**

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

**Town of Spring Lake, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2017**

| <u>Fiscal Year</u> | <u>Uncollected<br/>Balances<br/>June 30, 2016</u> | <u>Additions</u>    | <u>Collections<br/>and<br/>Credits</u> | <u>Uncollected<br/>Balances<br/>June 30, 2017</u> |
|--------------------|---|---------------------|--|---|
| 2016-2017          | \$ -  | \$ 3,324,636        | \$ 3,294,101                           | \$ 30,535   |
| 2015-2016          | 30,899  | -                   | 20,440                                 | 10,459  |
| 2014-2015          | 33,802  | -                   | 11,285                                 | 22,517  |
| 2013-2014          | 22,179  | -                   | 228                                    | 21,951  |
| 2012-prior         | 162,585   | -                   | 1,323                                  | 161,262   |
|                    | <u>\$ 249,465</u>                                 | <u>\$ 3,324,636</u> | <u>\$ 3,327,377</u>                    | <u>\$ 246,724</u>                                 |

Less: allowance for uncollectible accounts - General Fund 120,000

Ad valorem taxes receivable - net \$ 126,724

**Reconciliation with revenues:**

Ad valorem taxes - General Fund \$ 3,348,891

Penalties collected on ad valorem taxes -

Reconciling items:

Interest collected (10,870)

Releases from prior years (4,287)

Other adjustments (6,357)

Subtotal (21,514)

Total collections and credits \$ 3,327,377

**Town of Spring Lake, North Carolina**  
**Analysis of Current Year Tax Levy**  
**For the Year Ended June 30, 2017**

|   | Town-Wide Levy        |      | Total Levy          |  |                                 |
|---|-----------------------|------|---------------------|--|---------------------------------|
|   | Property<br>Valuation | Rate | Total<br>Levy       | Property<br>Excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
| <b>Original levy:</b>                     |                       |      |                     |  |                                 |
| Property Tax                              | \$ 473,510,363        | 0.70 | \$ 3,314,573        | \$ 3,045,658   | \$ 268,915                      |
| Penalties                                 | -                     |      | -                   | -  | -                               |
| <b>Total</b>                              | <u>473,510,363</u>    |      | <u>3,314,573</u>    | <u>3,045,658</u>   | <u>268,915</u>                  |
| <b>Discoveries:</b>                       |                       |      |                     |  |                                 |
| Current Year                              | 2,164,603             |      | 15,152              | 10,942   | 4,210                           |
| Penalties                                 | -                     |      | -                   | -  | -                               |
| <b>Total</b>                              | <u>2,164,603</u>      |      | <u>15,152</u>       | <u>10,942</u>  | <u>4,210</u>                    |
| <b>Releases</b>                           | <u>(726,963)</u>      |      | <u>(5,089)</u>      | <u>(5,089)</u>   | <u>-</u>                        |
| <b>Total property valuation</b>           | <u>\$ 474,948,003</u> |      |                     |  |                                 |
| <b>Net levy</b>                           |                       |      | 3,324,636           | 3,051,511  | 273,125                         |
| <b>Uncollected taxes at June 30, 2017</b> |                       |      | <u>(30,535)</u>     | <u>(30,535)</u>  | <u>-</u>                        |
| <b>Current year's taxes collected</b>     |                       |      | <u>\$ 3,294,101</u> | <u>\$ 3,020,976</u>                                      | <u>\$ 273,125</u>               |
| <b>Current levy collection percentage</b> |                       |      | <u>99.08%</u>       | <u>99.00%</u>  | <u>100.00%</u>                  |

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