

Town of Spring Lake
Spring Lake, North Carolina
Financial Statements
Fiscal Year Ended June 30, 2021



This Page Intentionally Left Blank

Town of Spring Lake, North Carolina
Table of Contents
June 30, 2021

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Mayor, Board of Aldermen and Administrative Staff	1
	Management's Discussion and Analysis	7-21
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	24-25
2	Statement of Activities	26-27
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	28
	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	29
4	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	30
	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	31
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	32
6	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Spring Lake Property Acquisitions, Inc.	33
7	Statement of Fund Net Position - Proprietary Funds	34-35

Town of Spring Lake, North Carolina
Table of Contents
June 30, 2021

<u>Exhibit</u>		<u>Page</u>
8	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	36
9	Statement of Cash Flows - Proprietary Funds	37-38

The accompanying footnotes are an integral part of these financial statements.

Notes to the Financial Statements	41-100
--	---------------

Required Supplementary Financial Data:

Schedule of the Proportionate Share of the Net Pension Liability (Asset) - Local Government Employees' Retirement System	102
Schedule of Town Contributions - Local Government Employees' Retirement System	103
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	104
Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance	105
Schedule of Changes in the Total OBEB Liability and Related Ratios - Other Postemployment Benefits	106

Individual Fund Schedules:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	109-115
Combining Balance Sheet – Non-Major Governmental Funds	116
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Governmental Funds	117

Town of Spring Lake, North Carolina
Table of Contents
June 30, 2021

<u>Exhibit</u>	<u>Page</u>
 Individual Fund Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Spring Fling Fund	118
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception:	
Public Safety Grants and Projects Fund	119-120
Fire Station #2 Capital Project Fund	121
Street Capital project Fund	122
Recreation Capital Project Fund	123
 Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	
Water and Sewer Fund	124-126
Water and Sewer Improvements Capital Project Fund	127-128
Sanitation Fund	129-130
Storm Water Fund	131-132
Fleet Maintenance Internal Service Fund	133
 Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	136
Analysis of Current Tax Levy - Town-Wide Levy	137

Town of Spring Lake, North Carolina
Table of Contents
June 30, 2021

<u>Exhibit</u>	<u>Page</u>
Compliance Section:	
Schedule of Findings and Questioned Costs	141-149
Corrective Action Plan	150-153
Summary Schedule of Prior Audit Findings	154
Schedule of Expenditures of Federal and State Awards	155
Notes to Schedule of Expenditures of Federal and State Awards	156

Mayor and Board of Aldermen

Larry D. Dobbins, Mayor

Taimoor Aziz, Mayor Pro-Tem

Sona Cooper

Jackie Jackson

James O'Garra

Fredricka Sutherland

Administrative and Financial Staff

Samantha Wullenwaber, Interim Town Manager

Samantha Wullenwaber, Interim Finance Director

Melissa Pereira, Interim Town Clerk

Jonathan Charleston, Town Attorney



Spring Lake Splash Pad

Recreation Center

245 Ruth Street

Financial Section



**Manchester Fire Station #2 Ground Breaking
2355 Lillington Highway (N.C. Highway 210)**

Jason Williams, Fire Chief

October 14, 2019

Management's Discussion and Analysis



Manchester Fire Station #2
2355 Lillington Highway (N.C. Highway 210).

Town of Spring Lake, North Carolina

Management's Discussion and Analysis

June 30, 2021

As management of the Town of Spring Lake, North Carolina (the "Town") we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. 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 exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,212,300 (*net position*).
- The government's total net position decreased by \$1,180,992, primarily due to a decrease of \$1,008,763 in governmental activities net position and \$172,229 business-type activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$992,479, a decrease of \$141,590. Approximately 286% of this total amount, or \$2,837,837, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was a deficit of (\$1,489,278), or (17.57%) of total general fund expenditures for the fiscal year.
- The Town's total debt, excluding compensated absences, pensions, and OPEB, increased by \$1,385,517 (14.10%) during the current fiscal year. Governmental activity debt increased \$1,830,553, while Water and Sewer Fund debt decreased \$397,469. Sanitation Fund debt decreased \$47,567. The key factors in this increase were the payments of principal on existing loans of \$764,863 and \$1,150,380 in loan proceeds from First Bank for the purchase of 2 fire trucks and \$1,000,000 from South River Electric Membership Corporation for the construction of a new Fire Station.
- The Town's General Fund recognized a loss of \$334,516 due to fraud and embezzlement by the Town's former employees.
- In July 2019, the Town voted to create a Town-controlled nonprofit called Spring Lake Property Acquisitions, Inc. ("SPLA"). The purpose of the entity was to transfer certain properties previously acquired by the Town inside and outside the Town limits to the SPLA and to help the SPLA obtain a loan of up to \$3,500,000 to allow the SPLA to acquire and

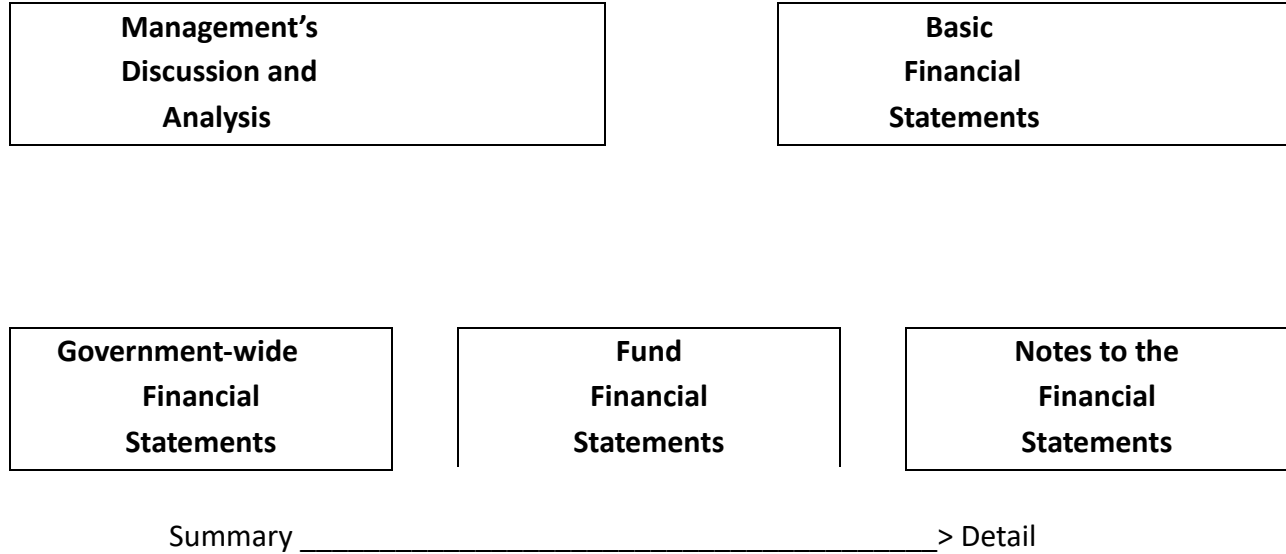
assemble more property for economic development purposes for the benefit of the Town. SPLA has acquired 18 parcels of real estate at a total cost of \$3,441,567.

- The Town and SPLA entered into a support agreement on August 22, 2019, which states that the Town “promises to consider appropriating money to SPLA for loan payments.” Further, per the agreement, the “Town’s obligation to make payments will be subject to annual appropriation of funds by the Town’s Board of Aldermen.”
- For the year ended June 30, 2021, the SLPA paid \$104,300 in interest payments to BB&T Governmental Finance of which \$69,533 was paid by an appropriation from the Town’s General Fund. The \$3,500,000 loan was payable in four annual installments of \$875,000 beginning on August 22, 2021 plus monthly payments of interest at 2.98%. SLPA defaulted on the loan principal and interest payments. BB&T Governmental Finance closed SLPA’s escrow account on December 10, 2021 and applied the remaining account balance of \$360,713 to loan principal and interest.
- As of the date of this report June 30, 2025, SLPA has an outstanding loan balance of \$3,184,557 plus accrued interest of \$246,416 for a total outstanding balance of \$3,430,973. SLPA also has an outstanding balance due to the Town of Spring Lake of \$336,910 and past due property taxes and solid waste fees for years 2020 through 2024 payable to Cumberland County of approximately \$38,515. SLPA has no assets other than the real estate purchased.
- On October 5, 2021, the Local Government Commission exercised its authority under NC General Statutes Section 159-18(c) and assumed full control of all financial affairs of the Town of Spring Lake and appointed Samatha Wullenwaber as Finance Officer and David Erwin as Deputy Finance Officer of the Town. On July 9, 2024, the Local Government Commission returned full control of all financial affairs of the Town of Spring Lake to its elected Board of Commissioners and its properly designed fiscal officers effective the earlier of August 1, 2024 or the date the Town appoints a properly bonded Finance Officer. The Town hired a bonded Finance Director on July 15, 2024.

Overview of the Financial Statements

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

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental 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, **required supplemental information** provides information on the Town's proportionate share of the LGERS net pension liability, the total LEOSA pension liability and the net OPEB liability. Supplemental information is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, 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 deferred outflows and total liabilities and deferred inflows. 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, and 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, 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, sanitation and storm water services offered by the Town of Spring Lake.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. 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 those 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 what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of Spring Lake has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Spring Lake uses enterprise funds to account for its water and sewer, sanitation and storm water activities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the Town of Spring Lake. The Town uses an internal service fund to account for one activity – its central garage operations. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 41 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 102 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$6,212,300 as of June 30, 2021. The Town's net position decreased by \$1,180,992 for the fiscal year ended June 30, 2021. However, the largest portion \$8,935,870 (143.84%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Spring Lake uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$2,926,154 (47.10%), represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$5,649,724 (-90.94%) is unrestricted.

Several particular aspects of the Town's financial operations influenced its government-wide net position components:

- Continued diligence in the collection of property taxes by increasing aggressive collection procedures through the debt setoff program, garnishments and bank account attachments. The tax collection percentage increased by 0.90% to 99.15% from 98.25% in the previous year.
- Investment earnings decreased over the previous year due to decreases in short term interest rates.

Governmental activities: Governmental activities decreased the Town's net position by \$1,008,763, accounting for 85.42% of the total decrease in the net position of the Town. The key elements of this decrease are as follows:

- Extraordinary item: Loss due to fraud by former Town employees \$334,516.
- Expenditures exceeded revenues by \$785,968

Business-type activities: Business-type activities decreased the Town’s net position by (\$172,229), accounting for 14.58% of the total decrease in the Town’s net position. The key element of this decrease is as follows:

- Expenses exceeded revenues by \$60,508
- Transfers to Governmental Activities of \$111,721

Town of Spring Lake’s Condensed Statement of Net Position
Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 1,912,915	\$ 1,680,012	\$ 3,616,903	\$ 3,431,632	\$ 5,529,818	\$ 5,111,644
Capital assets	11,284,554	10,840,287	8,861,276	9,417,971	20,145,830	20,258,258
Total assets	<u>13,197,469</u>	<u>12,520,299</u>	<u>12,478,179</u>	<u>12,849,603</u>	<u>25,675,648</u>	<u>25,369,902</u>
Deferred outflows of resources	<u>2,406,515</u>	<u>1,432,494</u>	<u>599,721</u>	<u>334,717</u>	<u>3,006,236</u>	<u>1,767,211</u>
Long-term liabilities outstanding	13,709,142	11,350,583	4,199,830	3,865,425	17,908,972	15,216,008
Other liabilities	2,082,035	1,007,135	779,962	990,799	2,861,997	1,997,934
Total liabilities	<u>15,791,177</u>	<u>12,357,718</u>	<u>4,979,792</u>	<u>4,856,224</u>	<u>20,770,969</u>	<u>17,213,942</u>
Deferred inflows of resources	<u>1,364,481</u>	<u>1,591,413</u>	<u>334,134</u>	<u>353,290</u>	<u>1,698,615</u>	<u>1,944,703</u>
Net Position:						
Net investment in						
capital assets	2,858,762	4,244,917	6,077,108	6,399,781	8,935,870	10,644,698
Restricted	2,850,603	1,590,727	75,551	-	2,926,154	1,590,727
Unrestricted	<u>(7,261,039)</u>	<u>(5,831,982)</u>	<u>1,611,315</u>	<u>1,575,025</u>	<u>(5,649,724)</u>	<u>(4,256,957)</u>
Total net position	<u>\$ (1,551,674)</u>	<u>\$ 3,662</u>	<u>\$ 7,763,974</u>	<u>\$ 7,974,806</u>	<u>\$ 6,212,300</u>	<u>\$ 7,978,468</u>

Financial Analysis of the Town’s Funds

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

Town of Spring Lake's Statement of Revenues, Expenses and Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 138,186	\$ 113,122	\$ 4,426,004	\$ 4,224,166	\$ 4,564,190	\$ 4,337,288
Operating grants and contribution	1,100,787	742,376	-	571,782	1,100,787	1,314,158
Capital grants and contribution	-	-	-	-	-	-
General Revenues:						
Property taxes	3,249,610	3,146,202	-	-	3,249,610	3,146,202
Other taxes and licenses	56,123	53,046	-	-	56,123	53,046
Unrestricted intergovernmental	2,961,424	2,821,864	-	-	2,961,424	2,821,864
Investment earnings	617	20,897	291	14,182	908	35,079
Sale of surplus property	71,620	-	2,082	-	73,702	-
Other	106,778	141,755	6,669	23,156	113,447	164,911
Total revenues	7,685,145	7,039,262	4,435,046	4,833,286	12,120,191	11,872,548
Expenses:						
General government	1,478,215	1,985,097	-	-	1,478,215	1,985,097
Public safety	4,931,842	4,902,372	-	-	4,931,842	4,902,372
Transportation	862,945	632,698	-	-	862,945	632,698
Economic development	150,630	90,363	-	-	150,630	90,363
Environmental protection	-	-	-	-	-	-
Cultural and recreation	816,472	876,312	-	-	816,472	876,312
Non-departmental	-	125,599	-	-	-	125,599
Interest expense	231,009	337,330	-	-	231,009	337,330
Water and Sewer	-	-	3,563,403	3,966,152	3,563,403	3,966,152
Sanitation	-	-	700,477	616,675	700,477	616,675
Storm Water	-	-	231,674	209,703	231,674	209,703
Total expenses	8,471,113	8,949,771	4,495,554	4,792,530	12,966,667	13,742,301
Increase (decrease) in net position before transfers	(785,968)	(1,910,509)	(60,508)	40,756	(846,476)	(1,869,753)
Transfers	111,721	257,578	(111,721)	(257,578)	-	-
Extraordinary item Loss due to fraud	(334,516)	-	-	-	(334,516)	-
Increase (decrease) in net position	(1,008,763)	(1,652,931)	(172,229)	(216,822)	(1,180,992)	(1,869,753)
Net position, as previously reported	3,662	1,656,593	7,974,806	8,191,628	7,978,468	9,848,221
Prior period adjustment	(546,573)	-	(38,603)	-	(585,176)	-
Net position, as restated	(542,911)	1,656,593	7,936,203	8,191,628	7,393,292	9,848,221
Net position, June 30	\$ (1,551,674)	\$ 3,662	\$ 7,763,974	\$ 7,974,806	\$ 6,212,300	\$ 7,978,468

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 of Spring Lake's financing requirements.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's unassigned fund balance (deficit) in the General Fund was (\$1,489,278), while total fund balance declined to \$607,243. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance (deficit) represents (17.57%) of total General Fund expenditures, while total fund balance represents only 7.16% of that same amount. Nonspendable and restricted fund balance represents 24.73% of total General Fund expenditures.

At June 30, 2021, the governmental funds of the Town reported a combined fund balance of \$992,479, with a net decrease in fund balance of \$141,590. The decrease in fund balance was due to expenditure of restricted loan proceeds in the amount of \$2,150,380 for the purchase of 2 fire trucks and the construction of a new Fire Station. Total expenditures in the governmental funds of \$9,550,894 exceeded revenues of \$7,656,713 by \$1,894,181. (Exhibit 4)

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

Total revenues in the General Fund for fiscal year 2021 were \$7,497,073 compared to \$7,110,453 in the previous year. Revenues exceeded the budgeted amounts by \$921,650. primarily due to the increase in intergovernmental revenues and grants.

- Ad-valorem taxes increased by \$118,143 due to an increase of \$4,719,432 (1.03%) in assessed property value and an increase in the tax collection percentage from 98.25% in the previous fiscal year 2020 to 99.15% in the current fiscal year 2021.
- Sales tax revenues (net of reimbursement to Cumberland County) increased by 383,521 (20%).
- Restricted intergovernmental revenues (Federal, state and local grants) increased by \$240,208.
- Spring Lake Property Acquisitions Inc. reimbursement to the General Fund decreased by \$355,490.

Total expenditures in the General Fund exceeded budgeted appropriations by \$39,092. Total expenditures in the General Fund for fiscal year 2021 were \$8,476,976 compared to \$8,729,524 in the previous year, a decrease of \$252,548 (2.89%). Major increases and decreases in expenditures are listed below:

- General government expenditures decreased by \$309,489 due mainly to reductions in salaries and benefits.
- Public safety expenditures increased by \$405,442 due to the purchase of 2 fire trucks.
- Cultural and recreation expenditures decreased by \$176,469 due to reductions in salaries and benefits and contracted services.
- Non departmental expenditures decreased by \$125,599, as these expenditures were reclassified to the correct departments in fiscal year 2021.

Proprietary Funds. The Town of Spring Lake’s proprietary funds provide the same type of information found in the government-wide statements but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,063,118. The total decrease in net position for the Water and Sewer Fund was \$127,193. Unrestricted net position of the Sanitation Fund at the end of the fiscal year amounted to \$104,187. The total decrease in net position for the Sanitation Fund was \$90,156. Unrestricted net position of the Storm Water Fund at the end of the fiscal year amounted to \$444,010. The total increase in net position for the Storm Water Fund was \$45,120. Factors concerning the finances of these funds have already been addressed in the discussion of the Town’s business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town’s investment in capital assets for its governmental and business–type activities as of June 30, 2021, totals \$20,145,830 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Purchase of 2 fire trucks for \$1,150,380
- Construction in progress for a new Fire Station \$684,917
- Transfer from construction in progress to buildings, improvements and equipment of \$2,676,885 for capital projects completed in previous years.

Additional information on the Town’s capital assets can be found in Note 3 on page 65 of this report.

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

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 2,991,821	\$ 3,038,794	\$ 82,889	\$ 82,889	\$ 3,074,710	\$ 3,121,683
Distribution and treatment systems	-	-	8,525,859	9,173,690	8,525,859	9,173,690
Buildings	4,362,772	3,840,793	-	-	4,362,772	3,840,793
Other Improvements	1,489,199	(284,684)	113,705	121,516	1,602,904	(163,168)
Equipment	147,977	165,902	80,645	(21,767)	228,622	144,135
Vehicles	1,607,868	632,630	58,178	76,674	1,666,046	709,304
Construction in	<u>684,917</u>	<u>2,557,448</u>	<u>-</u>	<u>-</u>	<u>684,917</u>	<u>2,557,448</u>
Total	<u>\$ 11,284,554</u>	<u>\$ 9,950,883</u>	<u>\$ 8,861,276</u>	<u>\$ 9,433,002</u>	<u>\$ 20,145,830</u>	<u>\$ 19,383,885</u>

Long-term Debt. As of June 30, 2021, the Town of Spring Lake had total bonded debt outstanding of \$1,093,000. All of this debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents direct placement installment purchases, notes payable to local banks, the United States Department of Agriculture and the State of North Carolina, and capital leases.

Town of Spring Lake's Outstanding Debt. The Town of Spring Lake's total debt increased by \$3,488,979 (21.85%) during the current fiscal year. The key factors in this increase were as follows:

- \$1,000,000 loan from South River Electric Membership Corporation for the construction of a new fire station.
- \$1,150,380 loan from First Bank for the purchase of 2 fire trucks.
- Principal payments of \$319,827 for governmental activities debt and \$445,036 for business-type activities debt.
- Decrease in compensated absences of \$168,858 from the previous fiscal year.
- Increase in total OPEB liability of \$1,455,178.
- Increase in total pension liability for the Law Enforcement Officers' Special Separation Allowance of \$211,509.
- Increase in the net pension liability for the North Carolina Local Government Employees' Retirement System of \$605,633.

Town of Spring Lake's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General obligation bonds	\$ -	\$ -	\$ 1,093,000	\$ 1,116,000	\$ 1,093,000	\$ 1,116,000
Installment purchases						
Notes payable - BB&T	450,000	600,000	48,310	95,877	498,310	695,877
Notes payable - South River EMC	1,000,000	-	-	-	1,000,000	-
Notes payable - USDA	2,069,177	2,113,254	-	-	2,069,177	2,113,254
Notes payable - First Bank	1,115,487	-	-	-	1,115,487	-
Spring Lake Property Acquisitions,	3,500,000	3,500,000	-	-	3,500,000	3,500,000
Notes payable - NCDEQ	-	-	1,642,858	1,806,313	1,642,858	1,806,313
Notes payable - NCDOT	-	-	-	211,014	-	211,014
Capital leases	291,128	381,985	-	-	291,128	381,985
Compensated absences	148,513	300,146	45,178	62,403	193,691	362,549
Total OPEB liability	4,129,471	3,083,471	1,122,304	713,126	5,251,775	3,796,597
Total pension liability - LEOSSA	491,664	280,155	-	-	491,664	280,155
Net pension liability - NCLGERS	1,816,180	1,376,362	496,541	330,726	2,312,721	1,707,088
Total	<u>\$ 15,011,620</u>	<u>\$ 11,635,373</u>	<u>\$ 4,448,191</u>	<u>\$ 4,335,459</u>	<u>\$ 19,459,811</u>	<u>\$ 15,970,832</u>

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 \$28,576,197 (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 Note 3 on page 85 of this report.

Spring Lake Property Acquisitions, Inc. (SLPA) Debt

The Town's total outstanding debt includes a \$3,500,000 loan payable to Truist Bank (formerly BB&T Governmental Finance) by the Town's blended component unit, Spring Lake Property Acquisitions, Inc. The \$3,500,000 loan was payable in four annual installments of \$875,000 beginning on August 22, 2021 plus monthly payments of interest at 2.98%. SLPA defaulted on the loan principal and interest payments. BB&T Governmental Finance closed SLPA's escrow account on December 10, 2021 and applied the remaining account balance of \$360,713 to loan principal and interest. As of the date of this report June 30, 2025, SLPA has an outstanding loan balance of \$3,184,557 plus accrued interest of \$246,416 for a total of balance \$3,430,973.

The loan is secured by 18 parcels of real estate purchased by SLPA at a total cost of \$3,441,567. Cumberland County revalued all property in the County for the 2025 tax levy for fiscal year ending June 30, 2026. The current assessed property value of all of the parcels totals \$3,128,347. Of this total value, \$2,329,568 is exempt from property taxes, leaving \$798,779 subject to County property taxes.

The Town and SPLA entered into a support agreement on August 22, 2019, which states that the Town “promises to consider appropriating money to SPLA for loan payments.” Further, per the agreement, the “Town’s obligation to make payments will be subject to annual appropriation of funds by the Town’s Board of Aldermen.” SLPA did not seek approval from the North Carolina Local Government Commission for this loan as required by NC General Statutes. Per the Local Government Commission “It continues to be our opinion that the Town has no legal obligation to make payments on this loan”.

The officers of SLPA were appointed by the Town of Spring Lake Board of Aldermen. However, none of the original officers (all former Town of Spring Lake employees) of SLPA are currently employed by the Town. Therefore, all officers and Board of Directors of SLPA are currently vacant.

The real estate secured by this loan included 2 houses and a mobile home park of approximately 15 mobile homes. Due to the absence of officers and an active SLPA Board of Directors, all of these properties have been neglected over the past four years. The houses and mobile homes are in a state of disrepair and have been designated as unfit for human habitation by the Cumberland County Planning Department. The approximately 160 total acres of land has become an illegal trash dump. Therefore, the real estate is an impaired asset. The Town, with the help of numerous volunteers, is currently in the process of removing trash and debris from these properties. The actual fair market value of these properties is unknown at this time, but may be substantially less than the original cost or current assessed property value.

Although, Truist Bank may legally foreclose on the properties, Truist has chosen not to foreclose. The Town of Spring Lake is currently negotiating with Truist to settle this outstanding debt on behalf of SPLA. The Town is also seeking any investors interested in purchasing some or all of the real estate owned by SLPA. Any proceeds from the sale of SLPA real estate will be applied to pay past due property taxes and solid waste fees owed to Cumberland County, legal fees, and to settle the outstanding debt payable to Truist Bank. Any remaining sales proceeds, if any, will be applied to repay amounts due to the Town of Spring Lake from SLPA.

These financial statements do not include any adjustment for the impairment of the real estate assets owned by SLPA or the possible reduction in outstanding debt payable to Truist Bank should sales proceeds be insufficient to pay the entire debt. The real estate is stated at original cost less accumulated depreciation. The loan is stated at the outstanding principal balance plus accrued interest as of the fiscal

year ended June 30, 2021. The Town does not have sufficient data to estimated the actual market value of these properties or the amount of any potential sales proceeds. Therefore, The Town cannot accurately calculate any possible adjustment.

Economic Factors and Next Year's Budgets and Rates

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

- The local unemployment rate for Cumberland County as of June 30, 2021 was 7.3% compared to the North Carolina state average rate of 5.5%. The unemployment rate decreased by 4.6% from the previous year's unemployment rate of 11.9% which reflects improvement in both the local and state economy. The unemployment rate for June 30, 2020 was unusually high due to layoffs caused by the COVID-19 pandemic.
- Sales tax revenues for fiscal year 2021 increased by \$420,296 over fiscal year 2020. Per an interlocal agreement, The Town must reimburse Cumberland County for a portion of the increase in sales tax revenue received by the Town. After the reimbursement to the County, net sales tax revenues increased by \$383,521. The increase was due to hotels and restaurants reopening and returning to more normal operations after COVID-19.
- Beginning with the fiscal year ending June 30, 2026, Cumberland County has elected to distribute future sales tax revenues based on ad-valorem property tax levies, rather than by population. The Town of Spring Lake's share of sales tax based on population is approximately 1.99%. Based on tax levies, the Town's share in the future will be approximately 0.99%, or a decrease of 50% in total sales tax revenues for the Town. Estimated sales tax revenue for the Town of Spring Lake for fiscal year 2026 is \$1,769,722 (50% of sales tax received for 2025).

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

Total budgeted expenditures for the General Fund or the upcoming fiscal year 2022 are \$7,864,058. This is a decrease of \$573,826 from the final budget of \$8,437,884 for the previous fiscal year 2021. The decrease is due to a reduction in capital outlay expenditures. The fiscal year 2021 final budget included capital outlay of \$1,150,380 for the purchase of fire trucks. The property tax rate will remain at \$0.70 per \$100 of assessed property value. The budget for fiscal year 2022 does not include any funding for a cost of living adjustment (COLA) for Town employees.

Business-type Activities:

Total budgeted expenditures for the Water and Sewer Fund for the upcoming fiscal year 2022 are \$3,928,500. This is an increase of \$244,805 from the final budget of \$3,683,695 for the previous fiscal year 2021. The minimum monthly rate for water will increase by \$1.03 (30%) from \$3.42 to \$4.45. The minimum monthly sewer rate will increase by \$1.85 (20%) from \$9.25 to \$11.10. Consumption or usage charges for water will increase by 5% per 1,000 gallons. Consumption or usage charges for sewer will increase by 8% to 13% per 1,000 gallons.

Total budgeted expenditures for the Sanitation Fund for the upcoming fiscal year 2022 are \$632,936. This is a decrease of \$192,142 from the final budget of \$825,078 for the previous fiscal year 2021. The annual solid waste fees for fiscal year 2022 will increase by \$29 from \$278 to \$307.

Total budgeted expenditures for the Storm Water Fund for the upcoming fiscal year 2022 are \$292,403. This is a decrease of \$27,453 from the final budget of \$319,856 for the previous fiscal year 2021. The storm water rate will remain the same at \$2.75 for residential customers and \$3.75 for commercial customers per month for each equivalent residential unit.

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, 300 Ruth Street, Spring Lake, NC 28390. One can also call (910) 985-1821, visit our website www.townofspringlake.com or send an email to joverton@townofspringlake.com for more information.



Spring Lake Police Department

2019 Dodge Charger

Basic Financial Statements

Town of Spring Lake, North Carolina
STATEMENT OF NET POSITION
June 30, 2021

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 202,900	\$ 974,546	\$ 1,177,446
Restricted cash and cash equivalents	1,436,805	421,069	1,857,874
Taxes receivables (net)	52,684	-	52,684
Accounts receivable (net)	-	324,219	324,219
Other receivables	29,209	-	29,209
Due from other governments	1,057,378	691,131	1,748,509
Due from component unit	336,910	-	336,910
Internal balances	(1,205,938)	1,205,938	-
Prepaid items	2,967	-	2,967
Total current assets	<u>1,912,915</u>	<u>3,616,903</u>	<u>5,529,818</u>
Non-current assets:			
Capital assets (Note 2):			
Land, non-depreciable improvements, and construction in progress	3,676,738	82,889	3,759,627
Other capital assets, net of depreciation	7,607,816	8,778,387	16,386,203
Total capital assets	<u>11,284,554</u>	<u>8,861,276</u>	<u>20,145,830</u>
Total non-current assets	<u>11,284,554</u>	<u>8,861,276</u>	<u>20,145,830</u>
TOTAL ASSETS	<u>13,197,469</u>	<u>12,478,179</u>	<u>25,675,648</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	1,617,287	385,225	2,002,512
OPEB deferrals	789,228	214,496	1,003,724
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,406,515</u>	<u>599,721</u>	<u>3,006,236</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
STATEMENT OF NET POSITION
June 30, 2021

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	432,948	186,083	619,031
Due to primary government	336,910	-	336,910
Compensated absences - current portion	37,128	11,599	48,727
Current portion of long-term liabilities	1,265,350	236,762	1,502,112
Liabilities payable from restricted assets:			
Due to other governments	9,699	-	9,699
Customer deposits	-	345,518	345,518
Total current liabilities	<u>2,082,035</u>	<u>779,962</u>	<u>2,861,997</u>
Long-term liabilities:			
Net pension liability - LGERS	1,816,180	496,541	2,312,721
Total pension liability - LEOSSA	491,664	-	491,664
Total OPEB liability	4,129,471	1,122,304	5,251,775
Compensated absences	111,385	33,579	144,964
Due in more than one year	7,160,442	2,547,406	9,707,848
TOTAL LIABILITIES	<u>15,791,177</u>	<u>4,979,792</u>	<u>20,770,969</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	27,676	-	27,676
Pension deferrals	107,373	-	107,373
OPEB deferrals	1,229,432	334,134	1,563,566
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,364,481</u>	<u>334,134</u>	<u>1,698,615</u>
NET POSITION			
Net investment in capital assets	2,858,762	6,077,108	8,935,870
Restricted for:			
Stabilization by State Statute	1,423,497	-	1,423,497
Streets	512,543	-	512,543
Public safety	349,815	-	349,815
USDA debt service	564,748	75,551	640,299
Unrestricted net position (deficit)	<u>(7,261,039)</u>	<u>1,611,315</u>	<u>(5,649,724)</u>
TOTAL NET POSITION	<u>\$ (1,551,674)</u>	<u>\$ 7,763,974</u>	<u>\$ 6,212,300</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

Exhibit 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental Activities:				
General government	\$ 1,478,215	\$ -	\$ 12,567	\$ -
Public safety	4,931,842	116,232	506,471	-
Transportation	862,945	4,815	434,363	-
Economic development	150,630	4,828	-	-
Environmental protection	-	-	5,254	-
Cultural and recreation	816,472	12,311	59,632	-
Interest on long-term debt	231,009	-	82,500	-
Total governmental activities	<u>8,471,113</u>	<u>138,186</u>	<u>1,100,787</u>	<u>-</u>
Business-type activities:				
Water and Sewer	3,563,403	3,494,991	-	-
Sanitation	700,477	631,935	-	-
Stormwater	231,674	299,078	-	-
Total business-type activities	<u>4,495,554</u>	<u>4,426,004</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$12,966,667</u>	<u>\$ 4,564,190</u>	<u>\$ 1,100,787</u>	<u>\$ -</u>

The accompanying footnotes are an integral part of these financial statements.

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental	Business-type	Total
Primary government:			
Governmental Activities:			
General government	\$ (1,465,648)	\$ -	\$ (1,465,648)
Public safety	(4,309,139)	-	(4,309,139)
Transportation	(423,767)	-	(423,767)
Economic development	(145,802)	-	(145,802)
Environmental protection	5,254	-	5,254
Cultural and recreation	(744,529)	-	(744,529)
Interest on long-term debt	(148,509)	-	(148,509)
Total governmental activities	(7,232,140)	-	(7,232,140)
Business-type activities:			
Water and Sewer	-	(68,412)	(68,412)
Sanitation	-	(68,542)	(68,542)
Stormwater	-	67,404	67,404
Total business-type activities	-	(69,550)	(69,550)
Total primary government	(7,232,140)	(69,550)	(7,301,690)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	3,249,610	-	3,249,610
Other taxes	56,123	-	56,123
Grants and contributions not restricted to specific programs			
Unrestricted investment earnings	617	291	908
Miscellaneous	106,778	6,669	113,447
Gain (loss) on disposal of capital assets	71,620	2,082	73,702
Extraordinary item: Loss due to fraud	(334,516)	-	(334,516)
Total general revenues not including transfers	6,111,656	9,042	6,120,698
Transfers	111,721	(111,721)	-
Total general revenues and transfers	6,223,377	(102,679)	6,120,698
Change in net position	(1,008,763)	(172,229)	(1,180,992)
Net position, beginning as previously reported	3,662	7,974,806	7,978,468
Prior period adjustments	(546,573)	(38,603)	(585,176)
Net position (deficit), beginning as restated	(542,911)	7,936,203	7,393,292
Net position (deficit), ending	\$ (1,551,674)	\$ 7,763,974	\$ 6,212,300

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

Exhibit 3

	Major Funds		Total	
	General Fund	Spring Lake Property Acquisitions	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 225	\$ -	\$ 99,686	\$ 99,911
Restricted cash and cash equivalents	726,292	360,698	349,815	1,436,805
Receivables, net:				
Taxes	52,684	-	-	52,684
Other receivables	29,209	-	-	29,209
Due from other governments	1,001,143	-	40,502	1,041,645
Due from component unit	336,910	-	-	336,910
Prepaid items	2,967	-	-	2,967
Total assets	<u>\$ 2,149,430</u>	<u>\$ 360,698</u>	<u>\$ 490,003</u>	<u>\$ 3,000,131</u>
LIABILITIES				
Accounts payable	\$ 374,745	\$ -	\$ -	\$ 374,745
Due to other funds	1,087,082	-	118,856	1,205,938
Due to primary government	-	336,910	-	336,910
Liabilities payable from restricted assets:				
Due to Cumberland County	-	9,699	-	9,699
Total liabilities	<u>1,461,827</u>	<u>346,609</u>	<u>118,856</u>	<u>1,927,292</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	27,676	-	-	27,676
Property taxes receivable	52,684	-	-	52,684
Total deferred inflows of resources	<u>80,360</u>	<u>-</u>	<u>-</u>	<u>80,360</u>
FUND BALANCES				
Nonspendable				
Prepaid items	2,967			2,967
Restricted				
Stabilization by State Statute	1,367,262	-	40,502	1,407,764
Streets	512,543	-	-	512,543
Public Safety	-	-	349,815	349,815
Debt service	213,749	350,999	-	564,748
Assigned				
Transportation streets	-	-	99,686	99,686
Unassigned fund balance (deficit)	(1,489,278)	(336,910)	(118,856)	(1,945,044)
Total fund balances	<u>607,243</u>	<u>14,089</u>	<u>371,147</u>	<u>992,479</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,149,430</u>	<u>\$ 360,698</u>	<u>\$ 490,003</u>	<u>\$ 3,000,131</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021

Exhibit 3

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

Total Fund Balance, Governmental Funds	\$	992,479
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	20,098,412
Accumulated depreciation	<u>(8,813,858)</u>	11,284,554
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.		
		111,258
Deferred outflows of resources related to pensions are not report in the funds		
		1,617,287
Deferred outflows of resources related to OPEB are not report in the funds		
		789,228
Earned revenues considered deferred inflows of resources in fund statements		
		52,684
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in funds.		
Installment purchases	\$	(8,134,664)
Capital leases		(291,128)
Compensated absences		(148,513)
Total pension liability - LEOWSA		(491,664)
Net pension liability - LGERS		(1,816,180)
Total OPEB liability	<u>(4,129,471)</u>	(15,011,620)
Deferred inflows of resources related to pensions are not reported in the funds		
		(107,373)
Deferred inflows of resources related to OPEB are not reported in the funds		
		(1,229,432)
Other long term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		
		<u>(50,739)</u>
Net position of governmental activities	\$	<u><u>(1,551,674)</u></u>

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2021

Exhibit 4

	General Fund	Spring Lake Property Acquisitions	Total Non- Major Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 3,292,975	\$ -	\$ -	\$ 3,292,975
Other taxes and licenses	56,123		-	56,123
Unrestricted intergovernmental	2,961,424		-	2,961,424
Restricted intergovernmental	941,187		159,600	1,100,787
Permits and fees	121,060		-	121,060
Sales and services	17,126		-	17,126
Investment earnings	577	40	-	617
Miscellaneous	106,601		-	106,601
Total revenues	<u>7,497,073</u>	<u>40</u>	<u>159,600</u>	<u>7,656,713</u>
Expenditures:				
Current:				
General government	1,387,481		-	1,387,481
Public safety	5,409,973		959,919	6,369,892
Transportation	558,966		-	558,966
Economic development	83,360	9,699		93,059
Cultural and recreation	587,433		-	587,433
Debt service:				
Principal retirement	319,827		-	319,827
Interest	129,936	104,300	-	234,236
Total expenditures	<u>8,476,976</u>	<u>113,999</u>	<u>959,919</u>	<u>9,550,894</u>
Excess (deficiency) of revenues over (under) expenditures	(979,903)	(113,959)	(800,319)	(1,894,181)
Other financing sources (uses):				
Loan proceeds - installment purchases	1,150,380		1,000,000	2,150,380
Transfers from other funds	15,090	69,533	-	84,623
Transfers to other funds	(219,516)		-	(219,516)
Sale of capital assets	71,620		-	71,620
Total other financing sources (uses)	<u>1,017,574</u>	<u>69,533</u>	<u>1,000,000</u>	<u>2,087,107</u>
Extraordinary item: Loss due to fraud	<u>(334,516)</u>	<u>-</u>	<u>-</u>	<u>(334,516)</u>
Net change in fund balance	(296,845)	(44,426)	199,681	(141,590)
Fund balances, beginning, as previously reported	631,875	58,519	181,338	871,732
Prior period adjustment	272,213	(4)	(9,872)	262,337
Fund balances, beginning, as restated	<u>904,088</u>	<u>58,515</u>	<u>171,466</u>	<u>1,134,069</u>
Fund balances, ending	<u>\$ 607,243</u>	<u>\$ 14,089</u>	<u>\$ 371,147</u>	<u>\$ 992,479</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

Exhibit 4

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

Net changes in fund balances - total governmental funds		\$	(141,590)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>			
Capital outlay expenditures which were capitalized	\$ 1,835,297		
Depreciation expense for governmental assets	<u>(574,090)</u>		1,261,207
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			713,977
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities			19,504
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>			
Change in unavailable revenue for tax revenues			(43,365)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. 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	(2,150,380)		
Principal payments on long-term debt	319,827		
Change in accrued interest payable	<u>3,227</u>		(1,827,326)
<p>Consolidation adjustment for the Internal Service Fund</p>			
Miscellaneous revenues	177		
Expenditures	(166,914)		
Transfer from General Fund	149,983		
Transfers from Proprietary Funds	<u>96,631</u>		
Net revenue (expense) of the Internal Service Fund			79,877
<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	151,633		
Pension expense - LEOSSA	(18,612)		
Pension expense - NCLGERS	(1,157,246)		
OPEB plan expense	<u>(46,822)</u>		(1,071,047)
Total changes in net position of governmental activities		\$	<u>(1,008,763)</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET VS. ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2021

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Budget Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2,791,325	\$ 2,791,325	\$ 3,292,975	\$ 501,650
Other taxes and licenses	76,600	76,600	56,123	(20,477)
Unrestricted intergovernmental	2,733,714	2,733,714	2,961,424	227,710
Restricted intergovernmental	596,059	612,934	941,187	328,253
Permits and fees	83,225	83,225	121,060	37,835
Sales and services	40,175	40,175	17,126	(23,049)
Investment earnings	42,000	42,000	577	(41,423)
Miscellaneous	44,000	195,450	106,601	(88,849)
Total revenues	<u>6,407,098</u>	<u>6,575,423</u>	<u>7,497,073</u>	<u>921,650</u>
Expenditures:				
Current:				
General government	1,185,091	1,185,091	1,387,481	(202,390)
Public safety	4,212,602	5,696,307	5,409,973	286,334
Transportation	539,253	539,253	558,966	(19,713)
Economic development	34,000	34,000	83,360	(49,360)
Cultural and recreation	635,195	635,195	587,433	47,762
Debt service:				
Principal retirement	192,320	227,062	319,827	(92,765)
Interest	112,299	120,976	129,936	(8,960)
Total expenditures	<u>6,910,760</u>	<u>8,437,884</u>	<u>8,476,976</u>	<u>(39,092)</u>
Revenues over (under) expenditures	(503,662)	(1,862,461)	(979,903)	882,558
Other financing sources (uses):				
Loan proceeds - installment purchases	-	1,165,380	1,150,380	(15,000)
Transfer from other funds	199,222	199,222	15,090	(184,132)
Transfer to other funds	(149,983)	(149,983)	(219,516)	(69,533)
Sale of capital assets	-	-	71,620	71,620
Total other financing sources (uses)	<u>49,239</u>	<u>1,214,619</u>	<u>1,017,574</u>	<u>(197,045)</u>
Extraordinary item: Loss due to fraud	<u>-</u>	<u>-</u>	<u>(334,516)</u>	<u>(334,516)</u>
Fund balance appropriated	<u>454,423</u>	<u>647,842</u>	<u>-</u>	<u>(647,842)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(296,845)</u>	<u>\$ (296,845)</u>
Fund balances, beginning, as previously reported			631,875	
Prior period adjustment			272,213	
Fund balances, beginning, as restated			<u>904,088</u>	
Fund balances, ending			<u>607,243</u>	

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
Spring Lake Property Acquisitions, Inc.
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

Exhibit 6

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Investment earnings	\$ -	\$ -	\$ 40	\$ 40
Total revenues	-	-	40	40
Expenditures:				
Economic Development:				
Solid waste fees	-	-	1,616	(1,616)
Property taxes	-	-	8,083	(8,083)
Total expenditures	-	-	9,699	(9,699)
Debt service:				
Interest	-	-	104,300	(104,300)
Total debt service	-	-	104,300	(104,300)
Total expenditures	-	-	113,999	(113,999)
Revenues over (under) expenditures	-	-	(113,959)	<u>\$ (113,959)</u>
Other financing sources (uses):				
Transfers from other funds:				
General Fund	-	-	69,533	69,533
Total other financing sources (uses)	-	-	69,533	69,533
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(44,426)	<u>(44,426)</u>
Fund balances, beginning, as previously reported			58,519	
Prior period adjustment			(4)	
Fund balance, beginning, as restated			<u>58,515</u>	
Fund balance, ending			<u>\$ 14,089</u>	

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2021

Exhibit 7

	Major Enterprise Funds				Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Storm Water Fund	Total	
Assets					
Current Assets:					
Cash and cash equivalents	\$ 57,124	\$ 306,663	\$ 610,759	\$ 974,546	\$ 102,989
Accounts receivable (net)	324,219	-	-	324,219	-
Due from other governments	682,221	5,925	2,985	691,131	15,733
Due from other funds	1,205,938	-	-	1,205,938	-
Restricted cash and cash equivalents	421,069	-	-	421,069	-
Total current assets	2,690,571	312,588	613,744	3,616,903	118,722
Noncurrent assets:					
Capital assets:					
Land and construction in progress	82,889	-	-	82,889	-
Other capital assets, net of depreciation	8,598,160	66,522	113,705	8,778,387	-
Capital assets	8,681,049	66,522	113,705	8,861,276	-
Total noncurrent assets	8,681,049	66,522	113,705	8,861,276	-
Total assets	11,371,620	379,110	727,449	12,478,179	118,722
Deferred Outflows of Resources					
Pension deferrals	282,056	52,751	50,418	385,225	-
OPEB deferrals	159,893	27,904	26,699	214,496	-
Total deferred outflows of resources	441,949	80,655	77,117	599,721	-

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2021

Exhibit 7

	Major Enterprise Funds				Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Total	
Liabilities					
Current Liabilities:					
Accounts payable	150,301	30,909	170	181,380	7,464
Accrued interest	4,016	687	-	4,703	-
Compensated absences - current	11,193	-	406	11,599	-
Bonds payable - current	25,000	-	-	25,000	-
Federal revolving loan - current	163,452	-	-	163,452	-
Installment purchase payable - current	-	48,310	-	48,310	-
Liabilities payable from restricted assets:	-	-	-	-	-
Customer deposits	345,518	-	-	345,518	-
Total current liabilities	<u>699,480</u>	<u>79,906</u>	<u>576</u>	<u>779,962</u>	<u>7,464</u>
Noncurrent liabilities:					
Compensated absences	33,579	-	-	33,579	-
Total OPEB liability	836,608	145,999	139,697	1,122,304	-
Net pension liability	363,560	67,994	64,987	496,541	-
Bonds payable	1,068,000	-	-	1,068,000	-
Federal revolving loan	1,479,406	-	-	1,479,406	-
Total noncurrent liabilities	<u>3,781,153</u>	<u>213,993</u>	<u>204,684</u>	<u>4,199,830</u>	<u>-</u>
Total liabilities	<u>4,480,633</u>	<u>293,899</u>	<u>205,260</u>	<u>4,979,792</u>	<u>7,464</u>
Deferred Inflows of Resources					
OPEB deferrals	249,076	43,467	41,591	334,134	-
Total deferred inflows of resources	<u>249,076</u>	<u>43,467</u>	<u>41,591</u>	<u>334,134</u>	<u>-</u>
Net Position					
Net investment in capital assets	5,945,191	18,212	113,705	6,077,108	-
Restricted USDA debt service	75,551	-	-	75,551	-
Unrestricted	1,063,118	104,187	444,010	1,611,315	111,258
Total net position	<u>\$ 7,083,860</u>	<u>\$ 122,399</u>	<u>\$ 557,715</u>	<u>\$ 7,763,974</u>	<u>\$ 111,258</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2021

Exhibit 8

	Major Enterprise Funds				Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Total	
Operating revenues:					
Charges for services	\$ 3,492,399	\$ 623,420	\$ 299,078	\$ 4,414,897	\$ -
Other operating revenues	2,592	8,515	-	11,107	-
Total operating revenues	3,494,991	631,935	299,078	4,426,004	-
Operating expenses:					
Sanitation	-	669,124	-	669,124	-
Stormwater	-	-	219,863	219,863	-
Revenue Collections	229,183	-	-	229,183	-
Revenue Billing	1,486,329	-	-	1,486,329	-
Water and sewer operations	706,458	-	-	706,458	-
Waste water treatment plant	559,160	-	-	559,160	-
Fleet Maintenance	-	-	-	-	166,914
Depreciation	530,745	29,170	11,811	571,726	-
Total operating expenses	3,511,875	698,294	231,674	4,441,843	166,914
Operating income (loss)	(16,884)	(66,359)	67,404	(15,839)	(166,914)
Non-operating revenues (expenses):					
Impact Fees	6,664	-	-	6,664	-
Sale of surplus property	2,082	-	-	2,082	-
Miscellaneous revenue	-	5	-	5	177
Investment earnings	202	53	36	291	-
Interest expense	(51,528)	(2,183)	-	(53,711)	-
Total non-operating revenues(expenses)	(42,580)	(2,125)	36	(44,669)	177
Income (loss) before contributions and transfers	(59,464)	(68,484)	67,440	(60,508)	(166,737)
Transfers from other funds	-	-	-	-	246,614
Transfers to other funds	(67,729)	(21,672)	(22,320)	(111,721)	-
Total contributions and transfers	(67,729)	(21,672)	(22,320)	(111,721)	246,614
Change in net position	(127,193)	(90,156)	45,120	(172,229)	79,877
Total net position, beginning as previously reported	7,220,302	241,763	512,741	7,974,806	35,981
Prior period adjustments	(9,249)	(29,208)	(146)	(38,603)	(4,600)
Total net position, beginning as restated	7,211,053	212,555	512,595	7,936,203	31,381
Total net position, ending	\$ 7,083,860	\$ 122,399	\$ 557,715	\$ 7,763,974	\$ 111,258

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2021

Exhibit 9

	Major Enterprise Funds				Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Storm Water Fund	Totals	
Cash flows from operating activities:					
Cash received from customers	\$ 3,530,698	\$ 624,110	\$ 299,078	\$ 4,453,886	\$ -
Cash received from other governments	23,626	6,086	599	30,311	8,475
Cash paid for goods and services	(1,854,395)	(371,319)	(14,890)	(2,240,604)	(67,221)
Cash paid to or on behalf of employees for services	(1,021,676)	(196,041)	(162,769)	(1,380,486)	(101,079)
Cash received (paid) for customer deposits - net	18,179	-	-	18,179	-
Net cash provided (used) by operating activities	<u>696,432</u>	<u>62,836</u>	<u>122,018</u>	<u>881,286</u>	<u>(159,825)</u>
Cash flows from non-capital financing activities:					
Miscellaneous revenues	8,746	5	-	8,751	177
Transfers from other funds	-	-	-	-	246,614
(Increase) decrease in due from other funds	(1,065,383)	-	-	(1,065,383)	-
Increase (decrease) in due to other funds	-	-	-	-	-
Transfers to other funds	(67,729)	(21,672)	(22,320)	(111,721)	-
Net cash provided (used) by non-capital financing activities	<u>(1,124,366)</u>	<u>(21,667)</u>	<u>(22,320)</u>	<u>(1,168,353)</u>	<u>246,791</u>
Cash flows from capital and related financing activities:					
Principal payments on long term debt	(397,469)	(47,567)	-	(445,036)	-
Interest paid on debt	(51,613)	(1,496)	-	(53,109)	-
Net cash provided (used) by capital and related financing activities	<u>(449,082)</u>	<u>(49,063)</u>	<u>-</u>	<u>(498,145)</u>	<u>-</u>
Cash flows from investing activities:					
Interest income	202	53	36	291	-
Net cash provided (used) by investing activities	<u>202</u>	<u>53</u>	<u>36</u>	<u>291</u>	<u>-</u>
Net increase (decrease) in cash & cash equivalents	(876,814)	(7,841)	99,734	(784,921)	86,966
Cash balances, beginning, as previously reported	1,439,124	314,499	511,009	2,264,632	16,023
Prior period adjustments	(84,117)	5	16	(84,096)	-
Cash balances, beginning, as restated	<u>1,355,007</u>	<u>314,504</u>	<u>511,025</u>	<u>2,180,536</u>	<u>16,023</u>
Cash balances, ending	<u>\$ 478,193</u>	<u>\$ 306,663</u>	<u>\$ 610,759</u>	<u>\$ 1,395,615</u>	<u>\$ 102,989</u>
Reconciliation of cash balances - ending					
Cash	\$ 57,124	\$ 306,663	\$ 610,759	\$ 974,546	\$ 102,989
Restricted cash	421,069	-	-	421,069	-
Total cash	<u>\$ 478,193</u>	<u>\$ 306,663</u>	<u>\$ 610,759</u>	<u>\$ 1,395,615</u>	<u>\$ 102,989</u>

The accompanying footnotes are an integral part of these financial statements.

Town of Spring Lake, North Carolina
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2021

Exhibit 9

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

	Major Enterprise Funds				Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Storm Water Fund	Totals	
Operating income (loss)	\$ (16,884)	\$ (66,359)	\$ 67,404	\$ (15,839)	(166,914)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	530,745	29,170	11,811	571,726	-
Changes in assets, deferred outflows, liabilities and deferred inflows:					
(Increase) decrease in accounts receivable	35,707	690	-	36,397	-
(Increase) decrease in due from other governments	23,626	(2,429)	599	21,796	8,475
(Increase) decrease in inventories	56,821	-	-	56,821	-
(Increase) decrease in prepaid items	-	-	-	-	-
Increase (decrease) in accounts payable	(82,597)	1,123	71	(81,403)	5,927
Increase (decrease) in accrued liabilities	-	-	-	-	-
Increase (decrease) in customer deposits	18,179	-	-	18,179	-
(Increase) decrease in deferred outflows of resources - pensions	(5,255)	(15,057)	(30,196)	(50,508)	-
(Increase) decrease in deferred outflows of resources - OPEB	(159,893)	(27,904)	(26,699)	(214,496)	-
Increase (decrease) in net pension liability	96,801	27,475	41,540	165,816	-
Increase (decrease) in accrued OPEB liability	220,925	125,230	63,023	409,178	-
Increase (decrease) in deferred inflows of resources - pensions	-	-	-	-	-
Increase (decrease) in deferred inflows of resources - OPEB	(25,068)	2,118	3,794	(19,156)	-
Increase (decrease) in accrued vacation pay	3,325	(11,221)	(9,329)	(17,225)	(7,313)
Total adjustments	713,316	129,195	54,614	875,329	7,089
Net cash provided (used) by operating activities	\$ 696,432	\$ 62,836	\$ 122,018	\$ 859,490	\$(159,825)

The accompanying footnotes are an integral part of these financial statements.

Notes to the Financial Statements



**14 X 20 Gazebo
Veterans Memorial Park
105 Ruth Street**

Town of Spring Lake, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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 is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements include all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or are financially dependent upon the Town. These financial statements present the Town and its component unit, Spring Lake Property Acquisitions, Inc., a legally separate entity for which the Town is financially accountable. This entity is a blended component unit and, as such, is reported as a governmental activity fund of the Town.

Spring Lake Property Acquisitions, Inc.

The officers and members of the Board of Directors of Spring Lake Property Acquisitions, Inc. were appointed by the Town. The original board and officers of Spring Lake Property Acquisitions, Inc. were also former employees of the Town. Spring Lake Property Acquisitions, Inc. was created by the Town to acquire land for future economic development. Spring Lake Property Acquisitions, Inc. is financially dependent upon the Town.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and

contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

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

Spring Lake Property Acquisitions, Inc. (SLPA) Fund. This is a not-for-profit entity that was created for the purpose of purchasing land and buildings in the Spring Lake area. The SLPA would then hold all the properties for economic development purposes for the benefit of the Town. The SLPA is considered a blended component unit of the Town and is presented as a special revenue fund.

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.

Spring Lake Fire Station #2 Capital Project Fund. This fund accounts for the receipt of installment purchase proceeds and the related expenditures for the construction of the new Manchester Fire Station.

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

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

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. The Water and Sewer Improvements Capital Project Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Improvements Capital Project Funds has been included in the supplemental information.

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.

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

The Town reports the following fund type:

Internal Service Fund. The Fleet Maintenance Fund is used to account for the accumulation and allocation of costs associated with the Town’s vehicle repairs and maintenance expenses.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of

the Town 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 nonoperating 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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles 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, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Spring Fling Fund, Fleet Maintenance Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for Grant Projects

Special Revenue Funds, Capital Projects Funds and the Enterprise Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to reallocate appropriations within departments and may execute interdepartmental transfers, within the same fund, not to exceed ten percent (10%) of the appropriated monies for the department whose allocation is reduced. The governing board must approve any budget revision that alters the total expenditures of any fund. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town and Spring Lake Property Acquisitions, Inc. are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and SLPA 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 and SLPA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT).

The Town's and SLPA investments are generally reported at fair value. Non-participating interest earning investment contracts are accounted for at cost.

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and cash investments with maturities of three months or less are considered cash and cash equivalents. Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the

financial statements. As of June 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Town’s access to 100 percent of their account value in either external investment pool.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Restricted Assets

<u>Town of Spring Lake Restricted Cash</u>	
Governmental Activities	
General Fund	
Powell Bill - Streets	\$ 512,543
USDA Reserve - Debt Service	131,249
Cumberland County Grant - Debt Service	82,500
Spring Lake Fire Station #2 Project Fund	
Public Safety - Fire Station construction	302,658
Public Safety Grants & Projects Fund	
Public Safety - Safer Grant	47,157
Spring Lake Property Acquisitions, Inc.	
Debt Service - Land Acquisition	360,698
Total Governmental Activities	<u>\$ 1,436,805</u>
Business-type Activities	
Water and Sewer Fund	
Customer deposits	\$ 345,518
USDA Debt service	75,551
Total Business-type Activities	<u>\$ 421,069</u>
Total Restricted Cash	<u><u>\$ 1,857,874</u></u>

The unexpended loan proceeds of the Capital Project Funds are classified as restricted assets within the Capital Project Funds because their use is completely restricted to the purpose for which the loans were originally issued. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. The United States Department of Agriculture loans require the Town to maintain a debt service reserve equal to one year’s loan payment. The Town received a grant from Cumberland County for debt service payments on the new fire station. The Town also received a grant from United States Department of Homeland Security Staffing for Adequate Fire and Emergency Response (SAFER) restricted for Fire Department salaries and benefits. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Spring Lake Property Acquisitions, Inc. has unexpended loan proceeds restricted for repayment of the original loan for the acquisition of land for future economic development.

5. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

6. Allowances for Doubtful Accounts

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

7. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's Enterprise fund supplies are not inventoried at year-end because the amounts are considered immaterial.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used. General Fund prepaid items consist of prepaid postage that is recorded as an expenditure when consumed rather than when purchased.

8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Estimated Useful Lives</u>
Buildings	10 - 40
Other improvements	5 - 25
Water and Sewer Infrastructure	25 - 50
Furniture and equipment	5 - 10
Vehicles and motorized equipment	5 - 10
Computer equipment	3 - 5

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

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

11. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

12. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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 spendable resources.

Prepaid items – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses for the next fiscal year.

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted fund balance on the face of the balance sheet.

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

Restricted for Public Safety – portion of fund balance that is associated with public safety grants and capital projects (Public Safety Grants and Projects Fund and Spring Lake Fire Station #2 Project).

Restricted for Debt Service – portion of fund balance that is restricted for the payment of debt service principal and interest expenditures (Spring Lake Property Acquisitions, USDA debt reserve for recreation center, and Cumberland County Grant for Fire Station #2 debt service).

Assigned Fund Balance – portion of fund balance that the Town intends to use for specific purposes.

Assigned for Streets – portion of fund balance that is assigned to the Street Capital Project Fund for the resurfacing of streets.

Unassigned Fund Balance – the 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.

13. Defined Benefit Cost-Sharing Plans

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

14. New Financial Accounting Standards

GASB Statement No. 84, *Fiduciary Activities*

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

GASB Statement No. 87, *Leases*

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been postponed by 18 months.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. This Statement did not affect the Town's financial reporting or financial operations.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year. The Town is currently reviewing this statement to determine the effect on its financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

GASB Statement No. 92, *Omnibus 2020*

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 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*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Earlier application is encouraged and is permitted by topic. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. The Town is currently reviewing this statement to determine the effect on its financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated). The Town is currently reviewing this statement to determine the effect on its financial statements.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred

prior to the implementation of this Statement. The Town is currently reviewing this statement to determine the effect on its financial statements.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Town does not anticipate this Statement affecting its financial reporting or financial operations.

GASB Statement No. 98, The Annual Comprehensive Financial Report

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The Town implemented this statement for the year ended June 30, 2021.

15. Subsequent Events – Date of Management's Evaluation

Management has evaluated subsequent events through June 30, 2025, the date which the financial statements were available to be issued.

American Rescue Plan Grant (ARPA)

The Town received a total of \$3,825,963 from the United States Department of the Treasury from the American Rescue Plan in fiscal years 2022 and 2023. American Rescue Plan grant funds must be obligated by December 31, 2024 and expended by December 31, 2026. Grant funds can be expended for the following purposes:

- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet

The Town of Spring Lake obligated and expended the entire amount of ARPA grant funds \$3,825,963 plus investment earnings of \$111,927 to replace lost revenues for the payment of salaries and benefits for Town employees in the fiscal year ended June 30, 2023.

Local Government Commission Control of the Town's Financial Affairs

On October 5, 2021, the Local Government Commission exercised its authority under NC General Statutes Section 159-18(c) and assumed full control of all financial affairs of the Town of Spring Lake and appointed Samatha Wullenwaber as Finance Officer and David Erwin as Deputy Finance Officer of the Town. On July 9, 2024, the Local Government Commission returned full control of all financial affairs of the Town of Spring Lake to its elected Board of Commissioners and its properly designed fiscal officers effective the earlier of August 1, 2024 or the date the Town appoints a properly bonded Finance Officer. The Town hired a bonded Finance Director on July 15, 2024.

Spring Lake Property Acquisitions, Inc. (SLPA) Debt

As reported in the Management's Discussion and Analysis section of this report, The Town's total outstanding debt includes a \$3,500,000 loan payable to Truist Bank (formerly BB&T Governmental Finance) by the Town's blended component unit, Spring Lake Property Acquisitions, Inc. (SLPA). On August 22, 2021 SLPA defaulted on the loan principal payment due of \$875,000. Please refer to pages 18-20 of the Management Discussion and Analysis for further details regarding this loan and the real estate owned by SLPA.

BB&T Governmental Finance closed SLPA's escrow account on December 10, 2021 and applied the remaining account balance of \$360,713 to loan principal and interest. As of the date of this report June 30, 2025, SLPA has an outstanding loan balance of \$3,184,557 plus accrued interest of \$246,416 for a total of balance \$3,430,973. The Town of Spring Lake is currently negotiating with Truist to settle this outstanding debt on behalf of SPLA. The Town is also seeking any investors interested in purchasing some or all of the real estate owned by SLPA. Any proceeds from the sale of SLPA real estate will be applied to pay past due property taxes and solid waste fees owed to Cumberland County, legal fees, and to settle the outstanding debt payable to Truist Bank. Any remaining sales proceeds, if any, will be applied to repay amounts due to the Town of Spring Lake from SLPA.

NOTE II. - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

Preaudit Process

According to G.S. 159-28(a), the Finance Director is required to perform the preaudit process on all purchase orders, credit card purchases, employment agreements, internet orders, and service contracts. The process includes checking to see if there is an appropriation in the budget ordinance or project ordinance for amounts due this fiscal year, checking to see if sufficient funds remain in the appropriation to cover amount that will come due this fiscal year, memorialize contract/agreement/order in writing, and affix signed preaudit certificate to writing that evidences the contract/agreement/order. The Town did not perform the preaudit process described above on purchases made during fiscal year ended June 30, 2020, therefore, the Town was not in compliance with G.S. 159-28(a). The Town will establish procedures to ensure that the preaudit process is performed as required by G.S. 159-28(a).

Annual Audit and Annual Financial Information Report (AFIR)

According to G.S. 159-34, each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Local Government Commission as qualified to audit local governments accounts. Audit reports are due by October 31 following the end of the fiscal year on June 30. The Annual Financial Information Report (AFIR) is also due each year by October 31. The Town's last audit for the fiscal year ended June 30, 2020 was completed on March 31, 2021, 5 months after the due date. The Town has not completed audit reports or AFIR for the fiscal years ending June 30 2021, 2022, 2023 and 2024. The Local Government Commission has waived the audit requirement for the current fiscal year ended June 30, 2021, as the LGC deemed the accounting records of the Town to be in such poor condition as to be un-auditable for the current year. The Town has also not submitted an AFIR for each of these years. Therefore, these financial statements, which were prepared by the Town's staff, are unaudited.

The Town has contracted with Cherry Bekaert to prepare the audit report for the fiscal year ended June 30, 2022. However, in preparation for the 2022 audit, Town staff has attempted to correct the accounting records for the fiscal years 2021 and 2022, as well as significant prior period adjustments necessary for fiscal year 2020. The Town plans to complete the audits for all past due fiscal years by December 31 2025 including the required Annual Financial Information Reports.

Issuance of Debt Without Approval of the Local Government Commission

G.S. 159-149. Application to Local Government Commission for approval of contract. A unit of local government may not enter into any contract subject to this Article unless it is approved by the Local Government Commission as evidenced by the secretary's certificate thereon. Any contract subject to this Article that does not bear the secretary's certificate thereon shall be void, and it shall be unlawful for any officer, employee, or agent of a unit of local government to make any payments of money thereunder. Before executing a contract subject to this Article, the governing board of the contracting unit shall file an application for Commission approval of the contract with the secretary of the Commission.

The \$3,500,000 loan from BB&T Governmental Finance for Spring Lake Property Acquisitions, Inc. for the purpose of purchasing real estate for future economic development was not approved by the LGC. Per the Local Government Commission "It continues to be our opinion that the Town has no legal obligation to make payments on this loan".

2. Contractual Violations

Spring Lake Property Acquisitions, Inc. Loan

Spring Lake Property Acquisitions, Inc. loan from BB&T Governmental Finance in the amount of \$3,500,000 loan was payable in four annual installments of \$875,000 beginning on August 22, 2021 plus monthly payments of interest at 2.98%. On August 22, 2021, SLPA defaulted on the loan principal payment. BB&T Governmental Finance closed SLPA's escrow account on December 10, 2021 and applied the remaining account balance of \$360,713 to loan principal and interest. As of the date of this report June 30, 2025, SLPA has an outstanding loan balance of \$3,184,557 plus accrued interest of \$246,416 for a total of balance \$3,430,973.

B. Deficit in Fund Balance or Net Position of Individual Funds

Per G.S 159-13, the full amount of any deficit in each fund shall be appropriated. The adopted budget ordinance for the fiscal year ended June 30, 2022, did not included any appropriation for the fund deficits listed below. The following funds had a deficit total fund balance as of June 30, 2021:

<u>Fund</u>	<u>Deficit</u>
Spring Fling Fund	\$ 3,951
Recreation Capital Project	114,502
Water and Sewer improvements Capital Project Fund	543,200

The Governmental Activities had a deficit net position of \$1,151,674 as of June 30, 2021.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the Town and SLPA expended funds in excess of the amounts appropriated in the budget ordinance and subsequent amendments made by the governing board in the following departments and funds:

	<u>Budget</u>	<u>Actual</u>	<u>(Negative) Variance</u>
General Fund			
Administration	\$ 232,685	\$ 331,741	\$ (99,056)
Finance	194,871	249,735	(54,864)
Tax Collection	60,500	67,047	(6,547)
Legal	40,000	76,665	(36,665)
Information Technology / Communications	208,363	251,271	(42,908)
Public Works Administration	59,664	94,182	(34,518)
Police	2,509,160	2,552,577	(43,417)
Inspections	312,600	323,450	(10,850)
Streets	437,702	440,749	(3,047)
Fleet Maintenance	-	17,060	(17,060)
Economic Development	-	53,964	(53,964)
Debt Service	348,038	449,763	(101,725)
Transfer to Spring Lake Property Acquisitions, Inc	-	(69,533)	(69,533)
Spring Lake Property Acquisitions, Inc.			
Economic Development	-	9,699	(9,699)
Debt Service	-	104,300	(104,300)
Public Safety Grants and Projects Fund			
SAFER Grant	308,960	657,311	(348,351)
Public Safety Equipment	-	229,950	(229,950)
Water and Sewer Fund			
Waste Water Treatment Plant	513,176	559,160	(45,984)
Debt Service	290,097	449,082	(158,985)
Water and Sewer Improvements Capital Project Fund			
Chapel Hill Road Sewer Main Extension	87,389	94,543	(7,154)
Downtown Area Sewer Rehabilitation	-	1,345	(1,345)
Total All Funds	<u>\$ 5,603,205</u>	<u>\$ 6,944,061</u>	<u>\$ (1,479,922)</u>

According to G.S. 159-8, each local government and public authority shall operate under an annual balanced budget ordinance adopted and administered by the Governing Board in accordance with Article G.S. 159-8. A budget ordinance is balanced when the sum of estimated net revenues and appropriated fund balances is equal to appropriations. For the fiscal year ended June 30, 2021, the Board of Directors of Spring Lake Property Acquisitions, Inc., the Town's blended component unit, failed to adopt a balanced budget ordinance.

These over-expenditures occurred because of a failure to properly monitor and amend the budget ordinance for during the fiscal year. The Local Government Commission has taken control of the Town's financial affairs. With the guidance of the LGC, the Town will be implementing stronger financial controls to ensure that all purchases are pre-audited as required by NCGS 159-28(a).

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 depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. 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. 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 formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$207,526 and a bank balance of \$282,605. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for Spring Lake Property Acquisitions, Inc. was \$360,698 and the bank balance was \$360,698. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$825.

2. Investments

At June 30, 2021, the Town's investment balances were as follows:

Investment Type	Valuation		Maturity	Rating
	Measurement Method	Value		
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 2,466,271	N/A	AAAm

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 and AAAm-mf by Moody's Investors Service as of June 30, 2021.

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 – Allowances for Doubtful Accounts

Receivables at the government-wide level at June 30, 2021, were as follows:

	Accounts	Taxes	Due from other Governments	Total
Governmental Activities:				
General	\$ 29,465	\$ 133,328	\$ 1,001,143	\$ 1,163,936
Non-Major Funds	-	-	40,502	40,502
Allowance for doubtful accounts	(256)	(80,644)	-	(80,900)
Total governmental activities	<u>\$ 29,209</u>	<u>\$ 52,684</u>	<u>\$ 1,041,645</u>	<u>\$ 1,123,538</u>
	Charges for Service -	Allowance	Due from other Governments	Total
Business-Type Activities:				
Water and Sewer Fund	\$ 964,675	\$ (640,456)	\$ 682,221	\$ 1,006,440
Sanitation Fund	190,436	(190,436)	5,925	5,925
Storm Water Fund	6,034	(6,034)	2,985	2,985
Total business-type activities	<u>\$ 1,161,145</u>	<u>\$ (836,926)</u>	<u>\$ 691,131</u>	<u>\$ 1,015,350</u>

Due from other governments consists of the following:

Governmental Activities:

NC Department of Revenue	
Local option sales tax	\$ 769,734
Franchise tax	109,618
Sales tax refund receivable	32,947
Cumberland County-property taxes	48,037
Mid Carolina Council of Governments	1,992
NC Department of Transportation	4,285
City of Fayetteville	75,032
Total Governmental Activities	<u>1,041,645</u>

Business-Type Activities:

North Carolina Department of Revenue	
Sales tax refund receivable	183,445
Solid waste disposal tax	2,111
FEMA Grant receivable	468,889
Cumberland County Tax Department	
Solid waste fees	2,186
Storm water fees	585
Harnett Regional Water	33,915
Total Business-Type Activities	<u>691,131</u>

Total Due from Other Governments \$ 1,732,776

4. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 2,991,821	\$ -	\$ -	\$ -	\$ 2,991,821
Construction in Progress	2,676,885	684,917	-	(2,676,885)	684,917
Total capital assets not being depreciated	5,668,706	684,917	-	(2,676,885)	3,676,738
Capital assets being depreciated:					
Buildings	6,910,968	-	-	754,023	7,664,991
Other Improvements	585,330	-	-	1,898,052	2,483,382
Equipment	1,145,153	-	-	24,810	1,169,963
Vehicles	3,952,958	1,150,380	-	-	5,103,338
Total capital assets being depreciated	12,594,409	1,150,380	-	2,676,885	16,421,674
Less accumulated depreciation for:					
Buildings	3,070,175	232,044	-	-	3,302,219
Other Improvements	870,014	124,169	-	-	994,183
Equipment	979,251	42,735	-	-	1,021,986
Vehicles	3,320,328	175,142	-	-	3,495,470
Total accumulated depreciation	8,239,768	\$ 574,090	\$ -	\$ -	8,813,858
Total capital assets being depreciated, net	4,354,641				7,607,816
Governmental activity capital assets, net	<u>\$10,023,347</u>				<u>\$ 11,284,554</u>
General government	16,515				
Public safety	187,081				
Transportation	123,487				
Environmental protection	-				
Economic development	57,571				
Cultural and recreation	189,436				
Total	<u>\$ 574,090</u>				

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type Activities					
<i>Water and Sewer Fund</i>					
Capital assets not being depreciated:					
Land	\$ 82,889	\$ -	\$ -	\$ -	\$ 82,889
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	82,889	-	-	-	82,889
Capital assets being depreciated:					
Water and sewer system	15,357,457	-	(1,345)	(2,163,736)	13,192,376
Waste water treatment plant	3,925,442	-	(73,500)	2,272,440	6,124,382
Equipment	1,120,349	-	-	(102,369)	1,017,980
Vehicles	278,037	-	-	(6,335)	271,702
Total capital assets being depreciated	20,681,285	-	(74,845)	-	20,606,440
Less accumulated depreciation for:					
Water and sewer system	7,015,573	324,761	(1,345)	294,063	7,633,052
Waste water treatment plant	3,093,636	177,874	(73,500)	(40,163)	3,157,847
Equipment	1,173,052	23,496	-	(242,026)	954,522
Vehicles	270,119	4,614	-	(11,874)	262,859
Total accumulated depreciation	11,552,380	\$ 530,745	\$ (74,845)	\$ -	12,008,280
Total capital assets being depreciated, net	9,128,905				8,598,160
Water and Sewer Fund capital assets, net	\$ 9,211,794				\$ 8,681,049
<i>Sanitation Fund</i>					
Capital assets being depreciated:					
Equipment	\$ 178,589	\$ -	\$ -	\$ -	\$ 178,589
Vehicles	294,574	-	-	-	294,574
Total capital assets being depreciated	473,163	-	-	-	473,163
Less accumulated depreciation for:					
Equipment	147,653	13,749	-	-	161,402
Vehicles	229,818	15,421	-	-	245,239
Total accumulated depreciation	377,471	\$ 29,170	\$ -	\$ -	406,641
Total capital assets being depreciated, net	95,692				66,522
Sanitation Fund capital assets, net	\$ 95,692				\$ 66,522

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Stormwater Fund					
Capital assets being depreciated:					
Stormwater Improvements	\$ 195,278	\$ -	\$ -	\$ -	\$ 195,278
Equipment	7,100	-	-	-	7,100
Vehicles	171,171	-	-	-	171,171
Total capital assets being depreciated	373,549	-	-	-	373,549
Less accumulated depreciation for:					
Stormwater Improvements	73,762	7,811	-	-	81,573
Equipment	7,100	-	-	-	7,100
Vehicles	167,171	4,000	-	-	171,171
Total accumulated depreciation	248,033	\$ 11,811	\$ -	\$ -	259,844
Total capital assets being depreciated, net	<u>125,516</u>				<u>113,705</u>
Stormwater Fund capital assets, net	<u>\$ 125,516</u>				<u>\$ 113,705</u>
Business-type activities capital assets, net	<u>\$ 9,433,002</u>				<u>\$ 8,861,276</u>

5. Construction Commitments

The Town has active construction projects as of June 30, 2021. At year-end, the Town's commitments with contractors are as follows:

Manchester Fire Station #2	\$564,988
----------------------------	-----------

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2021, were as follows:

	<u>General Fund</u>	<u>Spring Lake Property Acquisitions</u>	<u>Non-Major Funds</u>	<u>Internal Service Fund</u>	<u>Total</u>
Governmental Activities:					
Vendors	\$ 369,355	\$ -	\$ -	\$ 7,464	\$ 376,819
Payroll withholding liabilities	5,390	-	-	-	5,390
Accrued interest on long-term debt	50,739	-	-	-	50,739
Due to other governments	-	\$ 9,699	-	-	9,699
Total governmental activities	<u>\$ 425,484</u>	<u>\$ 9,699</u>	<u>\$ -</u>	<u>\$ 7,464</u>	<u>\$ 442,647</u>
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Storm Water Fund</u>	<u>Total</u>	
Business-Type Activities:					
Vendors	\$ 150,301	\$ 30,909	\$ 170	\$ 181,380	
Accrued interest on long-term debt	4,016	687	-	4,703	
Total business-type activities	<u>\$ 154,317</u>	<u>\$ 31,596</u>	<u>\$ 170</u>	<u>\$ 186,083</u>	

2. 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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.

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, 2021, was 17.52% of compensation for law enforcement officers and 16.77% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Spring Lake were \$713,977 for the year ended June 30, 2021.

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, 2021, the Town reported a liability of \$2,312,721 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021, the Town’s proportion was 0.06472%, (measured as of June 30, 2020), which was an increase of 0.00221% from its proportion measured as of June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the Town recognized pension expense of \$558,576. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 292,056	\$ -
Changes of assumptions	172,112	-
Net difference between projected and actual earnings on pension plan investments	325,453	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	290,649	-
Town contributions subsequent to the measurement date	713,977	-
Total	\$ 1,794,247	\$ -

\$713,977 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 371,562
2023	385,085
2024	227,307
2025	96,316
2026	-
Thereafter	-
	\$ 1,080,270

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 to 8.10 percent, including inflation and
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation.

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

The actuarial assumptions used in the December 31, 2019 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, 2019 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	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 4,692,260	\$ 2,312,721	\$ 335,158

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ACFR for the State of North Carolina.

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 Town law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance’s membership consisted of:

Active plan members	26
Inactive members currently receiving benefits	<u>5</u>
Total	<u><u>31</u></u>

2. Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits 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 criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate used to measure the total pension liability (TPL) is the S&P Municipal Bond 20 Year High Grade Rate Index. The actuarial assumptions used in the December 31, 2019, valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

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 \$40,006 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, 2021, the Town reported a total pension liability of \$491,664. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of (\$892).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,554	\$ 101,282
Changes of assumptions and other inputs	133,207	6,091
Town benefit payments and plan administrative expenses made subsequent to the measurement date	19,504	-
Total	<u>\$ 208,265</u>	<u>\$ 107,373</u>

\$19,504 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date have been reported as deferred outflows of resources related to pensions and will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 1,763
2023	2,138
2024	21,229
2025	39,230
2026	17,028
Thereafter	-
	\$ 81,388

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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 526,746	\$ 491,664	\$ 459,580

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

	2021	2020	2019	2018	2017
Beginning balance	\$ 280,155	\$ 306,294	\$ 524,014	\$ 505,879	\$ 505,533
Changes for the year:					
Service cost	29,010	25,511	25,328	29,062	30,166
Interest on the total pension liability	8,465	10,170	15,694	18,698	17,350
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	68,094	(15,864)	(193,224)	(15,926)	-
Changes of assumptions or other inputs	146,944	7,847	(10,770)	29,266	(8,114)
Benefit payments	(41,004)	(53,803)	(54,748)	(42,965)	(39,056)
Net changes for the year	211,509	(26,139)	(217,720)	18,135	346
Ending balance of the total pension liability	\$ 491,664	\$ 280,155	\$ 306,294	\$ 524,014	\$ 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, 2019, valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 558,576	\$ (892)	\$ 557,684
Pension liability	2,312,721	491,664	2,804,385
Proportionate share of the net pension liability	0.06472%	N/A	
Deferred outflows of resources:			
Differences between expected and actual experience	292,056	55,554	347,610
Changes in assumptions	172,112	133,207	305,319
Net difference between projected and actual earnings on plan investments	325,453	-	325,453
Changes in proportion and differences between contributions and proportionate share of contributions	290,649	-	290,649
Benefit payments and administrative costs paid subsequent to the measurement period	713,977	19,504	733,481
Deferred inflows of resources:			
Differences between expected and actual experience	-	101,282	101,282
Changes in assumptions	-	6,091	6,091
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

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 ACFR for the State of North Carolina. The State's ACFR 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 and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$125,709, which consisted of \$64,018 from the Town and \$61,691 from the law enforcement officers and other employees not engaged in law enforcement. No amounts were forfeited.

The Town also offers its general employees the option to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Regardless of the employees' elective deferral, the Town does not contribute to the plan.

d. 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 Annual Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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.

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, 2020, the State contributed \$18,652,000 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.

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

At June 30, 2021, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$17,094. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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 contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2021 was 0%.

For the year ended June 30, 2021, the Town recognized pension expense of \$8,811 and revenue of \$8,811 for support provided by the State. At June 30, 2021, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

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

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

e. Other Postemployment Benefits

Healthcare Benefits

Plan Description. 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 55 years of age. Those employees retiring under disability must have 15 years of service with the Town. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	<u>Membership</u>
Inactive employees or beneficiaries currently receiving benefits	12
Inactive members entitled to but not yet receiving benefits	-
Active employees	<u>90</u>
Total	<u><u>102</u></u>

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.

Retirees are provided a life insurance benefit based on annual salary at retirement. This benefit is then reduced with age as follows:

<u>Age</u>	<u>Benefits as Percentage Salary at Retirement</u>
Under 65	100%
65 - 69	65%
70 - 74	45%
75 and over	30%

Health care, prescription drug, life insurance, dental and vision coverage are provided in the Town’s healthcare plan. Once a qualified retiree reaches age 65, participation in the group health care and prescription drug plan will terminate and the qualified retiree will be offered a Medicare supplement policy, paid in full by the Town.

The retiree may continue dependent coverage (and pay the full cost of this coverage) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates upon the retiree becoming eligible for Medicare (attaining age 65), upon the spouse becoming eligible for Medicare (attaining age 65) or upon the retirees’ death, whichever comes first.

Total OPEB Liability

The Town’s total OPEB liability of \$5,251,775 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 Percent
Salary increases, including wage inflation	
General employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law enforcement officers	3.50% - 7.35%
Discount rate	
Prior Measurement Date	3.50%
Measurement Date	2.21%
Healthcare cost trend rates	
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Medicare	5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021
Dental	4.00%
Vision	2.50%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Schedule of Changes in Total OPEB Liability (TOL)

Total OPEB Liability	<u>2021</u>
Service cost at the end of the year	\$ 261,063
Interest on TOL and cash flows	141,032
Changes of benefit terms	-
Differences between expected and actual experience	(21,162)
Changes of assumptions or other inputs	1,131,100
Benefit payments	(56,856)
Other changes	-
Net change in total OPEB liability	<u>1,455,177</u>
Total OPEB liability - beginning	<u>3,796,598</u>
Total OPEB liability - ending	<u><u>\$ 5,251,775</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	Discount Rate Sensitivity		
	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	\$ 6,443,047	\$ 5,251,775	\$ 4,342,950

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Health Care Cost Trend Rate Sensitivity

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 4,237,685	\$ 5,251,775	\$ 6,642,373

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Town recognized OPEB expense of \$222,348. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,062,800
Changes of assumptions and other inputs	1,003,724	500,766
Town benefit payments and plan administrative expenses made subsequent to the measurement date	-	-
Total	\$ 1,003,724	\$ 1,563,566

\$0 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, 2022. Other amounts reported as deferred inflows of resources related to Pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	(122,890)
2023		(122,890)
2024		(122,890)
2025		(122,890)
2026		(115,012)
Thereafter		46,730
	\$	(559,842)

3. 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.

4. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources at year-end are comprised of the following:

Deferred Outflows and Inflows of Resources Source

Deferred outflows of resources at year-end is comprised of the following:	Amount
Contributions to pension plan in current fiscal year	\$ 713,977
Benefit payments made and administrative expenses for LEOSSA made subsequent to measurement date	19,504
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience Pension	347,610
Differences between expected and actual experience OPEB	10,959
Changes of assumptions	1,309,043
Net difference between projected and actual earnings on pension plan investments	325,453
Changes in proportion and difference between employer contribution and proportionate share of contributions	290,649
Total	<u>\$ 3,017,195</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, net (General Fund)	\$ -	\$ 52,684
Accounts receivable, net (garbage) (General Fund)	-	-
Differences between expected and actual experience	1,164,082	-
Changes in assumptions and other inputs Pensions	506,857	-
Changes in assumptions and other inputs OPEB	63,388	-
Changes in proportion and difference between employer contribution and proportionate share of contributions	-	-
Total	<u>\$ 1,734,327</u>	<u>\$ 52,684</u>

5. 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 two 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 \$5,000,000, police professional liability of \$5,000,000 and public official's liability of \$5,000,000 per occurrence; property coverage up to the total insured values of the property policy, and workers' compensation up to \$500,000. 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. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance and excess insurance coverage 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.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from 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 through the National Flood Insurance Plan (NFIP). Because the Town is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

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 Officer and Town Manager are each individually bonded for \$1,000,000 and \$500,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

6. Claims, Judgments and Contingent Liabilities

According to the Town Attorney, at June 30, 2021, there are no pending or threatened litigation, claims or assessments against the Town.

7. Long-Term Obligations

a. Capital Lease Obligations

Governmental Activities:

The Town has entered into several capital lease agreements for the use of police vehicles. Payments total \$8,668 a month including interest for 60 months. \$ 291,128

The following is an analysis of the assets recorded under capital leases at June 30, 2021:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles	\$ 454,285	\$ 61,366	\$ 392,919

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 90,857	\$ 13,161	\$ 104,018
2023	90,857	13,161	104,018
2024	90,857	13,161	104,018
2025	18,557	2,635	21,192
	<u>\$ 291,128</u>	<u>\$ 42,118</u>	<u>\$ 333,246</u>

b. Installment Purchase

The Town has entered into various direct placement installment purchase contracts to finance the construction of a community center, fire station, and street paving project, and the purchase of fire trucks, land and buildings.

Notes payable included in the accompanying financial statements include the construction of water and sewer lines. The Town’s notes payable at June 30, 2021 are comprised of the following individual notes:

Governmental Activities:

Note payable to finance the Community Center due in annual installments of \$131,240 through February 2, 2048 including interest at 4.125%.	\$2,069,177
Note payable to finance street paving project due in annual installments of \$150,000 through November 7, 2023 including interest at 2.43%.	450,000
Note payable to finance the purchase of land and buildings in the SLPA Fund due in annual installments of \$875,000 through August 22, 2024 including interest at 2.98% with the first payment beginning in August 22, 2021.	3,500,000
Note payable to finance the construction of a new fire station due in annual Installments of \$56,556 through October 1, 2039 including interest at \$1,000 per year.	1,000,000
Note payable to finance the purchase of 2 fire trucks due in monthly installments of \$10,864 through February 15, 2031 including interest at 2.50%.	<u>1,115,487</u>
Total governmental activities	<u>\$8,134,664</u>

Business-type Activities:

Note payable to finance a Freightliner Clam Shell Truck for the Sanitation Department, in the amount of \$234,241 due in annual installments of \$49,063 through August 1, 2021 including interest at 1.56%.	<u>\$ 48,310</u>
Total business-type activities	<u>48,310</u>
Total installment purchases	<u>\$8,182,974</u>

c. Federal Revolving Loans

NCDEQ - WWTP Project - Phase I, issued October 17, 2013; payable in annual installments of \$89,678, through May 1, 2029; interest at 0.00%.	\$ 717,427
NCDEQ - Lower Little River Project - Phase I, issued May 16, 2013; payable in annual installments of \$33,634, through May 6, 2033; interest at 0.00%.	403,611
NCDEQ - Lillington Hwy Water Main, issued March 14, 2014; payable in annual installments of \$40,140, through May 1, 2034; interest at 0.00%.	<u>521,821</u>
Total federal revolving loans	<u>\$ 1,642,858</u>

d. 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, 2021 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. \$ 665,000

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. 428,000

Total bonds payable \$ 1,093,000

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):

Governmental Activities – Notes Payable:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 299,493	\$ 123,994	\$ 423,487
2023	359,365	116,182	475,547
2024	362,614	109,319	471,933
2025	219,055	99,291	318,346
2026	223,782	94,391	318,173
2027 - 2031	1,155,408	391,363	1,546,771
2032 - 2036	651,122	287,901	939,023
2037 - 2041	679,188	203,279	882,467
2042 - 2046	559,319	96,926	656,245
2047	125,318	5,169	130,487
Total Town	<u><u>\$ 4,634,664</u></u>	<u><u>\$ 1,527,815</u></u>	<u><u>\$ 6,162,479</u></u>

Spring Lake Property Acquisitions:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 875,000	\$ 73,879	\$ 948,879
2023	875,000	56,496	931,496
2024	875,000	29,838	904,838
2025	875,000	4,229	879,229
Total SLPA	<u>\$ 3,500,000</u>	<u>\$ 164,442</u>	<u>\$ 3,664,442</u>
Total	<u>\$ 8,134,664</u>	<u>\$ 1,692,257</u>	<u>\$ 9,826,921</u>

On August 22, 2021, SLPA defaulted on the loan principal and interest payments. BB&T Governmental Finance closed SLPA’s escrow account on December 10, 2021 and applied the remaining account balance of \$360,713 to loan principal and interest. As of the date of this report June 30, 2025, SLPA has an outstanding loan balance of \$3,184,557 plus accrued interest of \$246,416 for a total outstanding balance of \$3,430,973.

Business-type Activities – Notes Payable – Sanitation Fund:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 48,310	\$ 753	\$ 49,063
Total	<u>\$ 48,310</u>	<u>\$ 753</u>	<u>\$ 49,063</u>

Business-type Activities – Federal Revolving Loans – Water and Sewer Fund:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 163,453	\$ -	\$ 163,453
2023	163,452	-	163,452
2024	163,453	-	163,453
2025	163,452	-	163,452
2026	163,453	-	163,453
2027 - 2031	637,906	-	637,906
2032 - 2034	187,689	-	187,689
Total	<u>\$ 1,642,858</u>	<u>\$ -</u>	<u>\$ 1,642,858</u>

Business-type Activities – General Obligation Bonds – Water and Sewer Fund:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 25,000	\$ 50,551	\$ 75,551
2023	26,000	49,395	75,395
2024	26,000	48,193	74,193
2025	28,000	46,990	74,990
2026	29,000	45,695	74,695
2027 - 2031	167,000	206,922	373,922
2032 - 2036	210,000	164,650	374,650
2037 - 2041	266,000	111,139	377,139
2042 - 2046	300,000	45,325	345,325
2047	16,000	740	16,740
Total	\$ 1,093,000	\$ 769,600	\$ 1,862,600

e. Changes in Long-Term Liabilities

The following is a summary of changes in the Town’s long-term obligations as of June 30, 2021. Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Direct Placement					
Installment purchases					
BB&T Street Improvements	\$ 600,000	\$ -	\$ 150,000	\$ 450,000	\$ 150,000
USDA Recreation Center	2,113,254	-	44,077	2,069,177	45,896
First Bank Fire Trucks	-	1,150,380	34,893	1,115,487	103,597
South River EMC Fire Station	-	1,000,000	-	1,000,000	-
Spring Lake Property Acquisitions, Inc.	3,500,000	-	-	3,500,000	875,000
Capital leases	381,985	-	90,857	291,128	90,857
Compensated absences	300,146	-	151,633	148,513	37,128
OPEB liability	3,083,471	1,046,000	-	4,129,471	-
Total pension liability (LEOSSA)	280,155	211,509	-	491,664	-
Net pension liability (LRS)	1,376,362	439,818	-	1,816,180	-
Governmental Activities long-term liabilities	\$11,635,373	\$ 3,847,707	\$ 471,460	\$ 15,011,620	\$ 1,302,478

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Business-type Activities:					
<u>Water and Sewer Fund</u>					
General obligation bonds	\$ 1,116,000	\$ -	\$ 23,000	\$ 1,093,000	\$ 25,000
Federal revolving loans	1,806,313	-	163,455	1,642,858	163,452
Notes payable - NC Dept. of Transportation	211,014	-	211,014	-	-
Compensated absences	41,447	3,325	-	44,772	11,193
OPEB liability	615,683	220,925	-	836,608	-
Net pension liability (LGERS)	266,759	96,801	-	363,560	-
Water and Sewer Fund long-term liabilities	4,057,216	321,051	397,469	3,980,798	199,645
<u>Sanitation Fund</u>					
Direct Placement					
Installment purchases	95,877	-	47,567	48,310	48,310
Compensated absences	11,221	-	11,221	-	-
OPEB liability	20,769	125,230	-	145,999	-
Net pension liability (LGERS)	40,519	27,475	-	67,994	-
Sanitation Fund long-term liabilities	168,386	152,705	58,788	262,303	48,310
<u>Storm Water Fund</u>					
Compensated absences	9,735	-	9,329	406	406
OPEB liability	76,674	63,023	-	139,697	-
Net pension liability (LGERS)	23,448	41,539	-	64,987	-
Sanitation Fund long-term liabilities	109,857	104,562	9,329	205,090	406
Total Business-type Activities	\$ 4,335,459	\$ 578,318	\$ 465,586	\$ 4,448,191	\$ 248,361

As June 30, 2021, the Town had a legal debt limit margin of \$28,576,197.

C. Interfund Balances and Activity

1. Transfers to/from Other Funds

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs. Transfers are also used to reimburse the internal service fund for vehicle repairs and to reimburse the General Fund for each fund's share of retiree insurance premiums. The General Fund transferred funds to SLPA for interest payments on long-term debt.

Transfers to/from other funds at June 30, 2021, consist of the following:

Transfer From	Transfer To	Amount	Purpose
General Fund	Spring Lake Property Acquisitions,	\$ 69,533	SLPA Debt service expenditures
General Fund	Fleet Maintenance Fund	149,983	Operating expenses and repairs
Water and Sewer Fund	Fleet Maintenance Fund	52,639	Vehicle repairs
Storm Water Fund	Fleet Maintenance Fund	22,320	Vehicle repairs
Sanitation Fund	Fleet Maintenance Fund	21,672	Vehicle repairs
Water and Sewer Fund	General Fund	15,090	Retiree insurance premiums
		\$ 331,237	

2. Internal Balances – Due to/from Other Funds

Balances due to/from other funds at June 30, 2021, consist of the following:

Due From	Due To	Amount	Purpose
General Fund	Water and Sewer Fund	\$ 1,087,082	Expenditures paid on behalf of other funds
Spring Fling Fund	Water and Sewer Fund	4,354	Expenditures paid on behalf of other funds
Recreation Capital Project	Water and Sewer Fund	114,502	Expenditures paid on behalf of other funds
Water & Sewer Capital Project	Water and Sewer Fund	624,194	Construction expenditures for water & sewer
		\$ 1,830,132	

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

3. Due to Primary Government / Due from Component Unit

Loan to Component Unit. On July 23, 2019, the Town of Spring Lake advanced \$336,910 to Spring Lake Property Acquisitions, Inc. for the purchase of two tracts of land for future economic development to be repaid from loan proceeds of \$3,500,000. These two tracts of land were purchased prior to the loan closing on August 22, 2019. However, the loan proceeds were placed in an escrow account and used to acquire additional real estate. On December 10, 2021, Truist Bank closed the escrow account and applied the remaining balance of \$360,713 to pay principal and interest on the outstanding loan. The loan from the General Fund to the component unit will be repaid from the proceeds of the sale of SLPA real estate.

D. Extraordinary Event – Loss Due to Fraud

For the fiscal year ended June 30, 2021, the General Fund recognized a loss of \$334,516 due to fraud and embezzlement by a former Town employee. The former accounting technician and interim Finance Director pleaded guilty and was convicted of embezzling \$567,070 from the Town between the years of 2016 to 2021. The employee was terminated in July 2021 and sentenced to four years in prison. An investigation by the North Carolina State Auditor’s Office disclosed the following findings:

- The former employee used at least \$430,112 of Town funds for personal use
- At least \$36,400 in cash missing from daily deposits
- Town employees spent \$102,877 of Town funds on questionable credit card purchases
- Town overpaid the former Economic Development Director \$9,900

The former employee reimbursed the Town over \$18,000 of the amount embezzled. The former employee was released from prison in 2025. Under the direction of the Local Government Commission, the Town cancelled the use of all credit cards.

E. On-Behalf Payments for Fringe Benefits and Salaries

The Town has recognized as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$3,330 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen’s Relief Fund during the fiscal year ended June 30, 2021. Under State law the local board of trustees for the Fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their departments.

F. Commitments

1. Contracted Services

The Town of Spring Lake contracts with Cumberland County to provide dispatch and information technology services to the Town’s public safety departments (police and fire). The contract for dispatch services in the amount of \$135,000 per year expires June 30, 2026. The Town also contracts with Utility Service Co., Inc. to provide maintenance for the Town’s 750,000-gallon elevated water tank.

GFL Environmental (formerly Waste Industries) provides trash collection and recycling services to Town residents. This contract expires on June 30, 2028 and is adjusted annually based on the consumer price index. The following is a schedule of the Town’s contractual commitments each year:

Fiscal Year	Cumberland County Dispatch	Cumberland County IT Services *	GFL Environmental Trash *	Utility Service Co., Inc. Water Tank	Total
2022	\$ 135,000	\$ 41,729	\$ 343,770	\$ 20,515	\$ 541,014
2023	135,000	42,418	346,296	23,592	547,306
2024	135,000	44,124	335,059	23,592	537,775
2025	135,000	45,388	368,553	23,592	572,533
2026 *	135,000	46,000	377,398	26,187	584,585
2027 *	-	46,000	386,456	-	432,456
2028 *	-	46,000	395,731	-	441,731
Total	\$ 675,000	\$ 311,659	\$ 2,553,263	\$ 117,478	\$ 3,657,400

Contractual amounts for fiscal years 2026 through 2028 are estimated based on a consumer price index increase for GFL Environmental of 2.4% (CPI for April 2025). IT services from Cumberland County Sheriff Department are also estimated for fiscal years 2026 through 2028.

2. Sales Tax Agreement – Cumberland County

Local option sales taxes of 2% on retail sales are levied by Cumberland County and collected by the State of North Carolina Department of Revenue (NCDR). Each County may elect to distribute sales tax revenues between the County and all municipalities within the county by either population or assessed property tax levies within each municipality. For fiscal year ended June 30, 2025 and all previous years, Cumberland County elected to distribute sales tax revenue by population. Beginning with the fiscal year ending June 30, 2026, Cumberland County has elected to distribute future sales tax revenues based on ad-valorem property tax levies. The Town of Spring Lake’s share of sales tax based on population is approximately 1.99%. Based on tax levies, the Town’s share in the future will be approximately 0.99%, or a decrease of 50% in total sales tax revenues for the Town.

Under the terms of an interlocal agreement between the Town and Cumberland County which expires June 30, 2025, the Town is required to pay to the County each year a percentage of the increase in property tax revenues over the base year of 2020 or 2022. The purpose of this interlocal agreement was to delay the change from distribution by population to tax levy for fiscal years 2021 to 2025. The Town’s sales tax revenues, payments to the County for increases in sales tax revenues, and net revenues after reimbursements to the County for the fiscal years 2021 to 2025 are shown in the following table:

Fiscal Year	Sales Tax Distribution NCDR	Increase Over Base Year	Refund Percentage	Sales Tax Refund to County	Net Sales Tax Revenue
2021	\$ 2,852,067	\$ 1,396,005	40%	\$ (558,402)	\$ 2,293,665
2022	3,306,007	\$ 1,192,715	40%	(477,086)	2,828,921
2023	3,489,072	\$ 1,225,448	40%	(490,179)	2,998,893
2024	3,513,049	\$ 684,129	100%	(684,129)	2,828,920
2025 *	3,539,444	\$ 710,524	50%	(355,262)	3,184,182
Total	<u>\$ 16,699,639</u>	<u>\$ 5,208,821</u>		<u>\$ (2,565,058)</u>	<u>\$ 14,134,581</u>

The refund due to Cumberland County for fiscal year 2025 is estimated based on sales tax revenues received for the year to date. The actual final sales tax revenue, refund amount and net sales tax revenue for 2025 will not be known until September 15, 2025.

Estimated sales tax revenue for the Town of Spring Lake for fiscal year 2026 is \$1,769,722 (50% of sales tax received for 2025). The Town will no longer be required to pay any portion of sales tax revenues to the County for the fiscal year beginning in July 1, 2025 and ending June 30, 2026 and future years.

G. Net Investment in Capital Assets

The Town's net investment in capital assets as of June 30, 2021 is shown in the table below:

	Governmental Activities	Business-type Activities			Total
		Water and Sewer Fund	Sanitation Fund	Storm Water Fund	
Capital assets not being depreciated	\$ 3,676,738	\$ 82,889	\$ -	\$ -	\$ 82,889
Capital assets being depreciated	16,421,674	20,606,440	473,163	373,549	21,453,152
Less accumulated depreciation	(8,813,858)	(12,008,280)	(406,641)	(259,844)	(12,674,765)
Capital assets, net of depreciation	11,284,554	8,681,049	66,522	113,705	8,861,276
Less long-term debt payable					
Installment purchases	8,134,664	-	48,310	-	48,310
Capital leases	291,128	-	-	-	-
General obligation bonds	-	1,093,000	-	-	1,093,000
Federal revolving loans	-	1,642,858	-	-	1,642,858
Total long-term debt	<u>8,425,792</u>	<u>2,735,858</u>	<u>48,310</u>	<u>-</u>	<u>2,784,168</u>
Investment in Capital assets	<u>\$ 2,858,762</u>	<u>\$ 5,945,191</u>	<u>\$ 18,212</u>	<u>\$ 113,705</u>	<u>\$ 6,077,108</u>

H. Fund Balance

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

Total fund balance - General Fund:	\$ 607,243
Less:	
Prepaid items	2,967
Stabilization by State Statute	1,367,262
Streets - Powell Bill	512,543
Debt service	213,749
Working Capital/Fund Balance Policy	<u>-</u>
Remaining Fund Balance (Deficit):	<u><u>\$ (1,489,278)</u></u>
Current Year Expenditures - General Fund Exhibit 5	8,476,976
Minimum Fund Balance Percentage Per Policy	<u>0%</u>
Minimum Fund Balance Policy	<u><u>\$ -</u></u>

At June 30, 2021, the Town of Spring Lake had not adopted a formal minimum fund balance policy for the General Fund. However, in fiscal year 2025, the Town has set a goal which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 35% of budgeted expenditures.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. All encumbrances lapse at fiscal year-end.

NOTE 4 - 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 5 - 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, 2021. 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 6 - JOINTLY GOVERNED ORGANIZATIONS

The Town, in conjunction with three counties and twenty other municipalities established the Mid Carolina Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$2,871 to the Council during the fiscal year ended June 30, 2021.

NOTE 7 – IMPAIRED ASSET

Spring Lake Property Acquisitions, Inc. (SLPA)

The Town's total outstanding debt includes a \$3,500,000 loan payable to Truist Bank (formerly BB&T Governmental Finance) by the Town's blended component unit, Spring Lake Property Acquisitions, Inc. The loan is secured by 18 parcels of real estate purchased by SLPA at a total cost of \$3,441,567. Cumberland County revalued all property in the County for the 2025 tax levy for fiscal year ending June 30, 2026. The current assessed property value of all of the parcels totals \$3,128,347. Of this total value, \$2,329,568 is exempt from property taxes, leaving \$798,779 subject to County property taxes.

The real estate secured by this loan included 2 houses and a mobile home park of approximately 15 mobile homes. Due to the absence of officers and an active SLPA Board of Directors, all of these properties have been neglected over the past four years. The houses and mobile homes are in a state of disrepair and have been designated as unfit for human habitation by the Cumberland County Planning

Department. The approximately 160 total acres of land has become an illegal trash dump. Therefore, the real estate is an impaired asset. The Town, with the help of numerous volunteers, is currently in the process of removing trash and debris from these properties.

Cumberland County has issued civil citations of \$250 per day for each house or mobile home located on the properties for violations of the minimum housing code beginning on December 14, 2022. The actual fair market value of these properties is unknown at this time, but may be substantially less than the original cost or current assessed property value.

These financial statements do not include any adjustment for the impairment of the real estate assets owned by SLPA, the civil citations for minimum housing code violations, or the possible reduction in outstanding debt payable to Truist Bank should sales proceeds be insufficient to pay the entire debt. The real estate is stated at original cost less accumulated depreciation. The loan is stated at the outstanding principal balance plus accrued interest as of the fiscal year ended June 30, 2021. The Town does not have sufficient data to estimate the actual market value of these properties or the amount of any potential sales proceeds. Therefore, The Town cannot accurately calculate any possible adjustment.

NOTE 8 – RESTATEMENTS

Prior Period Adjustments

During the fiscal year ended June 30, 2021, the Town determined that certain prior period adjustments were necessary to correct the beginning balance as of July 1, 2020. The Town has completed several capital projects in previous years. However, the capital projects were not closed and the assets were left in construction in progress rather than transferred to capital assets. Therefore, depreciation expense for prior years was not recorded. Old outstanding accounts receivable that are uncollectible were not written off as bad debts. Accrued salaries and other payroll withholding liabilities were not adjusted at year-end. Taxes receivable collected by Cumberland County for the year ended June 30, 2020, and remitted in July were not recorded as a receivable. The Town recorded sales tax paid on invoices as a receivable. However, the Town did not file a form E-585 Request for Refund of Sales Tax in a timely manner for fiscal years 2015 and 2016. Therefore, the NC Department of revenue did not refund sales taxes paid by the Town for these years. Form E-585 is due by December 31 after the year ended June 30. The NCDR will honor for E-585 if filed within 3 years of the fiscal year end. The Town did not file E-585 within the 3-year period for 2015 and 2016. For the Law Enforcement Officers Separation Allowance, salaries paid after the measurement date of December 30, 2019 were not recorded as a deferred outflow of resources as of June 30, 2020. Accrued interest payable at year-end did not include accrued interest on the Spring Lake Property Acquisitions, Inc. loan. A schedule of prior period adjustments is shown on the following page:

Prior period adjustments

Governmental Activities :	General Fund	Spring Lake Property Acquisitions	Total Non- Major Funds	Total Governmental Activities
Adjustments to accounts receivable				
Accrual of sales tax revenues for month of June 2020	254,408			254,408
Accrual of SAFER Grant receivable for FY 2020	127,792			127,792
Adjust franchise tax receivable from NCDR	(30,534)			(30,534)
Correct posting of accounts receivable health insurance	4,658			4,658
Sales tax refund Form E-585 not filed for 2015 and 2016	(57,922)		(158)	(58,080)
Record receivable for demolition	13,399			13,399
Write off receivable customer is deceased	(8,399)			(8,399)
Write off old accounts receivable from prior years	(60,288)		(11,800)	(72,088)
Reclassify sales tax refund receivable to proper fund	(16,544)		1	(16,543)
Adjust inventory - prepaid postage and office supplies	(1,170)			(1,170)
Adjust accounts payable to actual	(34,989)		2,084	(32,905)
Reclassify recreation refunds to expense	1,593			1,593
Adjust Escheats to actual	15			15
Reverse PY accrued salaries	42,683			42,683
Adjust payroll liabilities to actual	34,013			34,013
Record credit card liability	(3,949)			(3,949)
Record bank service charges	(5)			(5)
Reverse Cumberland County Taxes receivable FY 2017	(20,978)			(20,978)
Record Cumberland County Taxes receivable FY June 2020	28,430			28,430
Interest income not recorded			1	1
Adjust cash in bank to actual		(4)		(4)
Total prior period adjustment to fund balance - Exhibit 4	272,213	(4)	(9,872)	262,337
Capital Assets				
Community Walking Trail FY 2018 expensed s/b capitalized	119,437			119,437
Equipment adjust to depreciation schedule	24,810			24,810
Roof building adjust to depreciation schedule	19,224			19,224
Other improvements - reclassify to bldg. & equipment	(44,034)			(44,034)
Adjust land to depreciation schedule	(83,833)			(83,833)
Prior year depreciation expense not recorded	(852,544)			(852,544)
Accrued interest SLPA loan payable	(8,001)			(8,001)
Adjust beginning loan balance - USDA Recreation Center Internal Service Fund	131			131
Sales tax refund Form E-585 not filed for 2015 and 2016	(13,536)			(13,536)
Reverse prior year accounts payable	6,089			6,089
Reverse PY accrued salaries	1,599			1,599
Prior year compensated absences	1,248			1,248
Benefit payments paid and administrative expense after the measurement date for the LEOSSA are not included on the Statement of Activities	20,502			20,502
Rounding error	(2)			(2)
Total prior period adjustment to net position - Exhibit 2	\$ (536,697)	\$ (4)	\$ (9,872)	\$ (546,573)

Business-Type Activities:	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Total Business-type Activities
Adjustments to accounts receivable				
Sales tax refund Form E-585 not filed for 2015 and 2016	\$ (27,546)	\$ (7,077)	\$ (187)	\$ (34,810)
Write off old accounts receivable from prior years	(22,757)	(11,270)	(2,019)	(36,046)
2015 Solid Waste Tax receivable posted to revenue		(1,647)		(1,647)
Adjust PY 2020 Accounts receivable to Actual	225,588			225,588
Allowance for bad debts reserve Per Aging > 90 Days	(41,680)	(10,736)		(52,416)
Grant Receivable FY 2014 Fund 46	(6,482)			(6,482)
Reverse PY accrued salaries	7,925	1,516	1,977	11,418
Accrued Interest FY 2020	16,493			16,493
Reverse prior year accounts payable	34,910		96	35,006
Reverse prepaid expenses FY 2014			(28)	(28)
Inventory postage prepaid FY 2008	(2,000)			(2,000)
Adjust payroll liabilities to actual	2,284			2,284
Capital Assets				
NCDOT Relocate W&S Lines Dec 2018	633,043			633,043
Accumulated Depreciation FY 2018 - 2020 on CIP	(618,013)			(618,013)
Note Payable NC Dept of Transportation	(211,014)			(211,014)
Cash Rounding		6	15	21
Total prior period adjustment to net position - Exhibit 2 & 8	<u>\$ (9,249)</u>	<u>\$ (29,208)</u>	<u>\$ (146)</u>	<u>\$ (38,603)</u>

Per a utility agreement between the North Carolina Department of Transportation (NCDOT) and the Town, NCDOT made highway improvements along NC Highway 210 Murchison Road including the relocation of water and sewer lines along Highway 210. The total cost for relocating the new water and sewer lines was \$633,043 payable by the Town to NCDOT in 3 annual installments of \$211,014 in fiscal years 2019, 2020 and 2021. The final payment was made on October 21, 2020. The annual payment for these new water and sewer lines was expensed each year and the note payable to NCDOT was not recorded as a liability in previous years. The cost of these lines should be capitalized and depreciated over the life of asset. The annual note payment should be recorded as a debt service expenditure rather than expensed as repairs and maintenance.

Required Supplementary Financial Data

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

- 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 Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability

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

Local Governmental Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Spring Lake's proportion of the net pension liability (asset) (%)	0.64720%	0.06251%	0.06330%	0.07000%	0.06630%	0.67860%	0.68420%	0.00030%
Spring Lake's proportion of the net pension liability (asset) (\$)	\$ 2,312,721	\$ 1,707,099	\$ 1,502,640	\$ 1,069,409	\$ 1,407,108	\$ 304,553	\$ (403,504)	\$ 883,546
Spring Lake's covered payroll	\$ 4,314,135	\$ 3,920,544	\$ 4,208,064	\$ 3,776,744	\$ 3,496,257	\$ 3,416,816	\$ 3,416,816	\$ 3,416,816
Spring Lake's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.61%	43.54%	35.71%	28.32%	40.25%	8.91%	-11.81%	25.86%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

Local Governmental Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 713,977	\$ 684,019	\$ 575,196	\$ 551,332	\$ 505,438	\$ 510,313	\$ 486,138	\$ 472,604
Contributions in relation to the contractually required	713,977	684,019	575,196	551,332	505,438	510,313	486,138	472,604
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Spring Lake's covered payroll	\$ 4,200,207	\$ 4,314,135	\$ 3,920,544	\$ 4,208,064	\$ 3,776,744	\$ 3,496,257	\$ 3,416,816	\$ 3,416,816
Contributions as a percentage of covered payroll	17.00%	15.86%	14.67%	13.10%	13.38%	14.60%	14.23%	13.83%

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Spring Lake, North Carolina
Schedule of Changes in Total Pension Liability
Required Supplementary Information
Last Five Fiscal Years*

Law Enforcement Officers' Special Separation Allowance

	2021	2020	2019	2018	2017
Beginning balance	\$ 280,155	\$ 306,294	\$ 524,014	\$ 505,879	\$ 505,533
Service cost	29,010	25,511	25,328	29,062	30,166
Interest on the total pension liability	8,465	10,170	15,694	18,698	17,350
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	68,094	(15,864)	(193,224)	(15,926)	-
Changes of assumptions or other inputs	146,944	7,847	(10,770)	29,266	(8,114)
Benefit payments	(41,004)	(53,803)	(54,748)	(42,965)	(39,056)
Ending balance of the total pension liability	<u>\$ 491,664</u>	<u>\$ 280,155</u>	<u>\$ 306,294</u>	<u>\$ 524,014</u>	<u>\$ 505,879</u>

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

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Spring Lake, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Required Supplementary Information
Last Five Fiscal Years

Law Enforcement Officers' Special Separation Allowance

	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Total pension liability	\$ 146,525	\$	280,155	\$	306,294	\$	524,014	\$	505,879
Covered payroll	168,384		1,233,178		1,072,265		1,335,726		1,319,390
Total pension liability as a percentage of covered payroll	87.02%		22.72%		28.57%		39.23%		38.34%

Notes to the schedules:

The 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.

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Spring Lake, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
Last Three Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability			
Service Cost	\$ 261,063	\$ 295,073	\$ 313,012
Interest	141,032	181,581	163,361
Differences between expected and actual experience	(21,162)	(1,290,569)	(44,161)
Changes in assumptions or other inputs	1,131,100	(31,244)	(296,392)
Benefit payments	(56,856)	(51,768)	(61,620)
Net changes in total OPEB liability	1,455,177	(896,927)	74,200
Total OPEB liability - beginning	3,796,598	4,693,525	4,619,325
Total OPEB liability - ending	<u>\$ 5,251,775</u>	<u>\$ 3,796,598</u>	<u>\$ 4,693,525</u>
Covered payroll	\$ 3,627,072	\$ 3,627,072	\$ 3,966,436
Total OPEB liability as a percentage of covered payroll	144.79%	104.67%	118.33%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.50%

The above schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Individual Fund Statements and Schedules



U.S. Army Special Forces Mural
Artist Max Dowdle
Stitch-In-Time Building
412 S Main Street
Veterans Day and Mural Dedication Ceremony
November 8, 2024

**Special Thank you to Dr. David G & Janice G Dickerhoff for fundraising
and donations which made this mural possible.**

Town of Spring Lake, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variable Positive (Negative)
Revenues:				
Ad valorem taxes:				
Taxes	\$ 2,780,325	\$ 2,780,325	\$ 3,261,088	\$ 480,763
Interest	11,000	11,000	31,887	20,887
Total	<u>2,791,325</u>	<u>2,791,325</u>	<u>3,292,975</u>	<u>501,650</u>
Other taxes and licenses:				
Motor Vehicle taxes	40,100	40,100	43,970	3,870
Gross receipts tax rental vehicles	36,500	36,500	11,418	(25,082)
Privilege licenses	-	-	735	735
Total	<u>76,600</u>	<u>76,600</u>	<u>56,123</u>	<u>(20,477)</u>
Unrestricted Intergovernmental:				
Local option sales tax	2,417,920	2,417,920	2,852,067	434,147
Sales tax agreement reimbursement	(436,842)	(436,842)	(558,402)	(121,560)
Utilities sales tax	381,862	381,862	377,279	(4,583)
Utilities tax reimbursement	80,800	80,800	-	(80,800)
Telecommunications sales tax	65,700	65,700	46,749	
Video franchise fee	92,100	92,100	77,308	(14,792)
Video programming reimbursement	55,820	55,820	107,891	52,071
Sales tax refund	-	-	(28,620)	(28,620)
Beer and wine tax	57,800	57,800	47,512	(10,288)
Beer and wine reimbursement	18,554	18,554	39,640	21,086
Total	<u>2,733,714</u>	<u>2,733,714</u>	<u>2,961,424</u>	<u>227,710</u>
Restricted Intergovernmental:				
Powell Bill allocation	280,500	280,500	254,027	(26,473)
Powell Bill reimbursement	82,400	82,400	178,247	95,847
Unauthorized substance tax	-	-	3,524	3,524
Mid Carolina Council of Governments	18,000	18,000	12,567	(5,433)
Mid Carolina Council of Governments	-	-	20,959	20,959
Manchester Fire District tax	163,138	163,138	66,857	(96,281)
Manchester Fire District grant	-	-	82,500	82,500
Manchester Fire - Local CARES grant	-	16,875	16,875	-
Cumberland County recreation tax	40,400	40,400	38,673	(1,727)
Solid waste reimbursement	2,935	2,935	5,254	2,319
FEMA grant revenue - Hurricane Florence	-	-	100,329	100,329
COVID 19	-	-	159,286	159,286
NCDOT road maintenance	8,686	8,686	2,089	(6,597)
Total	<u>596,059</u>	<u>612,934</u>	<u>941,187</u>	<u>328,253</u>

Town of Spring Lake, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

Page 2 of 7

	Original Budget	Final Budget	Actual	Variable Positive (Negative)
Permits and fees:				
Fees - Police Department	4,000	4,000	2,493	(1,507)
Fees - Fire Department	52,210	52,210	49,907	(2,303)
Inspection fees	24,565	24,565	63,832	39,267
Planning and zoning fees	2,450	2,450	4,828	2,378
Total	<u>83,225</u>	<u>83,225</u>	<u>121,060</u>	<u>37,835</u>
Sales and services:				
Bus fare revenue	10,000	10,000	4,815	(5,185)
Recreation	30,175	30,175	12,311	(17,864)
Total	<u>40,175</u>	<u>40,175</u>	<u>17,126</u>	<u>(23,049)</u>
Investment earnings	<u>42,000</u>	<u>42,000</u>	<u>577</u>	<u>(41,423)</u>
Miscellaneous:				
Florence Rogers Trust Grant	1,000	1,000	-	(1,000)
Contributions and sponsorship	15,000	15,000	-	(15,000)
Employee insurance contribution	21,000	21,000	32,733	11,733
Retiree insurance contribution	1,000	1,000	970	(30)
Insurance proceeds	-	-	60,813	60,813
Sale of materials	-	-	487	487
Other	6,000	157,450	11,598	(145,852)
Total	<u>44,000</u>	<u>195,450</u>	<u>106,601</u>	<u>(88,849)</u>
Total revenues	<u>6,407,098</u>	<u>6,575,423</u>	<u>7,497,073</u>	<u>921,650</u>

Town of Spring Lake, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variable Positive (Negative)
Expenditures:				
General government:				
Governing body:				
Salaries and benefits	95,179	95,179	102,897	
Elections	5,000	5,000	-	
Appearance commission	1,200	1,200	-	
Military and veterans affairs	600	600	-	
Other operating expenditures	22,243	22,243	20,603	
Total	<u>124,222</u>	<u>124,222</u>	<u>123,500</u>	<u>722</u>
Administration:				
Salaries and employee benefits	221,005	221,005	295,336	
Professional services	30	30	31,323	
Equipment rental	2,712	2,712	2,080	
Other operating expenditures	8,938	8,938	3,002	
Total	<u>232,685</u>	<u>232,685</u>	<u>331,741</u>	<u>(99,056)</u>
Finance:				
Salaries and employee benefits	170,847	170,847	155,778	
Professional services	17,038	17,038	74,653	
Contracted services	-	-	11,208	
Other operating expenditures	6,986	6,986	8,096	
Total	<u>194,871</u>	<u>194,871</u>	<u>249,735</u>	<u>(54,864)</u>
Tax Collections:				
Cumberland County Tax Collection	60,500	60,500	67,047	
Total	<u>60,500</u>	<u>60,500</u>	<u>67,047</u>	<u>(6,547)</u>
Legal:				
Professional services	40,000	40,000	76,665	
Total	<u>40,000</u>	<u>40,000</u>	<u>76,665</u>	<u>(36,665)</u>
Human Resources:				
Unemployment taxes	11,000	11,000	2,774	
Retiree insurance premiums	90,378	90,378	36,872	
Other operating expenditures	3,683	3,683	1,416	
Total	<u>105,061</u>	<u>105,061</u>	<u>41,062</u>	<u>63,999</u>

Town of Spring Lake, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variable Positive (Negative)
Information Technology / Communications:				
Salaries and employee benefits	375	375	320	
Telephone and internet	87,800	87,800	100,567	
Professional services	-	-	-	
Repairs and maintenance	9,900	9,900	4,315	
Copier lease	37,800	37,800	39,041	
Software service contracts	72,101	72,101	105,281	
Other operating expenditures	387	387	1,747	
Total	<u>208,363</u>	<u>208,363</u>	<u>251,271</u>	<u>(42,908)</u>
Public Works Administration:				
Salaries and employee benefits	55,170	55,170	91,364	
Other operating expenditures	4,494	4,494	2,818	
Total	<u>59,664</u>	<u>59,664</u>	<u>94,182</u>	<u>(34,518)</u>
Public Buildings:				
Salaries and employee benefits	58,341	58,341	62,766	
Contracted services	34,480	34,480	28,367	
Utilities	36,000	36,000	33,449	
Repairs and maintenance	18,944	18,944	18,388	
Other operating expenditures	11,960	11,960	9,308	
Total	<u>159,725</u>	<u>159,725</u>	<u>152,278</u>	<u>7,447</u>
Total general government	<u>1,185,091</u>	<u>1,185,091</u>	<u>1,387,481</u>	<u>(202,390)</u>
Public Safety:				
Police:				
Salaries and employee benefits	1,980,023	2,030,023	2,138,402	
Law Enforcement Officers Separation Allowance	54,870	54,870	40,006	
Professional services	4,500	4,500	1,681	
Contracted services	205,500	205,500	181,439	
Motor fuel	96,000	96,000	79,743	
Repairs and maintenance	14,000	14,000	12,394	
Other operating expenditures	78,167	78,167	66,686	
Small equipment	26,100	26,100	32,226	
Total	<u>2,459,160</u>	<u>2,509,160</u>	<u>2,552,577</u>	<u>(43,417)</u>

Town of Spring Lake, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variable Positive (Negative)
Fire:				
Salaries and employee benefits	1,290,717	1,392,167	1,089,587	
Professional services	10,000	10,000	34,875	
Contracted services	19,002	19,002	13,179	
Vehicle expenses	24,941	24,941	31,964	
Maintenance and repairs	41,200	41,200	18,906	
COVID 19 grant expenses	-	16,875	12,876	
Other operating expenditures	50,982	50,982	59,144	
Small Equipment	4,000	154,000	123,035	
Capital outlay	-	1,165,380	1,150,380	
Total	<u>1,440,842</u>	<u>2,874,547</u>	<u>2,533,946</u>	<u>340,601</u>
Inspections:				
Salaries and employee benefits	286,273	286,273	308,410	
Contracted services - demolition	11,045	11,045	1,912	
Maintenance and repairs	-	-	725	
Other operating expenditures	15,282	15,282	12,403	
Total	<u>312,600</u>	<u>312,600</u>	<u>323,450</u>	<u>(10,850)</u>
Total public safety	<u>4,212,602</u>	<u>5,696,307</u>	<u>5,409,973</u>	<u>286,334</u>
Transportation:				
Streets:				
Salaries and employee benefits	200,741	200,741	206,428	
Professional services	-	-	4,565	
Contracted services	30,608	30,608	20,117	
Vehicle expenses	9,872	9,872	15,135	
Repairs and maintenance	11,832	11,832	2,162	
Utilities	173,062	173,062	186,297	
Other operating expenditures	11,587	11,587	6,045	
Total	<u>437,702</u>	<u>437,702</u>	<u>440,749</u>	<u>(3,047)</u>
Public Transportation:				
Contracted services	101,528	101,528	101,136	
Other operating expenditures	23	23	21	
Total	<u>101,551</u>	<u>101,551</u>	<u>101,157</u>	<u>394</u>

Town of Spring Lake, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

Page 6 of 7

	Original Budget	Final Budget	Actual	Variable Positive (Negative)
Fleet Maintenance:				
Salaries and employee benefits	-	-	15,389	
Other operating expenditures	-	-	1,671	
Total	-	-	17,060	(17,060)
 Total transportation	 539,253	 539,253	 558,966	 (19,713)
Economic Development :				
Planning and Zoning:				
Contracted services	34,000	34,000	29,396	
Total	34,000	34,000	29,396	4,604
Economic development:				
Other operating expenditures	-	-	53,964	
Total	-	-	53,964	(53,964)
 Total economic development	 34,000	 34,000	 83,360	 (49,360)
Cultural and Recreation:				
Parks and Recreation:				
Salaries and employee benefits	396,847	396,847	342,047	
Professional services	1,500	1,500	364	
Maintenance and repairs	8,200	8,200	5,866	
Utilities	35,000	35,000	48,596	
Other operating expenditures	20,186	20,186	21,444	
Total parks and recreation	461,733	461,733	418,317	43,416
Senior Enrichment Center:				
Salaries and employee benefits	146,515	146,515	161,292	
Senior center programs	18,127	18,127	5,001	
Other operating expenditures	8,820	8,820	2,823	
Total parks and recreation	173,462	173,462	169,116	4,346
 Total cultural and recreation	 635,195	 635,195	 587,433	 47,762

Town of Spring Lake, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variable Positive (Negative)
Debt service:				
Principal retirement - Fire	-	34,742	34,893	(151)
Principal retirement - Streets	150,000	150,000	150,000	-
Principal retirement - Recreation	42,320	42,320	44,077	(1,757)
Principal retirement- Capital leases	-	-	90,857	(90,857)
Interest - Fire	-	8,677	8,563	114
Interest - Streets	21,690	21,690	14,460	7,230
Interest - Recreation	90,609	90,609	87,172	3,437
Interest - Capital leases	-	-	19,741	(19,741)
Total debt service	<u>304,619</u>	<u>348,038</u>	<u>449,763</u>	<u>(101,725)</u>
Total expenditures	<u>6,910,760</u>	<u>8,437,884</u>	<u>8,476,976</u>	<u>(39,092)</u>
Revenues over (under) expenditures	(503,662)	(1,862,461)	(979,903)	882,558
Other financing sources (uses):				
Loan proceeds - installment purchases	-	1,165,380	1,150,380	(15,000)
Transfers from other funds:				
Water and Sewer Fund	13,031	13,031	15,090	2,059
Sanitation Fund	75,000	75,000	-	(75,000)
Stormwater Fund	111,191	111,191	-	(111,191)
Transfers to other funds:				
Fleet Maintenance Fund	(149,983)	(149,983)	(149,983)	-
Spring Lake Property Acquisitions	-	-	(69,533)	(69,533)
Sale of capital assets	-	-	71,620	71,620
Total other financing sources (uses)	<u>49,239</u>	<u>1,214,619</u>	<u>1,017,574</u>	<u>(197,045)</u>
Extraordinary item:				
Loss due to fraud and misapplication of funds	-	-	(334,516)	(334,516)
Fund balance appropriated	<u>454,423</u>	<u>647,842</u>	<u>-</u>	<u>(647,842)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(296,845)	<u>\$ (296,845)</u>
Fund balances, beginning, as previously reported			631,875	
Prior period adjustment			272,213	
Fund balances, beginning, as restated			<u>904,088</u>	
Fund balances, ending			<u>\$ 607,243</u>	

Town of Spring Lake, North Carolina
Non-Major Governmental Funds
Combining Balance Sheet
As of June 30, 2021

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>			<u>Total</u>
	<u>Spring Fling Fund</u>	<u>Public Safety Grants and Projects Fund</u>	<u>Spring Lake Fire Station #2 Project</u>	<u>Street Capital Project</u>	<u>Recreation Capital Project</u>	
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 99,686	\$ -	\$ 99,686
Restricted cash and investments	-	47,157	302,658	-	-	349,815
Due from other governments	403	-	12,425	27,674	-	40,502
Total assets	<u>\$ 403</u>	<u>\$ 47,157</u>	<u>\$ 315,083</u>	<u>\$ 127,360</u>	<u>\$ -</u>	<u>\$ 490,003</u>
Liabilities and Fund Balances						
Liabilities:						
Due to other funds	<u>\$ 4,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,502</u>	<u>\$ 118,856</u>
Total liabilities	<u>4,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,502</u>	<u>118,856</u>
Fund balances:						
Restricted:						
Reserved by state statute	403	-	12,425	27,674	-	40,502
Restricted for public safety	-	47,157	302,658	-	-	349,815
Assigned:						
Transportation - streets	-	-	-	99,686	-	99,686
Unreserved:						
Undesignated	<u>(4,354)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,502)</u>	<u>(118,856)</u>
Total fund balances	<u>(3,951)</u>	<u>47,157</u>	<u>315,083</u>	<u>127,360</u>	<u>(114,502)</u>	<u>371,147</u>
Total liabilities and fund balance	<u>\$ 403</u>	<u>\$ 47,157</u>	<u>\$ 315,083</u>	<u>\$ 127,360</u>	<u>\$ -</u>	<u>\$ 490,003</u>

Non-Major Governmental Funds
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances
For the Fiscal Year Ended June 30, 2021

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>			<u>Total</u>
	<u>Spring Fling Fund</u>	<u>Public Safety Grants and Projects Fund</u>	<u>Spring Lake Fire Station #2 Project</u>	<u>Street Capital Project</u>	<u>Recreation Capital Project</u>	
Revenues:						
Restricted intergovernmental	\$ -	\$ 159,600	\$ -	\$ -	\$ -	\$ 159,600
Total revenues	<u>-</u>	<u>159,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,600</u>
Expenditures:						
Public safety	-	275,002	684,917	-	-	959,919
Total expenditures	<u>-</u>	<u>275,002</u>	<u>684,917</u>	<u>-</u>	<u>-</u>	<u>959,919</u>
Revenues over (under) expenditures	-	(115,402)	(684,917)	-	-	(800,319)
Other Financing Sources (Uses):						
Loan proceeds - installment purchases	-	-	1,000,000	-	-	1,000,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Net change in fund balance	-	(115,402)	315,083	-	-	199,681
Fund balances, beginning, as previously reported	8,007	160,475	-	127,358	(114,502)	181,338
Prior period adjustment	(11,958)	2,084	-	2	-	(9,872)
Fund balance, beginning, as restated	<u>(3,951)</u>	<u>162,559</u>	<u>-</u>	<u>127,360</u>	<u>(114,502)</u>	<u>171,466</u>
Fund balance, ending	<u>\$ (3,951)</u>	<u>\$ 47,157</u>	<u>\$ 315,083</u>	<u>\$ 127,360</u>	<u>\$ (114,502)</u>	<u>\$ 371,147</u>

Town of Spring Lake, North Carolina
Spring Fling Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Permits and fees:				
Vendor fees	\$ 650	\$ 650	\$ -	\$ (650)
Total	<u>650</u>	<u>650</u>	<u>-</u>	<u>(650)</u>
Miscellaneous:				
Contributions	12,850	12,850	-	(12,850)
Miscellaneous revenues	-	-	-	-
Total	<u>12,850</u>	<u>12,850</u>	<u>-</u>	<u>(12,850)</u>
Total revenues	<u>13,500</u>	<u>13,500</u>	<u>-</u>	<u>(13,500)</u>
Expenditures:				
Cultural and Recreation:				
Other operating expenditures	13,500	13,500	-	13,500
Total expenditures	<u>13,500</u>	<u>13,500</u>	<u>-</u>	<u>13,500</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning, as previously reported			8,007	
Prior period adjustment			<u>(11,958)</u>	
Fund balance, beginning, as restated			<u>(3,951)</u>	
Fund balance, ending			<u>\$ (3,951)</u>	

**Town of Spring Lake, North Carolina
Public Safety Grants and Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021**

	Project Authorization			Prior Years	Actual		Variance Positive (Negative)
	June 30, 2020	Amendments	June 30, 2021		Current Year	Total to Date	
Revenues:							
Restricted Intergovernmental:							
Governor's Highway Safety Program	\$ 197,133	\$ -	\$ 197,133	\$ 272,565	\$ -	\$ 272,565	\$ 75,432
Safer Grant	308,960	-	308,960	511,155	159,600	670,755	361,795
Assistance to Firefighters Grant	30,000	-	30,000	-	-	-	(30,000)
Controlled substance tax	2,901	-	2,901	3,989	-	3,989	1,088
Miscellaneous revenues	-	-	-	37	-	37	37
Total revenues	<u>538,994</u>	<u>-</u>	<u>538,994</u>	<u>787,746</u>	<u>159,600</u>	<u>947,346</u>	<u>408,352</u>
Expenditures:							
Governor's Highway Safety Program							
Salaries and benefits	169,252	-	169,252	141,795	-	141,795	27,457
Other operating expenses	47,711	-	47,711	19,203	-	19,203	28,508
Capital outlay	51,500	-	51,500	54,305	-	54,305	(2,805)
Total Governor's Highway Safety Program	<u>268,463</u>	<u>-</u>	<u>268,463</u>	<u>215,303</u>	<u>-</u>	<u>215,303</u>	<u>53,160</u>
Fire Rescue Vehicle Project							
Capital outlay	192,750	-	192,750	184,993	-	184,993	7,757
Total Fire Rescue Vehicle Project	<u>192,750</u>	<u>-</u>	<u>192,750</u>	<u>184,993</u>	<u>-</u>	<u>184,993</u>	<u>7,757</u>
SAFER Grant							
Salaries and benefits	308,960	-	308,960	238,792	275,002	513,794	(204,834)
Other operating expenses	-	-	-	143,517	-	143,517	(143,517)
Total Fire Rescue Vehicle Project	<u>308,960</u>	<u>-</u>	<u>308,960</u>	<u>382,309</u>	<u>275,002</u>	<u>657,311</u>	<u>(348,351)</u>
Public Safety Equipment							
Capital outlay	-	-	-	229,950	-	229,950	(229,950)
Total Public Safety Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,950</u>	<u>-</u>	<u>229,950</u>	<u>(229,950)</u>

**Town of Spring Lake, North Carolina
Public Safety Grants and Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021**

Manchester Fire District							
Other operating expenses	22,175	-	22,175	-	-	-	22,175
Contingency	1,405	-	1,405	-	-	-	1,405
Capital outlay	151,420	-	151,420	-	-	-	151,420
Total Manchester Fire District	<u>175,000</u>	-	<u>175,000</u>	-	-	-	<u>175,000</u>
Total expenditures	<u>945,173</u>	-	<u>945,173</u>	<u>1,012,555</u>	<u>275,002</u>	<u>1,287,557</u>	<u>(342,384)</u>
Revenues over (under) expenditures	<u>(406,179)</u>	-	<u>(406,179)</u>	<u>(224,809)</u>	<u>(115,402)</u>	<u>(340,211)</u>	<u>65,968</u>
Other financing sources (uses):							
Transfers from other funds:							
Transfer from General Fund	133,330	-	133,330	289,329	-	289,329	155,999
Transfers to other funds:							
Transfer to General Fund	(2,901)	-	(2,901)	-	-	-	2,901
Installment loan proceeds	100,750	-	100,750	98,039	-	98,039	(2,711)
Total other financing sources (uses)	<u>231,179</u>	-	<u>231,179</u>	<u>387,368</u>	-	<u>387,368</u>	<u>156,189</u>
Fund balance appropriated	<u>175,000</u>	-	<u>175,000</u>	-	-	-	<u>(175,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,559</u>	<u>(115,402)</u>	<u>\$ 47,157</u>	<u>\$ 47,157</u>
Fund balance, beginning, as previously reported					160,475		
Prior period adjustment					2,084		
Fund balance, beginning, as restated					<u>162,559</u>		
Fund balance, ending					<u>\$ 47,157</u>		

Town of Spring Lake, North Carolina
Spring Lake Fire Station #2 Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Public Safety					
Manchester Fire Station #2					
Capital outlay - buildings	\$ 1,000,000	\$ -	\$ 684,917	\$ 684,917	\$ 315,083
Total expenditures	<u>1,000,000</u>	<u>-</u>	<u>684,917</u>	<u>684,917</u>	<u>315,083</u>
Revenues over (under) expenditures	<u>(1,000,000)</u>	<u>-</u>	<u>(684,917)</u>	<u>(684,917)</u>	<u>315,083</u>
Other financing sources:					
Installment loan proceeds	1,000,000	-	1,000,000	1,000,000	-
Total other financing sources	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	315,083	<u>\$ 315,083</u>	<u>\$ 315,083</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 315,083</u>		

Town of Spring Lake, North Carolina
Street Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Authorization			Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
	June 30, 2020	Amendments	June 30, 2021				
Revenues:							
Investment Earnings	\$ 40,000	\$ -	\$ 40,000	\$ 79	\$ -	\$ 79	\$ (39,921)
Total revenues	40,000	-	40,000	79	-	79	(39,921)
Expenditures:							
Transportation							
Professional services	81,100	-	81,100	117,217	-	117,217	(36,117)
Closing costs	-	-	-	6,051	-	6,051	(6,051)
Capital outlay	1,860,034	-	1,860,034	1,690,585	-	1,690,585	169,449
Total expenditures	1,941,134	-	1,941,134	1,813,853	-	1,813,853	127,281
Revenues over (under) expenditures	(1,901,134)	-	(1,901,134)	(1,813,774)	-	(1,813,774)	87,360
Other financing sources (uses):							
Transfers from other funds:							
Transfer from Water and Sewer Fund	267,000	-	267,000	267,000	-	267,000	-
Transfer from Stormwater Fund	174,134	-	174,134	174,134	-	174,134	-
Transfers to other funds:							
Transfer to General Fund	(40,000)	-	(40,000)	-	-	-	40,000
Installment loan proceeds	1,500,000	-	1,500,000	1,500,000	-	1,500,000	-
Total other financing sources (uses)	1,901,134	-	1,901,134	1,941,134	-	1,941,134	40,000
Net change in fund balance	\$ -	\$ -	\$ -	\$ 127,360	-	\$ 127,360	\$ 127,360
Fund balance, beginning, as previously reported					127,358		
Prior period adjustment					2		
Fund balance, beginning, as restated					127,360		
Fund balance, ending					\$ 127,360		

Town of Spring Lake, North Carolina
Recreation Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Authorization			Prior Years	Actual		Variance Positive (Negative)
	June 30, 2020	Amendments	June 30, 2021		Current Year	Total to Date	
Revenues:							
Restricted Intergovernmental:							
PARFT Grant	\$ 426,400	\$ -	\$ 426,400	\$ 363,148	\$ -	\$ 363,148	\$ (63,252)
FIT Community Grant	63,250	-	63,250	-	-	-	(63,250)
Miscellaneous income	-	-	-	66	-	66	66
Total revenues	<u>489,650</u>	<u>-</u>	<u>489,650</u>	<u>363,214</u>	<u>-</u>	<u>363,214</u>	<u>(126,436)</u>
Expenditures:							
Cultural and Recreation							
Community Walking Trail Project							
Engineering	9,880	-	9,880	9,880	-	9,880	-
Capital outlay	151,070	-	151,070	154,122	-	154,122	(3,052)
Mendoza Park Improvements							
Professional services	92,000	-	92,000	102,883	-	102,883	(10,883)
Contracted services	1,250	-	1,250	4,084	-	4,084	(2,834)
Capital outlay - equipment	41,600	-	41,600	1,130	-	1,130	40,470
Capital outlay - buildings	596,750	-	596,750	626,702	-	626,702	(29,952)
Contingency	10,550	-	10,550	-	-	-	10,550
Total expenditures	<u>903,100</u>	<u>-</u>	<u>903,100</u>	<u>898,801</u>	<u>-</u>	<u>898,801</u>	<u>4,299</u>
Revenues over (under) expenditures	<u>(413,450)</u>	<u>-</u>	<u>(413,450)</u>	<u>(535,587)</u>	<u>-</u>	<u>(535,587)</u>	<u>(122,137)</u>
Other financing sources:							
Transfers from other funds:							
Transfer from General Fund	26,040	-	26,040	37,135	-	37,135	11,095
Transfer from Water and Sewer Fund	18,960	-	18,960	15,500	-	15,500	(3,460)
Installment loan proceeds	368,450	-	368,450	368,450	-	368,450	-
Total other financing sources	<u>413,450</u>	<u>-</u>	<u>413,450</u>	<u>421,085</u>	<u>-</u>	<u>421,085</u>	<u>7,635</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (114,502)</u>	<u>-</u>	<u>\$ (114,502)</u>	<u>\$ (114,502)</u>
Fund balance, beginning						(114,502)	
Fund balance, ending						<u>\$ (114,502)</u>	

Town of Spring Lake, North Carolina
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2021

Page 1 of 3

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 1,683,480	\$ 1,661,291	\$ (22,189)
Sewer charges	1,723,657	1,617,107	(106,550)
Credit card convenience fees	24,500	27,953	3,453
New account and transfer fees	27,000	24,230	(2,770)
Penalties and late fees	61,058	161,818	100,760
Tap and connection fees	-	900	900
Other operating revenues	1,500	1,692	192
Total operating revenues	3,521,195	3,494,991	(26,204)
Non-operating revenues:			
Investment earnings	22,000	202	(21,798)
Rental income	20,500	-	(20,500)
Sale of materials	-	2,082	2,082
Total non-operating revenues	42,500	2,284	(40,216)
Total revenues	3,563,695	3,497,275	(66,420)
Expenditures:			
Revenue collections:			
Salaries and employee benefits	226,554	196,595	29,959
Bank service charges	21,600	23,156	(1,556)
Professional services	3,200	1,520	1,680
Service and maintenance	43,960	3,219	40,741
Other operating expenses	10,720	4,693	6,027
Total	306,034	229,183	76,851
Revenue billing:			
Salaries and employee benefits	144,154	164,592	(20,438)
Purchases of water for resale	1,350,000	1,132,839	217,161
Contracted billing services	14,000	21,255	(7,255)
Professional services	2,100	366	1,734
Service and maintenance	38,019	19,528	18,491
Vehicle expenses	13,740	4,727	9,013
Other operating expenses	29,985	12,187	17,798
Total	1,591,998	1,355,494	236,504

Town of Spring Lake, North Carolina
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2021

Page 2 of 3

Water and Sewer Operations:			
Salaries and employee benefits	407,028	458,517	(51,489)
Contracted services	68,580	31,081	37,499
Professional services	3,207	2,750	457
Repairs and maintenance	219,859	169,177	50,682
Utilities	15,360	12,800	2,560
Vehicle expenses	14,400	9,966	
Other operating expenses	30,430	22,167	8,263
Total	<u>758,864</u>	<u>706,458</u>	<u>52,406</u>
Waste Water Treatment Plant:			
Salaries and employee benefits	175,159	201,972	(26,813)
Professional services	4,240	4,500	(260)
Utilities	87,600	69,105	18,495
Chemicals	24,000	33,860	(9,860)
Vehicle expenses	3,000	2,700	300
Contracted services	102,440	52,554	49,886
Repairs and maintenance	58,675	28,229	30,446
Hurricane Florence repairs	-	144,656	(144,656)
Other operating expenses	31,062	21,584	9,478
Capital outlay	27,000	-	27,000
Total	<u>513,176</u>	<u>559,160</u>	<u>(45,984)</u>
Debt service:			
Principal retirement	217,457	186,455	31,002
Principal retirement - NCDOT	-	211,014	(211,014)
Interest	72,640	51,613	21,027
Total debt service	<u>290,097</u>	<u>449,082</u>	<u>(158,985)</u>
Contingency	<u>147,201</u>	<u>-</u>	<u>147,201</u>
Total expenditures	<u>3,607,370</u>	<u>3,299,377</u>	<u>307,993</u>
Revenues over (under) expenditures	<u>\$ (43,675)</u>	<u>197,898</u>	<u>241,573</u>

Town of Spring Lake, North Carolina
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
For the Fiscal Year Ended June 30, 2021

Page 3 of 3

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers to other funds:			
Stormwater Fund	(8,596)	-	8,596
General Fund	(15,090)	(15,090)	-
Fleet Maintenance Fund	(52,639)	(52,639)	-
Total other financing sources (uses)	<u>(76,325)</u>	<u>(67,729)</u>	<u>8,596</u>
Fund balance appropriated	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
Revenues, other financing sources and fund balance appropriated over (under) expenditures and other uses	<u>\$ -</u>	130,169	<u>\$ 130,169</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Reconciling items:	
Principal retirement	397,469
Depreciation	(530,745)
(Increase) decrease in accrued interest	85
Increase (decrease) in deferred outflows of resources - pensions	5,255
(Increase) decrease in deferred inflows of resources - pensions	-
(Increase) decrease in net pension liability	(96,801)
Increase (decrease) in deferred outflows of resources - OPEB	159,893
(Increase) decrease in deferred inflows of resources - OPEB	25,068
(Increase) decrease in OPEB liability	(220,925)
(Increase) decrease in accrued vacation pay	(3,325)
Capital Project Funds	
Impact fees	6,664
Total	<u>(257,362)</u>
Change in net position	<u>\$ (127,193)</u>

Town of Spring Lake, North Carolina
Water and Sewer Improvements Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2021

	Project Authorization			Prior Years	Actual		Total to Date	Variance Positive (Negative)
	June 30, 2020	Amendments	June 30, 2021		Current Year	Total to Date		
Revenues:								
Restricted Intergovernmental:								
Community Development Block Grant	\$ 87,389	\$ -	\$ 87,389	\$ 82,602	\$ 1	\$ 82,603	\$ (4,786)	
Clean Water Management Trust Fund Grant	37,000	-	37,000	37,000	-	37,000	-	
DWSRF grant	681,146	-	681,146	672,685	(1)	672,684	(8,462)	
Total	<u>805,535</u>	<u>-</u>	<u>805,535</u>	<u>792,287</u>	<u>-</u>	<u>792,287</u>	<u>(13,248)</u>	
Non-Operating Revenues								
Impact fees	-	-	-	39,857	6,664	46,521	46,521	
Total revenues	<u>805,535</u>	<u>-</u>	<u>805,535</u>	<u>832,144</u>	<u>6,664</u>	<u>838,808</u>	<u>33,273</u>	
Expenditures:								
Waste Water Treatment Plant Reuse Water Study								
Professional services	73,500	-	73,500	73,500	-	73,500	-	
Little River Interceptor Rehab								
Professional services	124,904	-	124,904	123,341	-	123,341	1,563	
Closing cost	27,246	-	27,246	27,246	-	27,246	-	
Capital outlay	1,275,910	-	1,275,910	1,246,540	-	1,246,540	29,370	
Waste Water Treatment Plant Modifications								
Professional services	2,500	-	2,500	-	-	-	2,500	
Professional services	183,500	-	183,500	187,388	-	187,388	(3,888)	
Advertising	2,500	-	2,500	-	-	-	2,500	
Closing cost	27,760	-	27,760	27,760	-	27,760	-	
Capital outlay	1,214,270	-	1,214,270	1,157,443	-	1,157,443	56,827	
Lillington Highway Water Line Upgrade								
Professional services	164,378	-	164,378	148,096	-	148,096	16,282	
Closing cost	26,294	-	26,294	19,043	-	19,043	7,251	
Capital outlay	1,022,100	-	1,022,100	654,705	-	654,705	367,395	
Chapel Hill Road Sewer Main Extension								
Professional services	20,193	-	20,193	19,939	-	19,939	254	
Capital outlay	67,196	-	67,196	74,604	-	74,604	(7,408)	

Town of Spring Lake, North Carolina
Water and Sewer Improvements Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2021

Expenditures (continued):

Waste Water Treatment Plant Influent Pump							
Professional services	39,500	-	39,500	38,500	-	38,500	1,000
Capital outlay	535,500	-	535,500	485,271	-	485,271	50,229
Downtown Area Sewer Rehabilitation							
Professional services	-	-	-	1,345	-	1,345	(1,345)
Total expenditures	<u>4,807,251</u>	<u>-</u>	<u>4,807,251</u>	<u>4,284,721</u>	<u>-</u>	<u>4,284,721</u>	<u>522,530</u>
Revenues over (under) expenditures	<u>(4,001,716)</u>	<u>-</u>	<u>(4,001,716)</u>	<u>(3,452,577)</u>	<u>6,664</u>	<u>(3,445,913)</u>	<u>555,803</u>

Other Financing Sources:

Transfers from other funds:							
Transfer from Water and Sewer Fund	156,322	-	156,322	82,052	-	82,052	(74,270)
Installment loan proceeds	575,000	-	575,000	-	-	-	(575,000)
DWSRF WWTP loan	1,402,770	-	1,402,770	672,685	-	672,685	(730,085)
DWSRF revolving loan	681,146	-	681,146	1,345,175	-	1,345,175	664,029
PWS loan	1,186,478	-	1,186,478	802,801	-	802,801	(383,677)
Total other financing sources	<u>4,001,716</u>	<u>-</u>	<u>4,001,716</u>	<u>2,902,713</u>	<u>-</u>	<u>2,902,713</u>	<u>(1,099,003)</u>

Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (549,864)</u>	<u>6,664</u>	<u>\$ (543,200)</u>	<u>\$ (543,200)</u>
--	-------------	-------------	-------------	---------------------	--------------	---------------------	---------------------

Fund balance, beginning, as previously reported	(543,382)
Prior period adjustment	(6,482)
Fund balance, beginning, as restated	<u>(549,864)</u>
Fund balance, ending	<u>\$ (543,200)</u>

Town of Spring Lake, North Carolina
Sanitation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021

Page 1 of 2

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Operating revenues:				
Solid waste fees - County	\$ 671,172	\$ 671,172	\$ 551,096	\$ (120,076)
Solid waste fees - Town	-	-	72,324	72,324
Solid waste disposal tax	7,800	7,800	8,515	715
Total operating revenues	<u>678,972</u>	<u>678,972</u>	<u>631,935</u>	<u>(47,037)</u>
Non-operating revenues:				
Investment earnings	5,000	5,000	53	(4,947)
Miscellaneous revenue	-	-	5	5
Total non-operating revenues	<u>5,000</u>	<u>5,000</u>	<u>58</u>	<u>(4,942)</u>
Total revenues	683,972	683,972	631,993	(51,979)
Expenditures:				
Sanitation:				
Salaries and employee benefits	153,823	153,823	196,041	(42,218)
Contracted services trash collection	421,440	421,440	330,256	91,184
Tipping fees	29,320	29,320	22,965	6,355
Depreciation	25,000	25,000	-	25,000
Other operating expenses	45,311	45,311	19,221	26,090
Contingency	4,449	4,449	-	4,449
Total operating expenditures	<u>679,343</u>	<u>679,343</u>	<u>568,483</u>	<u>110,860</u>
Total operating expenditures	<u>679,343</u>	<u>679,343</u>	<u>568,483</u>	<u>110,860</u>
Non-operating expenditures:				
Debt service:				
Principal retirement	47,567	47,567	47,567	-
Interest	1,496	1,496	1,496	-
Total debt service	<u>49,063</u>	<u>49,063</u>	<u>49,063</u>	<u>-</u>
Total expenditures	<u>728,406</u>	<u>728,406</u>	<u>617,546</u>	<u>110,860</u>
Revenues over (under) expenditures	<u>(44,434)</u>	<u>(44,434)</u>	<u>14,447</u>	<u>58,881</u>

Town of Spring Lake, North Carolina
Sanitation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021

Page 2 of 2

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ (44,434)	\$ (44,434)	\$ 14,447	\$ 58,881
Other financing sources (uses):				
Transfers to other funds:				
General Fund	(75,000)	(75,000)	-	75,000
Fleet Maintenance Fund	(21,672)	(21,672)	(21,672)	-
Total other financing sources (uses)	<u>(96,672)</u>	<u>(96,672)</u>	<u>(21,672)</u>	<u>75,000</u>
Fund balance appropriated	<u>141,106</u>	<u>141,106</u>	<u>-</u>	<u>(141,106)</u>
Revenues, other sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(7,225)</u>	<u>\$ (7,225)</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Reconciling items:	
Principal retirement	47,567
Depreciation	(29,170)
(Increase) decrease in accrued interest	(687)
Increase (decrease) in deferred outflows of resources - pensions	15,057
(Increase) decrease in deferred inflows of resources - pensions	-
(Increase) decrease in net pension liability	(27,475)
Increase (decrease) in deferred outflows of resources - OPEB	27,904
(Increase) decrease in deferred inflows of resources - OPEB	(2,118)
(Increase) decrease in OPEB liability	(125,230)
(Increase) decrease in accrued vacation pay	<u>11,221</u>
Total	<u>(82,931)</u>
Change in net position	<u>\$ (90,156)</u>

Town of Spring Lake, North Carolina
Storm Water Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021

Page 1 of 2

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Operating revenues:				
Stormwater fees	\$ 276,759	\$ 276,759	\$ 298,578	\$ 21,819
Stormwater permit fees	55	55	500	445
Total operating revenues	<u>276,814</u>	<u>276,814</u>	<u>299,078</u>	<u>22,264</u>
Non-operating revenues:				
Investment earnings	3,400	3,400	36	(3,364)
Total non-operating revenues	<u>3,400</u>	<u>3,400</u>	<u>36</u>	<u>(3,364)</u>
Total revenues	280,214	280,214	299,114	18,900
Expenditures:				
Sanitation:				
Salaries and employee benefits	122,350	122,350	162,769	(40,419)
Storm water fees	8,000	8,000	3,843	4,157
Depreciation	8,000	8,000	-	8,000
Other operating expenses	58,285	58,285	11,118	47,167
Contingency	30	30	-	30
Total operating expenditures	<u>196,665</u>	<u>196,665</u>	<u>177,730</u>	<u>18,935</u>
Total operating expenditures	<u>196,665</u>	<u>196,665</u>	<u>177,730</u>	<u>18,935</u>
Revenues over (under) expenditures	<u>83,549</u>	<u>83,549</u>	<u>121,384</u>	<u>37,835</u>

Town of Spring Lake, North Carolina
Storm Water Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ 83,549	\$ 83,549	\$ 121,384	\$ 37,835
Other financing sources (uses):				
Transfers from other funds:				
Water and Sewer Fund	8,596	8,596	-	(8,596)
Transfers to other funds:				
General Fund	(96,191)	(96,191)	-	96,191
Fleet Maintenance Fund	(27,000)	(27,000)	(22,320)	4,680
Total other financing sources (uses)	<u>(114,595)</u>	<u>(114,595)</u>	<u>(22,320)</u>	<u>92,275</u>
Fund balance appropriated	<u>31,046</u>	<u>31,046</u>	<u>-</u>	<u>(31,046)</u>
Revenues, other sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>99,064</u>	<u>\$ 99,064</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Reconciling items:				
Principal retirement			-	
Depreciation			(11,811)	
(Increase) decrease in accrued interest				
Increase (decrease) in deferred outflows of resources - pensions			30,196	
(Increase) decrease in deferred inflows of resources - pensions			-	
(Increase) decrease in net pension liability			(41,540)	
Increase (decrease) in deferred outflows of resources - OPEB			26,699	
(Increase) decrease in deferred inflows of resources - OPEB			(3,794)	
(Increase) decrease in OPEB liability			(63,023)	
(Increase) decrease in accrued vacation pay			9,329	
Total			<u>(53,944)</u>	
Change in net position			<u>\$ 45,120</u>	

Town of Spring Lake, North Carolina
Fleet Maintenance Internal Service Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Financial Plan and Actual (non-GAAP)
For the Fiscal Year Ended June 30, 2021

	Original Financial Plan	Final Financial Plan	Actual	Variance Positive (Negative)
Revenues:				
Miscellaneous revenues	\$ -	\$ -	\$ 177	\$ 177
Total revenues	<u>-</u>	<u>-</u>	<u>177</u>	<u>177</u>
Expenditures:				
Transportation:				
Salaries and benefits	128,115	128,115	93,766	34,349
Other operating expenditures	111,932	111,932	73,148	38,784
Depreciation	2,000	2,000	-	2,000
Total expenditures	<u>242,047</u>	<u>242,047</u>	<u>166,914</u>	<u>75,133</u>
Revenues over (under) expenditures	<u>(242,047)</u>	<u>(242,047)</u>	<u>(166,737)</u>	<u>75,310</u>
Other financing sources:				
Transfers from other funds:				
Transfer from General Fund	134,469	134,469	149,983	15,514
Transfer from Water and Sewer Fund	57,038	57,038	52,639	(4,399)
Transfer from Storm Water Fund	28,868	28,868	22,320	(6,548)
Transfer from Sanitation Fund	21,672	21,672	21,672	-
Total other financing sources	<u>242,047</u>	<u>242,047</u>	<u>246,614</u>	<u>4,567</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>79,877</u>	<u>\$ 79,877</u>
Fund balance, beginning, as previously reported			35,981	
Prior period adjustment			<u>(4,600)</u>	
Fund balance, beginning, as restated			31,381	
Fund balance, ending			<u>\$ 111,258</u>	



Other Schedules

This Section Contains additional information required on property taxes.

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

Town of Spring Lake, North Carolina
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 3,241,237	\$ 3,213,836	\$ 27,401
2019-2020	56,067	-	43,490	12,577
2018-2019	16,864	-	4,158	12,706
2017-2018	8,329	-	1,263	7,066
2016-2017	6,106	-	734	5,372
2015-2016	5,520	-	182	5,338
2014-2015	4,031	-	804	3,227
2013-2014	13,543	-	241	13,302
2012-2013	27,168	-	199	26,969
2011-2012	19,568	-	198	19,370
2010-2011	16,531	-	16,531	-
2009-2010	15,322	-	15,322	-
Total	<u>\$ 189,049</u>	<u>\$ 3,241,237</u>	<u>\$ 3,296,958</u>	<u>\$ 133,328</u>
Less: allowance for uncollectible accounts:				
General fund				<u>(80,644)</u>
Ad valorem taxes receivable - net				<u>\$ 52,684</u>
 <u>Reconcilement with Revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,292,975
Reconciling items:				
Interest collected				(31,887)
Taxes written off 10 year statute of limitations				31,853
Releases (prior years) and other adjustments				4,017
Subtotal				<u>3,983</u>
Total collections and credits				<u>\$ 3,296,958</u>

Town of Spring Lake, North Carolina
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2021

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$445,134,857	\$ 0.70	\$ 3,115,944	\$ 2,872,256	\$ 243,688
Prior year's rate	9,960,286	0.70	69,722	-	69,722
Discoveries	53,393,429	0.70	373,754	373,754	-
Releases	(45,963,714)	0.70	(321,746)	(318,058)	(3,688)
Late listing penalties			3,563	3,563	-
Total property valuation	<u>\$462,524,858</u>				
Net levy			3,241,237	2,931,515	309,722
Unpaid (by taxpayer) taxes at June 30, 2021			(27,401)	(27,401)	-
Current year's taxes collected			<u>\$3,213,836</u>	<u>\$2,904,114</u>	<u>\$ 309,722</u>
Current levy collection percentage			<u>99.15%</u>	<u>99.07%</u>	<u>100.00%</u>



Compliance Section



Town of Spring Lake, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I. Summary of Results

Financial Statements

Type of auditor's report issued: Not Audited No Report Issued

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(s) identified that are not considered to be material weaknesses Yes None reported
- Noncompliance material to financial statements Yes No

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Town of Spring Lake, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2021

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding 2020-001 Segregation of Duties (repeat)

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation among Town personnel.

Effect: The Town's internal control process cannot ensure that errors will be detected by employees in the normal course of performing their assigned functions.

Cause: There are two primary causes for this finding. Following the resignation of the Finance Director in March 2020, the Town chose not to fill the vacancy. They instead moved the A/P Clerk into the Interim Finance Director role without backfilling the A/P Clerk position. Additionally, during FY 18-19 an Accounting Assistant position was eliminated. Both factors affected the Town's ability to adequately segregate duties.

Recommendation: We recommend that the Town fills the Finance Director position as soon as possible. We recommend that the A/P Clerk returns to her normal duties, thus re-establishing the ability to more appropriately segregate finance functions.

Views of responsible officials and planned corrective actions: The Town agrees with the finding and agrees to adhere to the correction action plan on page 150.

MATERIAL WEAKNESS / MATERIAL NONCOMPLIANCE

Finding 2020-002 Excess of Expenditures over Appropriations (repeat)

Criteria: N.C. General Statute 159-8(a) states that all moneys received and expended by a local government should be included in the budget ordinance.

Condition: Budget over-expenditures occurred in the General Fund, Spring Lake Acquisitions, Inc. Fund, Water and Sewer Fund, Stormwater Fund, Public Safety Grants and Projects Fund, and Recreation Capital Projects Funds.

Effect: Expenditures were incurred that had not been budgeted.

Cause: The Town's management failed to prepare and recommend a realistic budget to the Board. Following the resignation of the Finance Director in March 2020, the Town chose not to fill the vacancy. They instead moved the A/P Clerk into the Interim Finance Director role without backfilling the A/P Clerk position. Additionally, during FY 18-19 an Accounting Assistant position was eliminated. The lack of adequate staffing in the Finance Department led to improper oversight of finance operations.

Recommendation: We recommend that the Town fills the Finance Director position as soon as possible and implements standard operating procedures and policies to ensure that all purchases are pre-audited as required by N.C. General Statute 159-8(a).

Views of responsible officials and planned corrective actions: The Town agrees with the finding and agrees to adhere to the correction action plan on page 150.

MATERIAL WEAKNESS

Finding 2020-003 Bank Reconciliations (repeat)

Criteria: The bank reconciliations were not performed on a timely basis during the fiscal year ended June 30, 2021.

Condition: All 12-months of bank reconciliations for the fiscal year June 30, 2020 were not performed on a timely basis.

Effect: Bank reconciliations serve as an important internal control over cash and can identify errors, irregularities, and other adjustments to improve accuracy of accounting records. When bank reconciliations are not performed on a timely basis there is a potential that the Town does not identify errors, irregularities, and other adjustments to accounting records on a timely basis.

Cause: The Town's Finance Director resigned in March 2020. The Town did not fill the vacancy, but instead reassigned duties to the A/P Clerk. The workload was too great for a single position and many functions, such as reconciliation of bank statements, were not performed.

Recommendation: The Town is currently seeking to fill the Finance Director position before the end of June 3021. The A/P Clerk will return to her normal duties. Reconciliation of bank statements will be a function of the newly re-established Finance Director position.

Views of responsible officials and planned corrective actions: The Town agrees with the finding and agrees to adhere to correction action plan on page 151.

MATERIAL WEAKNESS/ MATERIAL NONCOMPLIANCE

Finding 2020-004 Preaudit Process (repeat)

Criteria: The Town was not in compliance with N.C. G.S. 159-28(a) in connection with the required preaudit process over purchases.

Conditions: In May 2020, land was purchased for the Town without proper pre-audit documentation. There were no approval signatures by the Interim Finance Director or Town Manager. Budget over-expenditures occurred in the General Fund, Spring Lake Acquisitions, Inc. Fund, Water and Sewer Fund, Stormwater Fund, Public Safety Grants and Projects Fund, and Recreation Capital Projects Funds.

Effect: The Town was in violation of the statute which resulted in overspending the current year budget. Also, purchase orders could be considered a void contract.

Cause: Following the resignation of the Finance Director in March 2020, the Town chose not to fill the vacancy. They instead moved the A/P Clerk into the Interim Finance Director role without backfilling the A/P Clerk position. Additionally, during FY 18-19 an Accounting Assistant position was eliminated. The lack of adequate staffing in the Finance Department led to improper oversight of finance operations.

Recommendation: We recommend that the Town fills the Finance Director position as soon as possible and implements standard operating procedures and policies to ensure that all purchases are pre-audited as required by N.C. General Statute 159-8(a).

Views of responsible officials and planned corrective actions: The Town agrees with the finding and agrees to adhere to the correction action plan on page 151.

MATERIAL WEAKNESS

Finding 2020-005 Missing Credit Card Receipts (repeat)

Criteria: Credit card receipts for should be turned in on a monthly basis.

Condition: Credit card receipts totaling over \$15,000 related to Economic Development activities were not turned in.

Effect: Without credit card receipts, the Town cannot adequately determine whether charges were for authorized for expenditures related to board approved activities.

Cause: The Town has exercised insufficient oversight over credit card purchases. Cardholders were not held accountable by Town Management.

Recommendation: We recommend that credit card receipts be required to be submitted within 10 business days of purchase. We recommend that cardholders not in compliance should have credit card purchasing privileges suspended until all receipts are provided.

Views of responsible officials and planned corrective actions: The Town agrees with the finding and agrees to adhere to the correction action plan on page 152.

MATERIAL WEAKNESS

Finding 2020-007 Invoices Not Turned in on a Timely Basis (repeat)

Criteria: Invoices should be turned into the payables clerk on a timely basis.

Condition: We noted several invoices during the year not turned into the payables clerk on a timely basis. This led to the invoices being paid late.

Effect: Invoices were paid late. Also, this reduces the accuracy of financial records when expenditures are missing, and it makes it difficult for the Finance Director to monitor the budget to actual during the fiscal year.

Cause: The Town has exercised insufficient oversight over departmental expenditures. Departments have not been held accountable by Town Management.

Recommendation: Invoices should be required to be submitted within 10 business days of purchase. Departments not in compliance will have purchasing privileges suspended until all invoices are provided to Finance.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 152.

MATERIAL WEAKNESS / MATERIAL NONCOMPLIANCE

Finding 2020-008 Material Journal Entries (repeat)

Criteria: Transactions must be accounted for accurately and on a timely basis.

Condition: The Town did not account for transactions accurately and on a timely basis requiring material year end journal entries. Material entries were needed for the following funds: Spring Lake Acquisitions, Inc. Fund, General Fund, Public Safety Grants and Projects Fund, and the Water and Sewer Fund.

Effect: The Town's Board did not have sufficient information needed to make an accurate assessment of the Town's financial position on a timely basis.

Cause: Following the resignation of the Finance Director in March 2020, the Town chose not to fill the vacancy. They instead moved the A/P Clerk into the Interim Finance Director role without backfilling the A/P Clerk position. Additionally, during FY 18-19 an Accounting Assistant position was eliminated. The lack of adequate staffing in the Finance Department led to improper oversight of finance operations.

Recommendation: We recommend that the Town fills the Finance Director position as soon as possible.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 153.

MATERIAL WEAKNESS/ MATERIAL NONCOMPLIANCE

Finding 2021-009 Audit Report Not Filed Timely

Criteria: The Town has not filed an audit report as required by NC G.S 159-34 for the fiscal years ended June 30, 2021, 2022, 2023, and 2024.

Condition: Due to the material weaknesses listed above, the Local Government Commission waived the annual audit requirement for the fiscal year ended June 30, 2021, as the LGC deemed the accounting records of the Town to be in such poor condition as to be un-auditable.

Effect: The Town's Board did not have adequate accounting records and financial reports to provide sufficient information to an independent auditor necessary to perform the annual in accordance with generally accepted auditing standards on a timely basis.

Cause: Following the resignation of the Finance Director in March 2020, the Town chose not to fill the vacancy. They instead moved the A/P Clerk into the Interim Finance Director role without backfilling the A/P Clerk position. Additionally, during FY 18-19 an Accounting Assistant position was eliminated. The lack of adequate staffing in the Finance Department led to improper oversight of finance operations.

Recommendation: We recommend that the Town fills the Finance Director position as soon as possible. We recommend that the Town contract with an independent certified public accounting firm to perform the audits for fiscal years 2022, 2023, and 2024.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 153.

Town of Spring Lake

BOARD OF COMMISSIONERS

Soña L. Cooper, Mayor Pro Tem
Robyn Chadwick, Commissioner
Marvin Lackman, Commissioner
Raul Palacios, Commissioner
Adrian Thompson, Commissioner



CHARTERED IN 1951

OFFICE OF THE MAYOR

Kia Anthony, Mayor

ADMINISTRATION

Jon Rorie, Town Manager
Carly Autry, Town Clerk
Michael R. Porter, Town Attorney

Corrective Action Plan

For the Fiscal Year Ended June 30, 2021

MATERIAL WEAKNESS

Finding 2020-001 Segregation of Duties

Name of contact person: James C Overton, Finance Director

Corrective Action: The Town has hired a new Finance Director as of July 15, 2024. By filling this vacant position, the Town will be able to segregate finance duties thereby eliminating this finding.

Proposed Completion Date: June 30, 2025.

MATERIAL WEAKNESS / MATERIAL NONCOMPLIANCE

Finding 2020-002 Excess of Expenditures over Appropriations

Name of Contact Person: James C Overton, Finance Director

Corrective Action: The Town has hired a financial consultant who is working on implementing standard operating procedures and policies targeted on budgeting and financial management. The Town will be implementing stronger financial controls to ensure that all purchases are pre-audited as required by NCGS 159-28(a).

Proposed Completion Date: The Town will implement the above procedures immediately.

Town of Spring Lake

BOARD OF COMMISSIONERS

Soña L. Cooper, Mayor Pro Tem
Robyn Chadwick, Commissioner
Marvin Lackman, Commissioner
Raul Palacios, Commissioner
Adrian Thompson, Commissioner



CHARTERED IN 1951

OFFICE OF THE MAYOR

Kia Anthony, Mayor

ADMINISTRATION

Jon Rorie, Town Manager
Carly Autry, Town Clerk
Michael R. Porter, Town Attorney

Corrective Action Plan

For the Fiscal Year Ended June 30, 2021

MATERIALWEAKNESS

Finding 2020-003 Bank Reconciliations

Name of contact person: James C Overton, Finance Director

Corrective Action: The Town has hired a new Finance Director as of July 15, 2024. By filling this vacant position, Town will be able to assign reconciliation of bank statements to the Finance Director.

Proposed Completion Date: June 30, 2025.

MATERIAL WEAKNESS / MATERIAL NONCOMPLIANCE

Finding 2020-004 Preaudit Process

Name of Contact Person: James C Overton, Finance Director

Corrective Action: The Town has hired a finance director who is working on implementing standard operating procedures and policies targeted on budgeting and financial management. The Town will be implementing stronger financial controls to ensure that all purchases are pre-audited as required by NCGS 159.

Proposed Completion Date: The Town will implement the above procedures immediately.

Town of Spring Lake

BOARD OF COMMISSIONERS

Soña L. Cooper, Mayor Pro Tem
Robyn Chadwick, Commissioner
Marvin Lackman, Commissioner
Raul Palacios, Commissioner
Adrian Thompson, Commissioner



CHARTERED IN 1951

OFFICE OF THE MAYOR

Kia Anthony, Mayor

ADMINISTRATION

Jon Rorie, Town Manager
Carly Autry, Town Clerk
Michael R. Porter, Town Attorney

Corrective Action Plan

For the Fiscal Year Ended June 30, 2021

MATERIAL WEAKNESS

Finding 2020-005 Missing Credit Card Receipts

Name of contact person: James C Overton, Finance Director

Corrective Action: The Town will be implementing a policy that requires all credit card receipts and supporting materials to be submitted with 5 business days of the purchase. Cardholders not in compliance will have credit card purchasing privileges suspended until all receipts are provided.

Proposed Completion Date: The Town will implement the above procedures immediately.

MATERIAL WEAKNESS

Finding 2020-007 Invoices Not Turned in on a Timely Basis

Name of contact person: James C Overton, Finance Director

Corrective Action: The Town will be implementing a policy that requires all invoices and supporting materials to be submitted with 5 business days of receipt of the invoice. The Town has placed invoices for utilities (electric and water) and certain other monthly expenditures on automatic bank draft so that invoices will be paid in a timely manner.

Proposed Completion Date: June 30, 2025.

Town of Spring Lake

BOARD OF COMMISSIONERS

Soña L. Cooper, Mayor Pro Tem
Robyn Chadwick, Commissioner
Marvin Lackman, Commissioner
Raul Palacios, Commissioner
Adrian Thompson, Commissioner



CHARTERED IN 1951

OFFICE OF THE MAYOR

Kia Anthony, Mayor

ADMINISTRATION

Jon Rorie, Town Manager
Carly Autry, Town Clerk
Michael R. Porter, Town Attorney

Corrective Action Plan

For the Fiscal Year Ended June 30, 2021

MATERIAL WEAKNESS

Finding 2020-008 Material Journal Entries

Name of contact person: James C Overton, Finance Director

Corrective Action: The Town has hired a new Finance Director as of July 15, 2024. By filling this vacant position, the Finance Director will be tasked with implementing Standard Operating Procedures to ensure all accounting functions are performed in a timely and accurate manner.

Proposed Completion Date: June 30, 2025.

MATERIAL WEAKNESS

Finding 2021-009 Audit Report Not Filed Timely

Corrective Action: The Town has contracted with Cherry Bekaert to perform the annual audit for the fiscal year ended June 30, 2022. The Town's staff has prepared these financial statements for the fiscal year ended June 30, 2021 to provide accurate ending balances for 2021 and beginning balances for 2022, and to record several prior period adjustments necessary to correct the financial statements for the fiscal year ended June 30, 2020. Upon completion of the fiscal year 2022 audit, the Town will begin work on the audits for fiscal years 2023, 2024 and 2025.

Proposed Completion Date: December 31, 2025.

Town of Spring Lake, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021

Finding: 2020-001
Status: Not corrected.

Finding: 2020-002
Status: Not corrected.

Finding: 2020-003
Status: Not corrected.

Finding: 2020-004
Status: Not corrected.

Finding: 2020-005
Status: Not corrected.

Finding: 2020-006
Status: Corrected.

Finding: 2020-007
Status: Not corrected.

Finding: 2020-008
Status: Not corrected.

Town of Spring Lake, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

	Federal CFDA Number	State / Pass- Through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures
Federal Grants:				
Cash Programs:				
United States Department of Homeland Security				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		\$ 275,002	\$ -
Passed through - NC Department of Public Safety				
Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Hurricane Florence PA-04-NC-4393-PW- 02096 FEMA -DR-NC-71208	100,329	-
United States Department of the Treasury				
Passed through - Cumberland County, North Carolina				
COVID-19 Coronavirus Relief Fund	21.019		159,286	-
State Grants:				
Cash Assistance:				
NC Department of Transportation:				
Powell Bill		38570	-	4,565
Total Federal and State Awards			\$ 534,617	\$ 4,565

Town of Spring Lake, North Carolina
Notes to the Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and state grant activity of the Town of Spring Lake (the "Town") under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal Pass-Through Funds

The Town is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-through are considered to be direct.

4. Contingencies

Grant monies received and disbursed by the Town are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the Town does not believe that such disallowance, if any, would have a material effect on the financial position of the Town of Spring Lake.

5. Noncash Assistance

The Town did not receive any federal noncash assistance for the fiscal year ended June 30, 2021.

6. Federally Funded Insurance.

The Town has no federally funded insurance.



**Home of the Airborne Mural
Spring Avenue**



**Mendoza Park
Spring Lake, North Carolina**