







**Town of Spring Lake, North Carolina**  
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## **Mayor and Board of Aldermen**

Kia Mayor, Mayor

Robyn Chadwick, Mayor Pro-Tem

Sona Cooper

Adrian Thompson

Marvin Lackman

Raul Palacios

## **Administrative and Financial Staff**

Joe Durham, Interim Town Manager

David Erwin, Local Government Commission

Interim Finance Director

Melissa Pereira, Town Clerk

Jonathan Charleston, Town Attorney



## **Financial Section**



## **Management's Discussion and Analysis**



# Town of Spring Lake, North Carolina

## Management's Discussion and Analysis

### June 30, 2022

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, 2022. 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 \$8,282,752 (*net position*).
- The government's total net position increased by \$2,190,524, primarily due to an increase of \$926,375 in governmental activities net position and \$1,264,149 in 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 \$1,600,782, an increase of \$728,375. Approximately 183% of this total amount, or \$2,923,748, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was a deficit of (\$642,814), or (11.30%) of total general fund expenditures for the fiscal year.
- The Town's total debt, excluding compensated absences, pensions, and OPEB, decreased by \$942,555 (8.41%) during the current fiscal year. Governmental activity debt decreased \$705,793, while Water and Sewer Fund debt decreased \$188,452. Sanitation Fund debt decreased \$48,310. The key factors in this decrease were the payments of principal on existing loans of \$942,555. The Town did not issue any new debt during the fiscal year ended June 30, 2022.
- The Town's General Fund recognized an increase in fund balance of \$1,603,164 in the current fiscal year compared to a decrease of (\$296,845) in the previous fiscal year. The increase in fund balance was primarily due to a decrease in expenditures and interfund transfers to other funds of \$2,638,923. The General Fund received reimbursements of expenditures from other funds totaling \$279,050 in the current fiscal year.
- The Town completed the construction of the new Manchester Fire Station in the current fiscal year at a total cost of \$1,249,905.







## 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*



**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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 5,027,830	\$ 1,792,843	\$ 5,097,440	\$ 3,616,903	\$ 10,125,270	\$ 5,409,746
Capital assets	11,251,505	11,284,554	8,312,261	8,861,276	19,563,766	20,145,830
<b>Total assets</b>	<b><u>16,279,335</u></b>	<b><u>13,077,397</u></b>	<b><u>13,409,701</u></b>	<b><u>12,478,179</u></b>	<b><u>29,689,036</u></b>	<b><u>25,555,576</u></b>
Deferred outflows of resources	<u>2,525,931</u>	<u>2,406,515</u>	<u>527,175</u>	<u>599,721</u>	<u>3,053,106</u>	<u>3,006,236</u>
Long-term liabilities outstanding	11,626,259	13,709,142	3,568,868	4,199,830	15,195,127	17,908,972
Other liabilities	5,245,169	2,082,035	757,963	779,962	6,003,132	2,861,997
<b>Total liabilities</b>	<b><u>16,871,428</u></b>	<b><u>15,791,177</u></b>	<b><u>4,326,831</u></b>	<b><u>4,979,792</u></b>	<b><u>21,198,259</u></b>	<b><u>20,770,969</u></b>
Deferred inflows of resources	<u>2,679,209</u>	<u>1,364,481</u>	<u>581,922</u>	<u>334,134</u>	<u>3,261,131</u>	<u>1,698,615</u>
<b>Net Position:</b>						
Net investment in capital assets	3,531,506	2,858,762	5,764,855	6,077,108	9,296,361	8,935,870
Restricted	2,924,099	2,850,603	75,395	75,551	2,999,494	2,926,154
Unrestricted	<u>(7,200,976)</u>	<u>(7,381,111)</u>	<u>3,187,873</u>	<u>1,611,315</u>	<u>(4,013,103)</u>	<u>(5,769,796)</u>
<b>Total net position</b>	<b><u>\$ (745,371)</u></b>	<b><u>\$ (1,671,746)</u></b>	<b><u>\$ 9,028,123</u></b>	<b><u>\$ 7,763,974</u></b>	<b><u>\$ 8,282,752</u></b>	<b><u>\$ 6,092,228</u></b>

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 decreased by 0.35% to 98.80% from 99.15% in the previous year.
- Investment earnings increased over the previous year by \$11,241 due to increases in the Town's cash balances available for investment.
- Sales tax revenues (net of reimbursement to Cumberland County per interlocal agreement) increased by \$535,255 over the previous year.



**Governmental activities:** Governmental activities increased the Town's net position by \$926,375, accounting for 42.29% of the total increase in the net position of the Town. The key elements of this increase are as follows:

- Reduction in expenditures by \$1,490,412 from the previous year.
- Insurance proceeds of \$135,000 for recovery of employee embezzlement in prior fiscal years.

**Business-type activities:** Business-type activities increased the Town's net position by \$1,264,149, accounting for 57.71% of the total increase in the Town's net position. The key elements of this increase are as follows:

- Increase in operating revenues in the Water and Sewer Fund of \$228,149 due to rate increases for water and sewer services.
- Increase in Sanitation revenues of \$82,413 due to a \$29 increase in the annual solid waste fee.
- Decrease in expenditures of \$728,753 combined in the Water and Sewer, Sanitation and Storm Water Funds.
- Reimbursement from FEMA of \$326,099 for damages due to Hurricane Florence.

### **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.

**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 (\$642,814), while total fund balance increased to \$2,210,407. 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 (11.30%) of total General Fund expenditures, while total fund balance represents 38.84% of that same amount. Nonspendable and restricted fund balance represents 50.13% of total General Fund expenditures.

**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 2022 were \$7,660,733 compared to \$7,497,073 in the previous year. Revenues exceeded the budgeted amounts by \$276,274. primarily due to the increase in sales tax revenues and insurance proceeds.

- Ad-valorem taxes decreased by \$24,615 due to an increase of \$1,730,998 (0.37%) in assessed property value and a decrease in the tax collection percentage from 99.15% in the previous fiscal year 2021 to 98.80% in the current fiscal year 2022.
- Sales tax revenues (net of reimbursement to Cumberland County) increased by \$535,255 (23%).
- Restricted intergovernmental revenues (Federal, state and local grants) decreased by \$321,258 due to COVID-19 grant of \$159,286 and FEMA reimbursement of \$100,329 received in the prior fiscal year 2021.
- Revenues from permits and fees decreased by \$35,691 due primarily to Fire Department and Inspections Department fees.
- Miscellaneous revenues increased by \$87,860 due to insurance proceeds of \$135,000 received in fiscal year 2022 for employee embezzlement in previous years.

Total budgeted appropriations in the General Fund exceeded expenditures by \$1,475,338. Total expenditures in the General Fund for fiscal year 2022 were \$5,691,103 compared to \$8,476,976 in the previous year, a decrease of \$2,785,873 (32.86%). Major increases and decreases in expenditures are listed below:

- General government expenditures decreased by \$514,904 due mainly to reductions in salaries and benefits and expense reimbursements from other funds of \$279,050.
- Public safety expenditures decreased by \$1,887,603 due to the purchase of 2 fire trucks in prior year 2021 for \$1,150,380 and reductions in salaries and benefits of \$570,037.
- Transportation expenditures decreased by \$213,310 due to reductions in salaries and benefits, utilities and the elimination of bus service in Spring Lake.
- Economic development expenditures decreased by \$50,090 due to Project Wildcat expenditures in prior year 2021.
- Cultural and recreation expenditures decreased by \$198,357 due to reductions in salaries and benefits.



Major capital asset transactions during the year include the following:

- Purchase aerator for Waste Water Treatment Plant at \$19,521.
- Construction in progress for a new Fire Station \$564,988.
- Transfer from construction in progress to buildings of \$1,249,905 completion of the new fire station.

Additional information on the Town’s capital assets can be found in Note 3 on page 67 of this report.

### Town of Spring Lake’s Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
General obligation bonds	\$ -	\$ -	\$ 1,068,000	\$ 1,093,000	\$ 1,068,000	\$ 1,093,000
Installment purchases						
Notes payable - BB&T	300,000	450,000	-	48,310	300,000	498,310
Notes payable - South River EMC	1,000,000	1,000,000	-	-	1,000,000	1,000,000
Notes payable - USDA	2,023,281	2,069,177	-	-	2,023,281	2,069,177
Notes payable - First Bank	1,011,890	1,115,487	-	-	1,011,890	1,115,487
Spring Lake Property Acquisitions,	3,184,557	3,500,000	-	-	3,184,557	3,500,000
Notes payable - NCDEQ	-	-	1,479,406	1,642,858	1,479,406	1,642,858
Capital leases	200,271	291,128	-	-	200,271	291,128
Compensated absences	149,511	148,513	47,734	45,178	197,245	193,691
Total OPEB liability	4,409,674	4,129,471	997,652	1,122,304	5,407,326	5,251,775
Total pension liability - LEOSSA	470,253	491,664	-	-	470,253	491,664
Net pension liability - NCLGERS	798,979	1,816,180	177,768	496,541	976,747	2,312,721
<b>Total</b>	<u>\$ 13,548,416</u>	<u>\$ 15,011,620</u>	<u>\$ 3,770,560</u>	<u>\$ 4,448,191</u>	<u>\$ 17,318,976</u>	<u>\$ 19,459,811</u>

**Long-term Debt.** As of June 30, 2022, the Town of Spring Lake had total bonded debt outstanding of \$1,068,000. 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 decreased by \$2,140,835 (11.00%) during the current fiscal year. The key factors in this increase were as follows:







charges for water will increase by 14% per 1,000 gallons. Consumption or usage charges for sewer will increase by 5% per 1,000 gallons.

Total budgeted expenditures for the Sanitation Fund or the upcoming fiscal year 2023 are \$626,522. This is a decrease of \$27,454 from the final budget of \$653,976 for the previous fiscal year 2022. The annual solid waste fees for fiscal year 2023 will remain at \$307.

Total budgeted expenditures for the Storm Water Fund or the upcoming fiscal year 2023 are \$260,092. This is a decrease of \$32,311 from the final budget of \$292,403 for the previous fiscal year 2022. 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](http://www.townofspringlake.com) or send an email to [joverton@townofspringlake.com](mailto:joverton@townofspringlake.com) for more information.



**Town of Spring Lake, North Carolina**  
**STATEMENT OF NET POSITION**  
**June 30, 2022**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 241,480	\$ 3,942,825	\$ 4,184,305
Restricted cash and cash equivalents	3,418,689	415,746	3,834,435
Taxes receivables (net)	59,924	-	59,924
Accounts receivable (net)	-	287,994	287,994
Other receivables	25,984	-	25,984
Due from other governments	1,368,556	21,934	1,390,490
Due from component unit	336,910	-	336,910
Internal balances	(428,366)	428,366	-
Prepaid items	4,653	575	5,228
Total current assets	<u>5,027,830</u>	<u>5,097,440</u>	<u>10,125,270</u>
Non-current assets:			
Capital assets (Note 2):			
Land, non-depreciable improvements, and construction in progress	2,991,821	82,889	3,074,710
Other capital assets, net of depreciation	8,259,684	8,229,372	16,489,056
Total capital assets	<u>11,251,505</u>	<u>8,312,261</u>	<u>19,563,766</u>
Total non-current assets	<u>11,251,505</u>	<u>8,312,261</u>	<u>19,563,766</u>
TOTAL ASSETS	<u>16,279,335</u>	<u>13,409,701</u>	<u>29,689,036</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	1,656,573	330,490	1,987,063
OPEB deferrals	869,358	196,685	1,066,043
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,525,931</u>	<u>527,175</u>	<u>3,053,106</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, 2022**

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>
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 1,314,797	\$ -	\$ 17,732	\$ -
Public safety	4,121,933	79,463	247,257	-
Transportation	656,345	8,306	391,975	-
Economic development	98,122	5,906	-	-
Environmental protection	-	-	3,008	-
Cultural and recreation	575,418	24,115	48,566	-
Interest on long-term debt	214,086	-	82,500	-
Total governmental activities	<u>6,980,701</u>	<u>117,790</u>	<u>791,038</u>	<u>-</u>
Business-type activities:				
Water and Sewer	3,179,434	3,723,140	-	326,099
Sanitation	564,703	714,348	-	-
Stormwater	19,479	289,167	-	-
Total business-type activities	<u>3,763,616</u>	<u>4,726,655</u>	<u>-</u>	<u>326,099</u>
Total primary government	<u>\$10,744,317</u>	<u>\$ 4,844,445</u>	<u>\$ 791,038</u>	<u>\$ 326,099</u>

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



**Town of Spring Lake, North Carolina**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2022**

Exhibit 3

	Major Funds			Total	
	General Fund	Spring Lake Property Acquisitions	American Rescue Plan	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 104,602	\$ -	\$ -	\$ 7,288	\$ 111,890
Restricted cash and cash equivalents	1,192,156	-	1,916,040	310,493	3,418,689
Receivables, net:					
Taxes	59,924	-	-	-	59,924
Other receivables	25,984	-	-	-	25,984
Due from other governments	1,293,518	-	-	70,034	1,363,552
Due from component unit	336,910	-	-	-	336,910
Prepaid items	4,653	-	-	-	4,653
	<hr/>				
Total assets	\$ 3,017,747	\$ -	\$ 1,916,040	\$ 387,815	\$ 5,321,602
<hr/>					
<b>LIABILITIES</b>					
Accounts payable	\$ 463,546	\$ -	\$ -	\$ -	\$ 463,546
Accrued liabilities	186,395	-	-	5,425	191,820
Due to other funds	97,099	-	-	331,267	428,366
Due to primary government	-	336,910	-	-	336,910
Due to Cumberland County	-	16,897	-	-	16,897
Unearned revenues	-	-	1,912,981	310,000	2,222,981
Total liabilities	747,040	353,807	1,912,981	646,692	3,660,520
<hr/>					
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid taxes	376	-	-	-	376
Property taxes receivable	59,924	-	-	-	59,924
Total deferred inflows of resources	60,300	-	-	-	60,300
<hr/>					
<b>FUND BALANCES</b>					
Nonspendable					
Prepaid items	4,653				4,653
Restricted					
Stabilization by State Statute	1,656,412	-	-	70,034	1,726,446
Streets	814,407	-	-	-	814,407
Cultural and recreation	-	-	-	493	493
Debt service	377,749	-	-	-	377,749
Assigned					
Transportation streets	-	-	-	7,288	7,288
Unassigned fund balance (deficit)	(642,814)	(353,807)	3,059	(336,692)	(1,330,254)
Total fund balances	2,210,407	(353,807)	3,059	(258,877)	1,600,782
<hr/>					
Total liabilities, deferred inflows of resources and fund balances	\$ 3,017,747	\$ -	\$ 1,916,040	\$ 387,815	\$ 5,321,602

*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, 2022

Exhibit 4

	General Fund	Spring Lake Property Acquisitions	American Rescue Plan	Total Non- Major Funds	Total Governmental Funds
<b>Revenues:</b>					
Ad valorem taxes	\$ 3,268,360	\$ -	\$ -	\$ -	\$ 3,268,360
Other taxes and licenses	55,555				55,555
Unrestricted intergovernmental	3,399,677				3,399,677
Restricted intergovernmental	619,929			171,109	791,038
Permits and fees	85,369				85,369
Sales and services	32,421				32,421
Investment earnings	4,961	15	3,059	493	8,528
Miscellaneous	194,461				194,461
Total revenues	<u>7,660,733</u>	<u>15</u>	<u>3,059</u>	<u>171,602</u>	<u>7,835,409</u>
<b>Expenditures:</b>					
Current:					
General government	872,577				872,577
Public safety	3,522,370			912,315	4,434,685
Transportation	345,656				345,656
Economic development	33,270	7,198			40,468
Cultural and recreation	389,076				389,076
Debt service:					
Principal retirement	390,350	315,443			705,793
Interest	137,804	45,270			183,074
Total expenditures	<u>5,691,103</u>	<u>367,911</u>	<u>-</u>	<u>912,315</u>	<u>6,971,329</u>
Excess (deficiency) of revenues over (under) expenditures	1,969,630	(367,896)	3,059	(740,713)	864,080
<b>Other financing sources (uses):</b>					
Transfers from other funds	-			230,761	230,761
Transfers to other funds	(366,466)				(366,466)
Total other financing sources (uses)	<u>(366,466)</u>	<u>-</u>	<u>-</u>	<u>230,761</u>	<u>(135,705)</u>
<b>Net change in fund balance</b>	1,603,164	(367,896)	3,059	(509,952)	728,375
<b>Fund balances, beginning, as previously reported</b>	607,243	14,089	-	371,147	992,479
<b>Prior period adjustment</b>	-	-	-	(120,072)	(120,072)
<b>Fund balances, beginning, as restated</b>	<u>607,243</u>	<u>14,089</u>	<u>-</u>	<u>251,075</u>	<u>872,407</u>
<b>Fund balances, ending</b>	<u>\$ 2,210,407</u>	<u>\$ (353,807)</u>	<u>\$ 3,059</u>	<u>\$ (258,877)</u>	<u>\$ 1,600,782</u>

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





**Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2022**

Exhibit 6

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 15	\$ 15
Total revenues	-	-	15	15
<b>Expenditures:</b>				
Economic Development:				
Solid waste fees	-	-	1,486	(1,486)
Property taxes	-	-	5,712	(5,712)
Total expenditures	-	-	7,198	(7,198)
Debt service:				
Principal retirement	-	-	315,443	(315,443)
Interest	-	-	45,270	(45,270)
Total debt service	-	-	360,713	(360,713)
Total expenditures	-	-	367,911	(367,911)
Revenues over (under) expenditures	-	-	(367,896)	<u>\$ (367,896)</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(367,896)	<u>(367,896)</u>
Fund balance, beginning			<u>14,089</u>	
Fund balance, ending			<u>\$ (353,807)</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, 2022**

Exhibit 7

	Major Enterprise Funds				Internal Service Fund
	Water and Sewer Fund	Sanitation Fund	Storm Water Fund	Total	
<b>Liabilities</b>					
Current Liabilities:					
Accounts payable	136,021	36,247	12,353	184,621	7,478
Accrued salaries	23,233	2,574	1,568	27,375	1,629
Accrued interest	3,924	-	-	3,924	-
Due to other funds	543,200	-	-	543,200	-
Compensated absences - current	11,831	-	408	12,239	-
Bonds payable - current	26,000	-	-	26,000	-
Federal revolving loan - current	163,453	-	-	163,453	-
Liabilities payable from restricted assets:					
Customer deposits	340,351	-	-	340,351	-
Total current liabilities	<u>1,248,013</u>	<u>38,821</u>	<u>14,329</u>	<u>1,301,163</u>	<u>9,107</u>
Noncurrent liabilities:					
Compensated absences	35,495	-	-	35,495	-
Total OPEB liability	811,640	121,665	64,347	997,652	-
Net pension liability	143,289	22,172	12,307	177,768	-
Bonds payable	1,042,000	-	-	1,042,000	-
Federal revolving loan	1,315,953	-	-	1,315,953	-
Total noncurrent liabilities	<u>3,348,377</u>	<u>143,837</u>	<u>76,654</u>	<u>3,568,868</u>	<u>-</u>
Total liabilities	<u>4,596,390</u>	<u>182,658</u>	<u>90,983</u>	<u>4,870,031</u>	<u>9,107</u>
<b>Deferred Inflows of Resources</b>					
Pension deferrals	204,717	31,677	17,583	253,977	-
OPEB deferrals	266,800	39,993	21,152	327,945	-
Total deferred inflows of resources	<u>471,517</u>	<u>71,670</u>	<u>38,735</u>	<u>581,922</u>	<u>-</u>
<b>Net Position</b>					
Net investment in capital assets	5,621,608	37,353	105,894	5,764,855	-
Restricted USDA debt service	75,395	-	-	75,395	-
Unrestricted	<u>2,256,718</u>	<u>212,501</u>	<u>718,654</u>	<u>3,187,873</u>	<u>125,487</u>
Total net position	<u>\$ 7,953,721</u>	<u>\$ 249,854</u>	<u>\$ 824,548</u>	<u>\$ 9,028,123</u>	<u>\$ 125,487</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, 2022**

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)	\$ 594,166	\$ 149,711	\$ 269,688	\$ 1,013,565	(185,903)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	531,556	29,169	7,811	568,536	-
Changes in assets, deferred outflows, liabilities and deferred inflows:					
(Increase) decrease in accounts receivable	36,242	-	-	36,242	-
(Increase) decrease in due from other governments	199,290	165	852	3,241	10,729
(Increase) decrease in prepaid items	(575)	-	-	(575)	-
Increase (decrease) in accounts payable	(14,280)	5,338	12,183	3,241	14
Increase (decrease) in accrued liabilities	23,233	2,574	1,568	27,375	1,629
Increase (decrease) in customer deposits	(5,167)	-	-	(5,167)	-
(Increase) decrease in deferred outflows of resources - pensions	15,665	11,531	27,540	54,736	-
(Increase) decrease in deferred outflows of resources - OPEB	(120)	3,918	14,013	17,811	-
Increase (decrease) in net pension liability	(220,271)	(45,822)	(52,680)	(318,773)	-
Increase (decrease) in accrued OPEB liability	(24,968)	(24,334)	(75,350)	(124,652)	-
Increase (decrease) in deferred inflows of resources - pensions	204,717	31,677	17,583	253,977	-
Increase (decrease) in deferred inflows of resources - OPEB	17,724	(3,474)	(20,439)	(6,189)	-
Increase (decrease) in accrued vacation pay	2,554	-	2	2,556	-
Total adjustments	765,600	10,742	(66,917)	509,118	12,372
Net cash provided (used) by operating activities	<u>\$ 1,359,766</u>	<u>\$ 160,453</u>	<u>\$ 202,771</u>	<u>\$ 1,522,683</u>	<u>\$(173,531)</u>

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









**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 for Mendoza Park and the Community Walking Trail Project.

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

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

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.

























Earlier application is encouraged and is permitted by topic. The Town is currently reviewing this Statement to determine the effect on the 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. 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 the 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.

**Accounting Pronouncements Implemented:**

***GASB Statement No. 98, The Annual Comprehensive Financial Report***

In October 2021, the GASB issued GASB 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 Town of Spring Lake, North Carolina Notes to Financial Statements - 59 - 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. The Town did not issue an Annual Comprehensive Financial Report for the year ended June 30, 2022.

***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 Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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 has implemented the requirements of the new standard for the year ended June 30, 2022.

### ***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 No. 53, as amended

Providing an exception to the lease modifications guidance in Statement No. 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. 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 has implemented the requirements of the new standard for the year ended June 30, 2022.

#### ***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. With the issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, the effective date of this statement was extended by one year. The Town has implemented the requirements of the new standard for the year ended June 30, 2022.

## **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. With the issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, the effective date of this statement was postponed by 18 months. The Town has implemented the requirements of the new standard for the year ended June 30, 2022.

### **17. Subsequent Events – Date of Management's Evaluation**

Management has evaluated subsequent events through September 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.

On August 28, 2025, the Town of Spring Lake purchased the mortgage note payable by Spring Lake Property Acquisitions, Inc. from Truist Bank (formerly BB&T Governmental Finance) for the sum of \$450,000. Truist bank applied the payment of \$450,000 to accrued interest of \$256,032 and outstanding principal of \$193,968. In the fiscal year ending June 30, 2026, SLPA will recognize income for forgiveness of debt for the remaining principal balance of \$2,990,588 as of August 28, 2025. As of the date of this report September 30, 2025, the outstanding loan balance due to Truist Bank was zero (\$0).

SLPA 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 2025 payable to Cumberland County of approximately \$46,959. SLPA has no assets other than the real estate purchased. The Town is in the process of foreclosing on all real property owned by SLPA. Once the foreclosure is completed, the Town will offer the real estate for sale. The Town is 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. Any remaining sales proceeds will be applied to repay the Town for the outstanding balance of \$336,910 and the \$450,000 for the purchase of the mortgage from Truist Bank.

## **NOTE 2 - 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, 2022, 2023 and 2024, 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 June 30, 2026 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. See Note 1 E 17 Subsequent Events on page 61 of this report. The Town purchased this mortgage loan from Truist Bank for \$450,000 on August 28, 2025. As of the date of this report, September 30, 2025, the outstanding loan balance payable to Truist Bank was zero.

## **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, 2023, did not include any appropriation for the fund deficits listed below. The Governmental Activities had a deficit net position of \$745,371 as of June 30, 2022.

The following funds had a deficit total fund balance as of June 30, 2022:

<u>Fund</u>	<u>Deficit</u>
Spring Lake Property Acquisitions, Inc.	\$353,807
Spring Fling Fund	3,951
Public Safety Grants and Projects Fund	129,061
Spring Lake Fire Station #2	19,144
Recreation Capital Project	114,502
Water and Sewer improvements Capital Project Fund	543,200

**C. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2022, 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>
<b>General Fund</b>			
Administration	\$ 101,981	\$ 116,941	\$ (14,960)
Tax Collection	64,000	67,916	(3,916)
Public Works Administration	72,278	90,060	(17,782)
Police	2,368,311	2,325,955	42,356
Economic Development	-	4,934	(4,934)
Senior Enrichment Center	90,465	95,175	(4,710)
Debt Service	527,619	528,154	(535)
<b>Spring Lake Property Acquisitions, Inc.</b>			
Economic Development	-	7,198	(7,198)
Debt Service	-	360,713	(360,713)
<b>Public Safety Grants and Projects Fund</b>			
SAFER Grant	308,960	1,004,638	(695,678)
Public Safety Equipment	-	229,950	(229,950)
<b>Water and Sewer Fund</b>			
Debt Service	216,587	239,004	(22,417)
<b>Water and Sewer Improvements Capital Project Fund</b>			
Chapel Hill Road Sewer Main Extension	87,389	94,543	(7,154)
Downtown Area Sewer Rehabilitation	-	1,345	(1,345)
Total All Funds	<u>\$ 3,837,590</u>	<u>\$ 5,166,526</u>	<u>\$ (1,328,936)</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, 2022, 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, 2022, the Town's deposits had a carrying amount of \$769,464 and a bank balance of \$907,414. 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, 2022, Spring Lake Property Acquisitions, Inc. did not have any bank deposits. At June 30, 2022, the Town's petty cash fund totaled \$825.

**2. Investments**

At June 30, 2022, the Town's investment balances were as follows:

Investment Type	Valuation		Value	Maturity	Rating
	Measurement Method				
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1		\$7,248,451	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, 2022.

*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, 2022, were as follows:

	Accounts	Taxes	Due from other Governments	Total
<b>Governmental Activities:</b>				
General	\$ 26,150	\$ 128,163	\$ 1,298,522	\$ 1,452,835
Non-Major Funds	-	-	70,034	70,034
Allowance for doubtful accounts	(166)	(68,239)	-	(68,405)
Total governmental activities	<u>\$ 25,984</u>	<u>\$ 59,924</u>	<u>\$ 1,368,556</u>	<u>\$ 1,454,464</u>
<b>Business-Type Activities:</b>				
	Charges for Service -	Allowance	Due from other Governments	Total
Water and Sewer Fund	\$ 1,027,645	\$ (739,661)	\$ 14,042	\$ 302,026
Sanitation Fund	102,796	(102,789)	5,760	5,767
Storm Water Fund	7,400	(7,397)	2,132	2,135
Total business-type activities	<u>\$ 1,137,841</u>	<u>\$ (849,847)</u>	<u>\$ 21,934</u>	<u>\$ 309,928</u>

Due from other governments consists of the following:

#### Governmental Activities:

NC Department of Revenue	
Local option sales tax	\$ 897,669
Franchise tax	112,068
Sales tax refund receivable	105,936
Cumberland County-property taxes	45,254
Mid Carolina Council of Governments	1,045
City of Fayetteville	206,584
Total Governmental Activities	<u>1,368,556</u>

#### Business-Type Activities:

North Carolina Department of Revenue	
Sales tax refund receivable	14,385
Solid waste disposal tax	2,034
Cumberland County Tax Department	
Solid waste fees	3,555
Storm water fees	1,960
Total Business-Type Activities	<u>21,934</u>

Total Due from Other Governments \$ 1,390,490

#### 4. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Governmental Activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 2,991,821	\$ -	\$ -	\$ -	\$ 2,991,821
Construction in Progress	684,917	564,988	-	(1,249,905)	-
Total capital assets not being depreciated	<u>3,676,738</u>	<u>564,988</u>	<u>-</u>	<u>(1,249,905)</u>	<u>2,991,821</u>
<b>Capital assets being depreciated:</b>					
Buildings	7,664,991	1,249,905	-	-	8,914,896
Other Improvements	2,483,382	-	-	-	2,483,382
Equipment	1,169,963	-	-	-	1,169,963
Vehicles	5,103,338	-	-	-	5,103,338
Total capital assets being depreciated	<u>16,421,674</u>	<u>1,249,905</u>	<u>-</u>	<u>-</u>	<u>17,671,579</u>
<b>Less accumulated depreciation for:</b>					
Buildings	3,302,219	237,252	-	-	3,539,471
Other Improvements	994,183	124,169	-	-	1,118,352
Equipment	1,021,986	41,998	-	-	1,063,984
Vehicles	3,495,470	194,618	-	-	3,690,088
Total accumulated depreciation	<u>8,813,858</u>	<u>\$ 598,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>9,411,895</u>
Total capital assets being depreciated, net	<u>7,607,816</u>				<u>8,259,684</u>
<b>Governmental activity capital assets, net</b>	<u>\$11,284,554</u>				<u>\$ 11,251,505</u>
General government	16,515				
Public safety	218,066				
Transportation	122,749				
Economic development	57,571				
Cultural and recreation	<u>183,136</u>				
Total	<u>\$ 598,037</u>				

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Business-type Activities</b>					
<b><i>Water and Sewer Fund</i></b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 82,889	\$ -	\$ -	\$ -	\$ 82,889
Total capital assets not being depreciated	82,889	-	-	-	82,889
<b>Capital assets being depreciated:</b>					
Water and sewer system	13,192,376	-	-	-	13,192,376
Waste water treatment plant	6,124,382	-	-	-	6,124,382
Equipment	1,017,980	19,521	-	-	1,037,501
Vehicles	271,702	-	-	-	271,702
Total capital assets being depreciated	20,606,440	19,521	-	-	20,625,961
<b>Less accumulated depreciation for:</b>					
Water and sewer system	7,633,052	324,762	-	-	7,957,814
Waste water treatment plant	3,157,847	177,873	-	-	3,335,720
Equipment	954,522	24,307	-	-	978,829
Vehicles	262,859	4,614	-	-	267,473
Total accumulated depreciation	12,008,280	\$ 531,556	\$ -	\$ -	12,539,836
Total capital assets being depreciated, net	8,598,160				8,086,125
<b>Water and Sewer Fund capital assets, net</b>	<b>\$ 8,681,049</b>				<b>\$ 8,169,014</b>
<b><i>Sanitation Fund</i></b>					
<b>Capital assets being depreciated:</b>					
Equipment	\$ 178,589	\$ -	\$ -	\$ -	\$ 178,589
Vehicles	294,574	-	-	-	294,574
Total capital assets being depreciated	473,163	-	-	-	473,163
<b>Less accumulated depreciation for:</b>					
Equipment	161,402	13,749	-	-	175,151
Vehicles	245,239	15,420	-	-	260,659
Total accumulated depreciation	406,641	\$ 29,169	\$ -	\$ -	435,810
Total capital assets being depreciated, net	66,522				37,353
<b>Sanitation Fund capital assets, net</b>	<b>\$ 66,522</b>				<b>\$ 37,353</b>

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Stormwater Fund</b>					
<b>Capital assets being depreciated:</b>					
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
<b>Less accumulated depreciation for:</b>					
Stormwater Improvements	81,573	7,811	-	-	89,384
Equipment	7,100	-	-	-	7,100
Vehicles	171,171	-	-	-	171,171
Total accumulated depreciation	259,844	\$ 7,811	\$ -	\$ -	267,655
Total capital assets being depreciated, net	<u>113,705</u>				<u>105,894</u>
<b>Stormwater Fund capital assets, net</b>	<u>\$ 113,705</u>				<u>\$ 105,894</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 8,861,276</u>				<u>\$ 8,312,261</u>

## 5. Construction Commitments

The Town has active construction projects as of June 30, 2022. At year-end, the Town's commitments with contractors are as follows:

Cumberland County – Mendoza Park      \$200,000

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2022, 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>
<b>Governmental Activities:</b>					
Vendors	\$ 458,156	\$ -	\$ -	\$ 7,478	\$ 465,634
Payroll withholding liabilities	5,390	-	5,425	-	10,815
Accrued salaries and related items	186,395	-	-	1,629	188,024
Accrued interest on long-term debt	39,536	42,215	-	-	81,751
Due to other governments	-	16,897	-	-	16,897
Total governmental activities	<u>\$ 689,477</u>	<u>\$ 59,112</u>	<u>\$ 5,425</u>	<u>\$ 9,107</u>	<u>\$ 763,121</u>
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Storm Water Fund</u>	<u>Total</u>	
<b>Business-Type Activities:</b>					
Vendors	\$ 136,021	\$ 36,247	\$ 12,353	\$ 184,621	
Accrued interest on long-term debt	3,924	-	-	3,924	
Accrued salaries and related items	23,233	2,574	1,568	27,375	
Total business-type activities	<u>\$ 163,178</u>	<u>\$ 38,821</u>	<u>\$ 13,921</u>	<u>\$ 215,920</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](http://www.osc.nc.gov).

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

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Spring Lake employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Spring Lake's contractually required contribution rate for the year ended June 30, 2022, was 18.72% of compensation for law enforcement officers and 17.97% 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 \$588,886 for the year ended June 30, 2022.

**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, 2022, the Town reported a liability of \$976,747 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2022, the Town's proportion was 0.06369%, (measured as of June 30, 2021), which was a decrease of 0.00103% from its proportion measured as of June 30, 2021 (measured as of June 30, 2020).

For the year ended June 30, 2022, the Town recognized pension expense of \$37,871. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 310,738	\$ -
Changes of assumptions	613,647	-
Net difference between projected and actual earnings on pension plan investments	-	1,395,478
Changes in proportion and differences between Town contributions and proportionate share of contributions	302,609	-
Town contributions subsequent to the measurement date	588,886	-
Total	<u>\$ 1,815,880</u>	<u>\$ 1,395,478</u>

\$588,886 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2023	\$ 233,319
2024	77,488
2025	(52,268)
2026	(427,023)
2027	-
Thereafter	-
	<u>\$ (168,484)</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2020 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 8.25 percent, including inflation and
Investment rate of return	6.50 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, 2020 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, 2021 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 2020 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 2.50%. All rates of return and inflation are annualized.

**Discount rate.** The discount rate used to measure the total pension liability was 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 3,791,652	\$ 976,747	\$ (1,339,755)

**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 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, 2020, the Separation Allowance’s membership consisted of:

Active plan members	27
Inactive members currently receiving benefits	<u>4</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, 2020 valuation. The total pension liability in the December 31, 2020 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	2.25 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, 2020, 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 \$54,870 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, 2022, the Town reported a total pension liability of \$470,253. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of (\$3,907).

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 43,014	\$ 74,949
Changes of assumptions and other inputs	99,449	12,846
Town benefit payments and plan administrative expenses made subsequent to the measurement date	28,720	-
Total	<u>\$ 171,183</u>	<u>\$ 87,795</u>

\$28,720 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2023	\$ (3,371)
2024	15,720
2025	33,721
2026	11,519
2027	(2,921)
Thereafter	-
	<u>\$ 54,668</u>

**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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<b>1% Decrease (1.25%)</b>	<b>Discount Rate (2.25%)</b>	<b>1% Increase (3.25%)</b>
Total pension liability	\$ 509,577	\$ 470,253	\$ 434,508

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

	<u>2022</u>
Beginning balance	\$ 491,664
Changes for the year:	
Service cost	47,898
Interest on the total pension liability	9,027
Changes of benefit terms	-
Differences between expected and actual experience	(18,283)
Changes of assumptions or other inputs	(12,183)
Benefit payments	(47,870)
Net changes for the year	<u>(21,411)</u>
Ending balance of the total pension liability	<u><u>\$ 470,253</u></u>

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, 2020, 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.

## 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	\$ 47,932	\$ (3,907)	\$ 44,025
Pension liability	976,747	470,253	1,447,000
Proportionate share of the net pension liability	0.06369%	N/A	
Deferred outflows of resources:			
Differences between expected and actual experience	310,738	43,014	353,752
Changes in assumptions	613,647	99,449	713,096
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	302,609	-	302,609
Benefit payments and administrative costs paid subsequent to the measurement period	588,886	28,720	617,606
Deferred inflows of resources:			
Differences between expected and actual experience	-	74,949	74,949
Changes in assumptions	-	12,846	12,846
Net difference between projected and actual earnings on plan investments	1,395,478	-	1,395,478
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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, 2022 were \$102,659, which consisted of \$63,349 from the Town and \$39,310 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](http://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, 2022, the State contributed \$19,002,000 to the plan. The Town of Spring Lake's proportionate share of the State's contribution is \$8,780.

**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, 2022, 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 (asset) that was associated with the Town and supported by the State was (\$12,906). The net pension liability (asset) was measured as of June 30, 2021. The total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2020. The total pension liability (asset) was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability (asset) 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, 2022, the Town recognized pension expense of (\$1,421) and revenue of (\$1,421) for support provided by the State. At June 30, 2022, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Not applicable
Investment rate of return	6.50 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 6.50%. 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, 2021, the date of the latest actuarial valuation:

	<b><u>Membership</u></b>
Inactive employees or beneficiaries currently receiving benefits	9
Inactive members entitled to but not yet receiving benefits	-
Active employees	<u>95</u>
Total	<u><u>104</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 \$5,407,326 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

***Actuarial assumptions and other inputs.*** The total OPEB liability in the June 30, 2021 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	3.25% - 8.41%
Firefighters	3.25% - 8.15%
Law enforcement officers	3.25% - 7.90%
Discount rate	
Prior Measurement Date	2.21%
Measurement Date	2.16%
Healthcare cost trend rates	
Pre-Medicare	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031
Medicare	5.125% for 2021 decreasing to an ultimate rate of 4.50% by 2024
Dental	3.50%
Vision	2.00%

The discount rate is based on the yield of the Bond Buyer General Obligation Bond Index Rate as of the measurement date.

#### Schedule of Changes in Total OPEB Liability (TOL)

<b>Total OPEB Liability</b>	<b><u>2021</u></b>
Service cost at the end of the year	\$ 393,336
Interest on TOL and cash flows	124,190
Changes of benefit terms	-
Differences between expected and actual experience	(524,939)
Changes of assumptions or other inputs	214,524
Benefit payments	(51,560)
Other changes	-
<b>Net change in total OPEB liability</b>	<b>155,551</b>
<b>Total OPEB liability - beginning</b>	<b><u>5,251,775</u></b>
<b>Total OPEB liability - ending</b>	<b><u><u>\$ 5,407,326</u></u></b>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the Pub-2010 Total Data Set for Healthy Annuitants Mortality Table, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019. The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019, adopted by LGERS Board.

**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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<b>Discount Rate Sensitivity</b>		
	<b>1% Decrease (1.16%)</b>	<b>Current Discount Rate (2.16%)</b>	<b>1% Increase (3.16%)</b>
Total OPEB liability	\$ 6,653,894	\$ 5,407,326	\$ 4,453,522

**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:

	<b>Health Care Cost Trend Rate Sensitivity</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	\$ 4,374,104	\$ 5,407,326	\$ 6,809,973

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$307,148. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,371,228
Changes of assumptions and other inputs	1,066,043	406,254
Town benefit payments and plan administrative expenses made subsequent to the measurement date	-	-
Total	<u>\$ 1,066,043</u>	<u>\$ 1,777,482</u>

\$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, 2023. Other amounts reported as deferred inflows of resources related to Pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2023	\$	(158,818)
2024		(158,818)
2025		(158,818)
2026		(150,940)
2027		(93,188)
Thereafter		9,143
	\$	<u>(711,439)</u>

**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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement (0.06%) and for law enforcement officers (0.14%). The Town considers these contributions to be immaterial.

The Town provides group term life insurance benefits equal to 200% of the employee's annual salary up to a maximum coverage of \$200,000 to all full-time employees. Employees may elect to purchase additional life insurance for themselves, their spouse or dependents at the employee's expense.

#### 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

<b>Deferred outflows of resources at year-end is comprised of the following:</b>	<b>Amount</b>
Contributions to pension plan in current fiscal year	\$ 588,886
Benefit payments made and administrative expenses for LEOSSA made subsequent to measurement date	28,720
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience Pension	353,752
Differences between expected and actual experience OPEB	-
Changes of assumptions	1,779,139
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and difference between employer contribution and proportionate share of contributions	302,609
Total	<u>\$ 3,053,106</u>

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

	<b>Statement of Net Position</b>	<b>General Fund Balance Sheet</b>
Taxes receivable, net (General Fund)	\$ -	\$ 59,924
Prepaid taxes	376	376
Differences between expected and actual experience	1,446,177	-
Changes in assumptions and other inputs Pensions	12,846	-
Changes in assumptions and other inputs OPEB	406,254	-
Net difference between projected and actual earnings on plan investments	1,395,478	-
Changes in proportion and difference between employer contribution and proportionate share of contributions	-	-
Total	<u>\$ 3,261,131</u>	<u>\$ 60,300</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, 2022, 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. \$ 200,271

The following is an analysis of the assets recorded under capital leases at June 30, 2022:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Vehicles	\$ 454,285	\$ 106,794	\$ 347,491

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 90,857	\$ 13,161	\$ 104,018
2024	90,857	13,161	104,018
2025	18,557	2,635	21,192
Total	<u>\$ 200,271</u>	<u>\$ 28,957</u>	<u>\$ 229,228</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, 2022 are comprised of the following individual notes:

\$2,550,000 note payable to finance the Community Center due in annual installments Of \$131,240 through February 2, 2048 including interest at 4.125%.	\$2,023,281
\$1,500,000 note payable to finance street paving project due in annual installments of \$150,000 through November 7, 2023 including interest at 2.43%.	300,000
\$3,500,000 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.	3,184,557
\$1,000,000 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
\$1,150,380 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>1,011,890</u>
Total governmental activities installment purchases	<u>\$7,519,728</u>

On August 22, 2021, SLPA defaulted on the \$3,500,000 mortgage loan for the purchase of real estate. 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 \$315,443 and accrued interest of \$45,270. On August 28, 2025, the Town of Spring Lake purchased the mortgage note payable by Spring Lake Property Acquisitions, Inc. from Truist Bank (formerly BB&T Governmental Finance) for the sum of \$450,000. Truist bank applied the payment of \$450,000 to accrued interest of \$256,032 and outstanding principal of \$193,968. In the fiscal year ending June 30, 2026, SLPA will recognize income for forgiveness of debt for the remaining principal balance of \$2,990,588 as of August 28, 2025. As of the date of this report September 30, 2025, the outstanding loan balance due to Truist Bank was zero (\$0).

***Business-Type Activities:***

**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%.	\$ 627,748
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%.	369,977
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>481,681</u>
Total federal revolving loans	<u>\$1,479,406</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, 2022 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. \$ 650,000

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. 418,000

Total bonds payable \$ 1,068,000

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

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

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	31,000	44,354	75,354
2028 - 2032	174,000	199,199	373,199
2033 - 2037	220,000	154,937	374,937
2038 - 2042	278,000	98,836	376,836
2043 - 2047	256,000	31,450	287,450
Total	<u>\$ 1,068,000</u>	<u>\$ 719,049</u>	<u>\$ 1,787,049</u>

**Governmental Activities – Notes Payable:**

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	228,938	89,235	318,173
2028 - 2032	1,050,784	365,619	1,416,403
2033 - 2037	666,522	272,501	939,023
2038 - 2042	642,482	183,429	825,911
2043 - 2047	581,629	73,854	655,483
Total Town	<u>\$ 4,335,171</u>	<u>\$ 1,403,821</u>	<u>\$ 5,738,992</u>

**Spring Lake Property Acquisitions:**

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 1,434,557	\$ 120,402	\$ 1,554,959
2024	875,000	66,923	941,923
2025	875,000	59,091	934,091
2026	-	9,615	9,615
Total SLPA	<u>\$ 3,184,557</u>	<u>\$ 256,031</u>	<u>\$ 3,440,588</u>
Total	<u>\$ 7,519,728</u>	<u>\$ 1,659,852</u>	<u>\$ 9,179,580</u>

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

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 163,453	\$ -	\$ 163,453
2024	163,452	-	163,452
2025	163,453	-	163,453
2026	163,452	-	163,452
2027	163,453	-	163,453
2028 - 2032	548,228	-	548,228
2033 - 2034	113,915	-	113,915
Total	<u>\$ 1,479,406</u>	<u>\$ -</u>	<u>\$ 1,479,406</u>

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

The following is a summary of changes in the Town’s long-term obligations as of June 30, 2022. Compensated absences for governmental activities have typically been liquidated in the General Fund.

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Current Portion of Balance</b>
<b>Governmental Activities:</b>					
Direct Placement					
Installment purchases					
BB&T Street Improvements	\$ 450,000	\$ -	\$ 150,000	\$ 300,000	\$ 150,000
USDA Recreation Center	2,069,177	-	45,896	2,023,281	47,789
First Bank Fire Trucks	1,115,487	-	103,597	1,011,890	106,021
South River EMC Fire Station	1,000,000	-	-	1,000,000	55,555
Spring Lake Property Acquisitions, Inc.	3,500,000	-	315,443	3,184,557	1,434,557
Capital leases	291,128	-	90,857	200,271	90,857
Compensated absences	148,513	998	-	149,511	37,378
OPEB liability	4,129,471	280,203	-	4,409,674	-
Total pension liability (LEOSSA)	491,664	-	21,411	470,253	-
Net pension liability (LGERS)	1,816,180	-	1,017,201	798,979	-
<b>Governmental Activities long-term liabilities</b>	<b>\$15,011,620</b>	<b>\$ 281,201</b>	<b>\$ 1,744,405</b>	<b>\$ 13,548,416</b>	<b>\$ 1,922,157</b>

As June 30, 2022, the Town had a legal debt limit margin of \$29,420,469.

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<b>Business-type Activities:</b>					
<u>Water and Sewer Fund</u>					
General obligation bonds	\$ 1,093,000	\$ -	\$ 25,000	\$ 1,068,000	\$ 26,000
Federal revolving loans	1,642,858	-	163,452	1,479,406	163,453
Compensated absences	44,772	2,554	-	47,326	11,831
OPEB liability	836,608	-	24,968	811,640	-
Net pension liability (LGERS)	363,560	-	220,271	143,289	-
<b>Water and Sewer Fund long-term liabilities</b>	<b>3,980,798</b>	<b>2,554</b>	<b>433,691</b>	<b>3,549,661</b>	<b>201,284</b>
<u>Sanitation Fund</u>					
Direct Placement					
Installment purchases	48,310	-	48,310	-	-
OPEB liability	145,999	-	24,334	121,665	-
Net pension liability (LGERS)	67,994	-	45,822	22,172	-
<b>Sanitation Fund long-term liabilities</b>	<b>262,303</b>	<b>-</b>	<b>118,466</b>	<b>143,837</b>	<b>-</b>
<u>Storm Water Fund</u>					
Compensated absences	406	2	-	408	408
OPEB liability	139,697	-	75,350	64,347	-
Net pension liability (LGERS)	64,987	-	52,680	12,307	-
<b>Sanitation Fund long-term liabilities</b>	<b>205,090</b>	<b>2</b>	<b>128,030</b>	<b>77,062</b>	<b>408</b>
<b>Total Business-type Activities</b>	<b>\$ 4,448,191</b>	<b>\$ 2,556</b>	<b>\$ 680,187</b>	<b>\$ 3,770,560</b>	<b>\$ 201,692</b>

### 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 general administrative expenditures and retiree insurance premiums. The General Fund transferred \$230,761 to the Spring Lake Fire Station #2 Capital Project Fund for construction expenditures.

Transfers to/from other funds at June 30, 2022, consist of the following:

<b>Transfer From</b>	<b>Transfer To</b>	<b>Amount</b>	<b>Purpose</b>
General Fund	Spring Lake Fire Station #2 Fund	\$ 230,761	Transfer to Capital Project Fund
General Fund	Fleet Maintenance Fund	135,705	Operating expenses and vehicle repairs
Water and Sewer Fund	Fleet Maintenance Fund	29,285	Vehicle repairs
Storm Water Fund	Fleet Maintenance Fund	11,714	Vehicle repairs
Sanitation Fund	Fleet Maintenance Fund	23,428	Vehicle repairs
Water and Sewer Fund	Storm Water Fund	8,596	Indirect Cost Reimbursement
Interfund Transfers		<u>439,489</u>	
Water and Sewer Fund	General Fund	209,386	Expense Reimbursement
Storm Water Fund	General Fund	11,567	Expense Reimbursement
Sanitation Fund	General Fund	34,832	Expense Reimbursement
Fleet Maintenance Fund	General Fund	23,265	Expense Reimbursement
Expense Reimbursements		<u>279,050</u>	
Total Interfund Transfers		<u>\$ 718,539</u>	

## 2. Internal Balances – Due to/from Other Funds

Balances due to/from other funds at June 30, 2022, consist of the following:

<b>Due From</b>	<b>Due To</b>	<b>Amount</b>	<b>Purpose</b>
General Fund	Water and Sewer Fund	\$ 97,099	Insurance premiums paid for General Fund
Spring Lake Fire Station #2	Water and Sewer Fund	21,852	Expenditures paid on behalf of other funds
Public Safety Grants	Water and Sewer Fund	190,962	Expenditures paid on behalf of other funds
Spring Fling Fund	Water and Sewer Fund	3,951	Expenditures paid on behalf of other funds
Recreation Capital Project	Water and Sewer Fund	114,502	Expenditures paid on behalf of other funds
Subtotal - Exhibit 1		<u>428,366</u>	
Water & Sewer Capital Project	Water and Sewer Fund	<u>543,200</u>	Construction expenditures
Total due to/from other funds - Exhibit 7		<u>\$ 971,566</u>	

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. Prior Year 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.

In the current fiscal year ended June 30, 2022, the Town received insurance proceeds of \$135,000 to reimburse the Town for the loss due to fraud in the prior fiscal year 2021.

#### **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 \$2,340 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, 2022. 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:

<b>Fiscal Year</b>	<b>Cumberland County Dispatch</b>	<b>Cumberland County IT Services *</b>	<b>GFL Environmental Trash *</b>	<b>Utility Service Co., Inc. Water Tank</b>	<b>Total</b>
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	401,773	23,592	605,753
2026	135,000	46,000	410,888	26,187	618,075
2027 *	-	46,000	422,804	-	468,804
2028 *	-	46,000	435,065	-	481,065
<b>Total</b>	<b>\$ 540,000</b>	<b>\$ 269,930</b>	<b>\$ 2,351,885</b>	<b>\$ 96,963</b>	<b>\$ 3,258,778</b>

Contractual amounts for fiscal years 2026 through 2028 are estimated based on a consumer price index increase for GFL Environmental of 2.9% (CPI for August 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 1.08%, or a decrease of 46% 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:

<b>Fiscal Year</b>	<b>Sales Tax Distribution NCDR</b>	<b>Increase Over Base Year</b>	<b>Refund Percentage</b>	<b>Sales Tax Refund to County</b>	<b>Net Sales Tax Revenue</b>
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 *	3,288,864	\$ 459,944	50%	(229,972)	3,058,892
<b>Total</b>	<b>\$ 16,449,059</b>	<b>\$ 4,958,241</b>		<b>\$ (2,439,768)</b>	<b>\$ 14,009,291</b>

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 \$1,775,987 (54% 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, 2022 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	\$ 2,991,821	\$ 82,889	\$ -	\$ -	\$ 82,889
Capital assets being depreciated	17,671,579	20,625,961	473,163	373,549	21,472,673
Less accumulated depreciation	(9,411,895)	(12,539,836)	(435,810)	(267,655)	(13,243,301)
Capital assets, net of depreciation	11,251,505	8,169,014	37,353	105,894	8,312,261
Less long-term debt payable					
Installment purchases	7,519,728	-	-	-	-
Capital leases	200,271	-	-	-	-
General obligation bonds	-	1,068,000	-	-	1,068,000
Federal revolving loans	-	1,479,406	-	-	1,479,406
Total long-term debt	7,719,999	2,547,406	-	-	2,547,406
Investment in Capital assets	<u>\$ 3,531,506</u>	<u>\$ 5,621,608</u>	<u>\$ 37,353</u>	<u>\$ 105,894</u>	<u>\$ 5,764,855</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:

<b>Total fund balance - General Fund:</b>	<b>\$ 2,210,407</b>
Less:	
Prepaid items	4,653
Stabilization by State Statute	1,656,412
Streets - Powell Bill	814,407
Debt service	377,749
Working Capital/Fund Balance Policy	-
Remaining Fund Balance (Deficit):	<u>\$ (642,814)</u>
Current Year Expenditures - General Fund Exhibit 5	5,691,103
Minimum Fund Balance Percentage Per Policy	0%
Minimum Fund Balance Policy	<u>\$ -</u>

At June 30, 2022, 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, 2022. 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, 2022.

## **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 \$3,125,409. Of this total value, \$2,326,630 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 the outstanding loan receivable from component unit payable to the Town of Spring Lake should sales proceeds be insufficient to pay the entire debt. The real estate is stated at original cost less accumulated depreciation. The loan payable to Truist Bank is stated at the outstanding principal balance plus accrued interest as of the fiscal year ended June 30, 2022.

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, 2022, the Town determined that certain prior period adjustments were necessary to correct the beginning balance as of July 1, 2021. In the fiscal year ended June 30, 2014, the Town transferred the remaining balance in the Street Capital Project Fund of \$120,072 to the General Fund. This transaction was recorded in the General Fund, but was not recorded in Street Capital Project Fund. A schedule of prior period adjustments is shown below:

	<u><b>Total Non- Major Funds</b></u>	<u><b>Total Governmental Activities</b></u>
<b>Governmental Activities :</b>		
Transfer from Street Capital Project Fund to General Fund on May 20 2014 not recorded in Street Capital Project Fund	\$ (120,072)	\$ (120,072)
 Total prior period adjustment to net position - Exhibit 2	<u>\$ (120,072)</u>	<u>\$ (120,072)</u>

## 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 Nine Fiscal Years\***

**Local Governmental Employees' Retirement System**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Spring Lake's proportion of the net pension liability (asset) (%)	0.06369%	0.06472%	0.06251%	0.06330%	0.07000%	0.06630%	0.67860%	0.68420%	0.00030%
Spring Lake's proportion of the net pension liability (asset) (\$)	\$ 976,747	\$ 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	\$ 4,200,207	\$ 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	23.25%	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%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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 Nine Fiscal Years**

**Local Governmental Employees' Retirement System**

	<u>2022</u>	<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	\$ 588,886	\$ 713,977	\$ 684,019	\$ 575,196	\$ 551,332	\$ 505,438	\$ 510,313	\$ 486,138	\$ 472,604
Contributions in relation to the contractually required	588,886	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>	<u>\$ -</u>
Spring Lake's covered payroll	\$ 3,231,586	\$ 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	22.09%	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 Six Fiscal Years\***

**Law Enforcement Officers' Special Separation Allowance**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 491,664	\$ 280,155	\$ 306,294	\$ 524,014	\$ 505,879	\$ 505,533
Service cost	47,898	29,010	25,511	25,328	29,062	30,166
Interest on the total pension liability	9,027	8,465	10,170	15,694	18,698	17,350
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(18,283)	68,094	(15,864)	(193,224)	(15,926)	-
Changes of assumptions or other inputs	(12,183)	146,944	7,847	(10,770)	29,266	(8,114)
Benefit payments	(47,870)	(41,004)	(53,803)	(54,748)	(42,965)	(39,056)
Ending balance of the total pension liability	<u>\$ 470,253</u>	<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 Six Fiscal Years**

**Law Enforcement Officers' Special Separation Allowance**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 470,253	\$ 491,664	\$ 280,155	\$ 306,294	\$ 524,014	\$ 505,879
Covered payroll	1,340,198	1,249,229	1,233,178	1,072,265	1,335,726	1,319,390
Total pension liability as a percentage of covered payroll	35.09%	39.36%	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 Four Fiscal Years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Total OPEB Liability</b>				
Service Cost	\$ 393,336	\$ 261,063	\$ 295,073	\$ 313,012
Interest	124,190	141,032	181,581	163,361
Differences between expected and actual experience	(524,939)	(21,162)	(1,290,569)	(44,161)
Changes in assumptions or other inputs	214,524	1,131,100	(31,244)	(296,392)
Benefit payments	(51,560)	(56,856)	(51,768)	(61,620)
Net changes in total OPEB liability	155,551	1,455,177	(896,927)	74,200
Total OPEB liability - beginning	5,251,775	3,796,598	4,693,525	4,619,325
Total OPEB liability - ending	<u>\$ 5,407,326</u>	<u>\$ 5,251,775</u>	<u>\$ 3,796,598</u>	<u>\$ 4,693,525</u>
Covered payroll	\$ 4,057,482	\$ 3,627,072	\$ 3,627,072	\$ 3,966,436
Total OPEB liability as a percentage of covered payroll	133.27%	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>
2022	2.16%
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, 2022

Page 1 of 7

	Original Budget	Final Budget	Actual	Variable Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ 3,124,500	\$ 3,133,229	\$ 3,247,096	\$ 113,867
Interest	11,000	11,000	21,264	10,264
Total	<u>3,135,500</u>	<u>3,144,229</u>	<u>3,268,360</u>	<u>124,131</u>
Other taxes and licenses:				
Motor Vehicle taxes	40,000	40,000	42,890	2,890
Gross receipts tax rental vehicles	15,000	15,000	12,170	(2,830)
Privilege licenses	-	-	495	495
Total	<u>55,000</u>	<u>55,000</u>	<u>55,555</u>	<u>555</u>
Unrestricted Intergovernmental:				
Local option sales tax	2,766,700	2,997,461	3,306,007	308,546
Sales tax agreement reimbursement	(517,000)	(517,000)	(477,087)	39,913
Sales tax refund	-	70,704	(33,344)	(104,048)
Utilities sales tax	386,000	386,000	381,874	(4,126)
Utilities tax reimbursement	100,000	100,000	-	(100,000)
Telecommunications sales tax	43,200	43,200	34,740	
Video franchise fee	76,700	76,700	78,396	1,696
Video programming reimbursement	50,000	50,000	46,973	(3,027)
Beer and wine tax	50,000	50,000	46,284	(3,716)
Beer and wine reimbursement	20,000	20,000	15,834	(4,166)
Total	<u>2,975,600</u>	<u>3,277,065</u>	<u>3,399,677</u>	<u>122,612</u>
Restricted Intergovernmental:				
Powell Bill allocation	250,000	250,000	304,340	54,340
Powell Bill reimbursement	83,500	83,500	87,635	4,135
Unauthorized substance tax	-	-	1,078	1,078
Mid Carolina Council of Governments	17,000	17,000	17,732	732
Mid Carolina Council of Governments	10,515	10,515	10,693	178
Manchester Fire District tax	85,641	85,641	75,070	(10,571)
Manchester Fire District grant	75,000	75,000	82,500	7,500
US Department of Homeland Security SAFER	156,498	156,498	-	(156,498)
Radio Grant - Fire Department	29,984	29,984	-	(29,984)
Cumberland County recreation tax	38,000	38,000	37,873	(127)
Solid waste reimbursement	2,600	2,600	3,008	408
Total	<u>748,738</u>	<u>748,738</u>	<u>619,929</u>	<u>(128,809)</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)
<b>Permits and fees:</b>				
Fees - Police Department	1,500	1,500	1,617	117
Fees - Fire Department	35,500	38,637	35,114	(3,523)
Inspection fees	35,750	35,750	42,732	6,982
Planning and zoning fees	3,475	3,475	5,906	2,431
Total	76,225	79,362	85,369	6,007
<b>Sales and services:</b>				
Bus fare revenue	4,000	4,000	1,879	(2,121)
NCDOT road maintenance	10,000	10,000	6,427	(3,573)
Recreation	29,105	29,105	24,115	(4,990)
Total	43,105	43,105	32,421	(10,684)
Investment earnings	1,000	1,000	4,961	3,961
<b>Miscellaneous:</b>				
Florence Rogers Trust Grant	-	-	750	750
Contributions and sponsorship	-	-	5,000	5,000
Employee insurance contribution	27,840	27,840	33,516	5,676
Retiree insurance contribution	1,000	1,000	2,389	1,389
Insurance proceeds	-	-	141,719	141,719
Sale of materials	-	-	577	577
Other	5,000	7,120	10,510	3,390
Total	33,840	35,960	194,461	158,501
Total revenues	7,069,008	7,384,459	7,660,733	276,274

**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)
<b>Expenditures:</b>				
General government:				
Governing body:				
Salaries and benefits	104,984	103,484	76,751	
Elections	4,500	6,000	5,915	
Professional services	-	9,500	12,783	
Repairs and maintenance	6,300	6,300	6,097	
Other operating expenditures	17,695	8,195	9,802	
Less expense reimbursement other funds	(27,951)	(27,951)	(27,951)	
Total	<u>105,528</u>	<u>105,528</u>	<u>83,397</u>	<u>22,131</u>
Administration:				
Salaries and employee benefits	290,761	162,108	174,562	
Equipment rental	2,720	2,720	2,540	
Other operating expenditures	3,125	3,125	5,811	
Less expense reimbursement other funds	(65,972)	(65,972)	(65,972)	
Total	<u>230,634</u>	<u>101,981</u>	<u>116,941</u>	<u>(14,960)</u>
Finance:				
Salaries and employee benefits	213,768	92,677	92,915	
Professional services	74,100	308,844	223,537	
Other operating expenditures	5,788	5,788	7,526	
Less expense reimbursement other funds	(65,996)	(65,996)	(65,996)	
Total	<u>227,660</u>	<u>341,313</u>	<u>257,982</u>	<u>83,331</u>
Tax Collections:				
Cumberland County Tax Collection	64,000	64,000	67,916	
Total	<u>64,000</u>	<u>64,000</u>	<u>67,916</u>	<u>(3,916)</u>
Legal:				
Professional services	59,000	59,000	7,990	
Less expense reimbursement other funds	(12,526)	(12,526)	(12,526)	
Total	<u>46,474</u>	<u>46,474</u>	<u>(4,536)</u>	<u>51,010</u>
Human Resources:				
Salaries and employee benefits	200	30,941	-	
Unemployment taxes	40,000	40,000	-	
Professional services	12,218	25,000	-	
Retiree insurance premiums	90,378	90,378	34,230	
Other operating expenditures	1,390	3,808	2,866	
Less expense reimbursement other funds	(809)	(809)	(809)	
Less expense reimbursement other funds	(8,492)	(8,492)	(8,492)	
Total	<u>134,885</u>	<u>180,826</u>	<u>27,795</u>	<u>153,031</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, 2022

	Original Budget	Final Budget	Actual	Variable Positive (Negative)
<b>Information Technology / Communications:</b>				
Salaries and employee benefits	400	400	-	
Telephone and internet	119,500	119,500	94,797	
Professional services	-	-	-	
Repairs and maintenance	7,000	7,000	-	
Copier lease	31,800	31,800	32,900	
Software service contracts	76,828	76,828	71,912	
Other operating expenditures	1,825	1,825	2,455	
Less expense reimbursement other funds	(48,734)	(48,734)	(48,734)	
Total	<u>188,619</u>	<u>188,619</u>	<u>153,330</u>	<u>35,289</u>
<b>Public Works Administration:</b>				
Salaries and employee benefits	88,855	88,855	91,752	
Professional services	-	-	15,389	
Other operating expenditures	2,840	3,840	3,336	
Less expense reimbursement other funds	(20,417)	(20,417)	(20,417)	
Total	<u>71,278</u>	<u>72,278</u>	<u>90,060</u>	<u>(17,782)</u>
<b>Public Buildings:</b>				
Salaries and employee benefits	59,335	59,335	63,500	
Contracted services	3,124	3,124	825	
Utilities	36,000	36,000	31,284	
Repairs and maintenance	3,171	3,638	3,033	
Other operating expenditures	12,388	10,921	9,203	
Less expense reimbursement other funds	(28,153)	(28,153)	(28,153)	
Total	<u>85,865</u>	<u>84,865</u>	<u>79,692</u>	<u>5,173</u>
Total general government	<u>1,154,943</u>	<u>1,185,884</u>	<u>872,577</u>	<u>313,307</u>
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries and employee benefits	1,931,972	1,921,972	1,877,888	
Law Enforcement Officers Separation Allowance	54,870	54,870	57,086	
Professional services	1,875	3,000	2,142	
Contracted services	214,220	225,289	215,588	
Motor fuel	75,120	75,120	94,155	
Repairs and maintenance	10,250	15,910	10,047	
Other operating expenditures	50,225	52,225	53,649	
Small equipment	21,050	19,925	15,400	
Total	<u>2,359,582</u>	<u>2,368,311</u>	<u>2,325,955</u>	<u>42,356</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)
<b>Fire:</b>				
Salaries and employee benefits	1,437,456	1,437,456	941,296	
Professional services	4,200	3,200	735	
Contracted services	6,570	7,570	6,550	
Vehicle expenses	17,000	21,500	28,694	
Maintenance and repairs	1,000	1,500	1,410	
Other operating expenditures	57,665	54,785	45,738	
Small Equipment	17,464	20,601	6,059	
Total	1,541,355	1,546,612	1,030,482	516,130
<b>Inspections:</b>				
Salaries and employee benefits	154,079	154,079	130,098	
Professional services	27,098	27,098	16,765	
Contracted services - demolition	30,800	30,800	13,483	
Vehicle expenses	1,260	1,260	1,210	
Maintenance and repairs	1,000	1,000	162	
Other operating expenditures	11,249	11,249	4,215	
Total	225,486	225,486	165,933	59,553
Total public safety	4,126,423	4,140,409	3,522,370	618,039
<b>Transportation:</b>				
<b>Streets:</b>				
Salaries and employee benefits	214,064	214,064	178,600	
Professional services	3,352	3,352	2,476	
Contracted services	5,418	5,418	2,909	
Vehicle expenses	10,192	10,192	12,491	
Repairs and maintenance	31,755	31,755	9,153	
Utilities	166,515	166,515	98,308	
Other operating expenditures	9,108	9,108	8,034	
Small equipment	3,225	3,225	1,500	
Total	443,629	443,629	313,471	130,158
<b>Public Transportation:</b>				
Contracted services	25,500	32,155	32,144	
Other operating expenditures	30	30	41	
Total	25,530	32,185	32,185	-
Total transportation	469,159	475,814	345,656	130,158

**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, 2022

	Original Budget	Final Budget	Actual	Variable Positive (Negative)
Economic Development :				
Planning and Zoning:				
Contracted services	34,000	34,000	28,336	
Total	<u>34,000</u>	<u>34,000</u>	<u>28,336</u>	<u>5,664</u>
Economic development:				
Other operating expenditures	-	-	4,934	
Total	<u>-</u>	<u>-</u>	<u>4,934</u>	<u>(4,934)</u>
Total economic development	<u>34,000</u>	<u>34,000</u>	<u>33,270</u>	<u>730</u>
Cultural and Recreation:				
Parks and Recreation:				
Salaries and employee benefits	277,050	277,050	220,005	
Professional services	4,290	4,290	4,059	
Maintenance and repairs	6,314	6,314	6,651	
Utilities	51,012	51,012	41,385	
Other operating expenditures	23,811	23,811	21,801	
Total parks and recreation	<u>362,477</u>	<u>362,477</u>	<u>293,901</u>	<u>68,576</u>
Senior Enrichment Center:				
Salaries and employee benefits	54,226	54,226	76,193	
Senior center programs	23,701	23,701	13,123	
Other operating expenditures	12,538	12,538	5,859	
Total parks and recreation	<u>90,465</u>	<u>90,465</u>	<u>95,175</u>	<u>(4,710)</u>
Total cultural and recreation	<u>452,942</u>	<u>452,942</u>	<u>389,076</u>	<u>63,866</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, 2022

Page 7 of 7

	Original Budget	Final Budget	Actual	Variable Positive (Negative)
Debt service:				
Principal retirement - Fire	103,371	103,371	103,597	(226)
Principal retirement - Streets	150,000	150,000	150,000	-
Principal retirement - Recreation	45,882	45,882	45,896	(14)
Principal retirement- Capital leases	90,857	90,857	90,857	-
Interest - Fire	28,143	28,143	27,795	348
Interest - Streets	10,845	10,845	10,845	-
Interest - Recreation	85,360	85,360	85,353	7
Interest - Capital leases	13,161	13,161	13,811	(650)
Total debt service	527,619	527,619	528,154	(535)
Contingency	316,665	349,773	-	349,773
Total expenditures	7,081,751	7,166,441	5,691,103	1,475,338
Revenues over (under) expenditures	(12,743)	218,018	1,969,630	1,751,612
<b>Other financing sources (uses):</b>				
Transfers from other funds:				
Water and Sewer Fund	13,031	13,031	-	(13,031)
General Fund to Post Retirement Fund	99,226	99,226	-	(99,226)
Stormwater Fund	36,191	36,191	-	(36,191)
Transfers to other funds:				
Fleet Maintenance Fund	(135,705)	(135,705)	(135,705)	-
Spring Lake Fire Station #2 Capital Project	-	(230,761)	(230,761)	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	12,743	(218,018)	(366,466)	(148,448)
Net change in fund balance	\$ -	\$ -	1,603,164	\$ 1,603,164
Fund balances, beginning			607,243	
Fund balances, ending			\$ 2,210,407	

**Town of Spring Lake, North Carolina**  
**Coronavirus State Local Fiscal Recovery Funds CFR 21.027 (ARPA Funds)**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2022**

Page 1 of 1

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted Intergovernmental:					
American Rescue Plan Funds	\$ 3,825,963	\$ -	\$ -	\$ -	\$ (3,825,963)
Investment Earnings	117,037	-	3,059	3,059	(113,978)
Total revenues	<u>3,943,000</u>	<u>-</u>	<u>3,059</u>	<u>3,059</u>	<u>(3,939,941)</u>
<b>Expenditures:</b>					
Current					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Development	-	-	-	-	-
Environmental Protection	-	-	-	-	-
Cultural and Recreation	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>3,943,000</u>	<u>-</u>	<u>3,059</u>	<u>3,059</u>	<u>(3,939,941)</u>
<b>Other financing sources (uses):</b>					
Transfers to other funds:					
Transfer to General Fund	(3,035,933)	-	-	-	3,035,933
Transfer to Water and Sewer Fund	(569,187)	-	-	-	569,187
Transfer to Storm Water Fund	(170,515)	-	-	-	170,515
Transfer to Sanitation Fund	(99,919)	-	-	-	99,919
Transfer to Fleet Maintenance Fund	(67,446)	-	-	-	67,446
Total other financing sources (uses)	<u>(3,943,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,943,000</u>
<b>Fund balance appropriated</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,059</u>	<u>\$ 3,059</u>	<u>\$ 3,059</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 3,059</u>		

Town of Spring Lake, North Carolina  
Non-Major Governmental Funds  
Combining Balance Sheet  
As of June 30, 2022

	Special Revenue Funds		Capital Project Funds				Total	
	Spring Fling Fund	Public Safety Grants and Projects Fund	Spring Lake Fire Station #2 Project	Street Capital Project	Recreation Capital Project	Veterans Park Capital Project		Mendoza Park Capital Project
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 7,288	\$ -	\$ -	\$ -	\$ 7,288
Restricted cash and investments	-	-	-	-	-	110,175	200,318	310,493
Due from other governments	-	67,326	2,708	-	-	-	-	70,034
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 67,326</b>	<b>\$ 2,708</b>	<b>\$ 7,288</b>	<b>\$ -</b>	<b>\$ 110,175</b>	<b>\$ 200,318</b>	<b>\$ 387,815</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accrued liabilities	\$ -	\$ 5,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,425
Due to other funds	3,951	190,962	21,852	-	114,502	-	-	331,267
Unearned revenues	-	-	-	-	-	110,000	200,000	310,000
<b>Total liabilities</b>	<b>3,951</b>	<b>196,387</b>	<b>21,852</b>	<b>-</b>	<b>114,502</b>	<b>110,000</b>	<b>200,000</b>	<b>646,692</b>
<b>Fund balances:</b>								
<b>Restricted:</b>								
Reserved by state statute	-	67,326	2,708	-	-	-	-	70,034
Restricted for recreation	-	-	-	-	-	175	318	493
<b>Assigned:</b>								
Transportation - streets	-	-	-	7,288	-	-	-	7,288
<b>Unreserved:</b>								
Undesignated	(3,951)	(196,387)	(21,852)	-	(114,502)	-	-	(336,692)
<b>Total fund balances</b>	<b>(3,951)</b>	<b>(129,061)</b>	<b>(19,144)</b>	<b>7,288</b>	<b>(114,502)</b>	<b>175</b>	<b>318</b>	<b>(258,877)</b>
<b>Total liabilities and fund balance</b>	<b>\$ -</b>	<b>\$ 67,326</b>	<b>\$ 2,708</b>	<b>\$ 7,288</b>	<b>\$ -</b>	<b>\$ 110,175</b>	<b>\$ 200,318</b>	<b>\$ 387,815</b>

Town of Spring Lake, North Carolina  
Non-Major Governmental Funds  
Combining Schedule of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Fiscal Year Ended June 30, 2022

	Special Revenue Funds		Capital Project Funds				Total	
	Spring Fling Fund	Public Safety Grants and Projects Fund	Spring Lake Fire Station #2 Project	Street Capital Project	Recreation Capital Project	Veterans Park Capital Project		Mendoza Park Capital Project
<b>Revenues:</b>								
Restricted intergovernmental	\$ -	\$ 171,109	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,109
Investment earnings	-	-	-	-	-	175	318	493
Total revenues	<u>-</u>	<u>171,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175</u>	<u>318</u>	<u>171,602</u>
<b>Expenditures:</b>								
Public safety	-	347,327	564,988	-	-	-	-	912,315
Total expenditures	<u>-</u>	<u>347,327</u>	<u>564,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>912,315</u>
Revenues over (under) expenditures	-	(176,218)	(564,988)	-	-	175	318	(740,713)
<b>Other Financing Sources (Uses):</b>								
Transfers from Other Funds	-	-	230,761	-	-	-	-	230,761
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>230,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,761</u>
Net change in fund balance	-	(176,218)	(334,227)	-	-	175	318	(509,952)
Fund balances, beginning, as previously reported	(3,951)	47,157	315,083	127,360	(114,502)	-	-	371,147
Prior period adjustment	-	-	-	(120,072)	-	-	-	(120,072)
Fund balance, beginning, as restated	<u>(3,951)</u>	<u>47,157</u>	<u>315,083</u>	<u>7,288</u>	<u>(114,502)</u>	<u>-</u>	<u>-</u>	<u>251,075</u>
Fund balance, ending	<u>\$ (3,951)</u>	<u>\$ (129,061)</u>	<u>\$ (19,144)</u>	<u>\$ 7,288</u>	<u>\$ (114,502)</u>	<u>\$ 175</u>	<u>\$ 318</u>	<u>\$ (258,877)</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, 2022**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Permits and fees:				
Vendor fees	\$ 1,200	\$ 1,200	\$ -	\$ (1,200)
Total	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>(1,200)</u>
Miscellaneous:				
Contributions	9,100	9,100	-	(9,100)
Total	<u>9,100</u>	<u>9,100</u>	<u>-</u>	<u>(9,100)</u>
Total revenues	<u>10,300</u>	<u>10,300</u>	<u>-</u>	<u>(10,300)</u>
<b>Expenditures:</b>				
Cultural and Recreation:				
Other operating expenditures	10,300	10,300	-	10,300
Total expenditures	<u>10,300</u>	<u>10,300</u>	<u>-</u>	<u>10,300</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning			<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, 2022**

	Project Authorization			Prior Years	Actual		Variance Positive (Negative)
	June 30, 2021	Amendments	June 30, 2022		Current Year	Total to Date	
<b>Revenues:</b>							
Restricted Intergovernmental:							
Governor's Highway Safety Program	\$ 197,133	\$ -	\$ 197,133	\$ 272,565	\$ -	\$ 272,565	\$ 75,432
Safer Grant	308,960	-	308,960	670,755	171,109	841,864	532,904
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>947,346</u>	<u>171,109</u>	<u>1,118,455</u>	<u>579,461</u>
<b>Expenditures:</b>							
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	513,794	347,327	861,121	(552,161)
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>657,311</u>	<u>347,327</u>	<u>1,004,638</u>	<u>(695,678)</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, 2022**

	Project Authorization			Prior Years	Actual		Variance Positive (Negative)
	June 30, 2021	Amendments	June 30, 2022		Current Year	Total to Date	
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>-</u>	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
Total expenditures	<u>945,173</u>	<u>-</u>	<u>945,173</u>	<u>1,287,557</u>	<u>347,327</u>	<u>1,634,884</u>	<u>(689,711)</u>
Revenues over (under) expenditures	<u>(406,179)</u>	<u>-</u>	<u>(406,179)</u>	<u>(340,211)</u>	<u>(176,218)</u>	<u>(516,429)</u>	<u>(110,250)</u>
<b>Other financing sources (uses):</b>							
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>-</u>	<u>231,179</u>	<u>387,368</u>	<u>-</u>	<u>387,368</u>	<u>156,189</u>
<b>Fund balance appropriated</b>	<u>175,000</u>	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(175,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,157</u>	<u>(176,218)</u>	<u>\$ (129,061)</u>	<u>\$ (129,061)</u>
Fund balance, beginning					<u>47,157</u>		
Fund balance, ending					<u>\$ (129,061)</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, 2022**

	Project Authorization			Prior Years	Actual	Total to Date	Variance Positive (Negative)
	June 30, 2021	Amendments	June 30, 2022		Current Year		
<b>Revenues:</b>							
Restricted Intergovernmental:							
NC Department of Transportation	\$ -	\$ 19,144	\$ 19,144	\$ -	\$ -	\$ -	\$ (19,144)
Total revenues	<u>-</u>	<u>19,144</u>	<u>19,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,144)</u>
<b>Expenditures:</b>							
Public Safety							
Manchester Fire Station #2							
Capital outlay - buildings	1,000,000	249,905	1,249,905	684,917	564,988	1,249,905	-
Total expenditures	<u>1,000,000</u>	<u>249,905</u>	<u>1,249,905</u>	<u>684,917</u>	<u>564,988</u>	<u>1,249,905</u>	<u>-</u>
Revenues over (under) expenditures	<u>(1,000,000)</u>	<u>(230,761)</u>	<u>(1,230,761)</u>	<u>(684,917)</u>	<u>(564,988)</u>	<u>(1,249,905)</u>	<u>(19,144)</u>
<b>Other financing sources:</b>							
Transfers from other funds:							
Transfer from General Fund	-	230,761	230,761	-	230,761	230,761	-
Installment loan proceeds	1,000,000	-	1,000,000	1,000,000	-	1,000,000	-
Total other financing sources	<u>1,000,000</u>	<u>230,761</u>	<u>1,230,761</u>	<u>1,000,000</u>	<u>230,761</u>	<u>1,230,761</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,083</u>	<u>(334,227)</u>	<u>\$ (19,144)</u>	<u>\$ (19,144)</u>
Fund balance, beginning					315,083		
Fund balance, ending					<u>\$ (19,144)</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, 2022**

	Project Authorization			Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
	June 30, 2021	Amendments	June 30, 2022				
<b>Revenues:</b>							
Investment Earnings	\$ 40,000	\$ -	\$ 40,000	\$ 79	\$ -	\$ 79	\$ (39,921)
Total revenues	40,000	-	40,000	79	-	79	(39,921)
<b>Expenditures:</b>							
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
<b>Other financing sources (uses):</b>							
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)	(120,072)	-	(120,072)	(80,072)
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	1,821,062	-	1,821,062	(80,072)
Net change in fund balance	\$ -	\$ -	\$ -	\$ 7,288	-	\$ 7,288	\$ 7,288
Fund balance, beginning, as previously reported					127,360		
Prior period adjustment					(120,072)		
Fund balance, beginning, as restated					7,288		
Fund balance, ending					\$ 7,288		

**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, 2022**

	Project Authorization			Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
	June 30, 2021	Amendments	June 30, 2022				
<b>Revenues:</b>							
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
<b>Total revenues</b>	<b>489,650</b>	<b>-</b>	<b>489,650</b>	<b>363,214</b>	<b>-</b>	<b>363,214</b>	<b>(126,436)</b>
<b>Expenditures:</b>							
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
<b>Total expenditures</b>	<b>903,100</b>	<b>-</b>	<b>903,100</b>	<b>898,801</b>	<b>-</b>	<b>898,801</b>	<b>4,299</b>
Revenues over (under) expenditures	(413,450)	-	(413,450)	(535,587)	-	(535,587)	(122,137)
<b>Other financing sources:</b>							
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	-
<b>Total other financing sources</b>	<b>413,450</b>	<b>-</b>	<b>413,450</b>	<b>421,085</b>	<b>-</b>	<b>421,085</b>	<b>7,635</b>
Net change in fund balance	\$ -	\$ -	\$ -	\$ (114,502)	-	\$ (114,502)	\$ (114,502)
Fund balance, beginning					(114,502)		
Fund balance, ending					<u>\$ (114,502)</u>		

**Town of Spring Lake, North Carolina  
Veterans Park 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, 2022**

	Project Authorization June 30, 2022	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted Intergovernmental:					
NC Office of State Budget and Management	\$ 110,000	\$ -	\$ -	\$ -	\$ (110,000)
Investment Earnings	8,937	-	175	175	(8,762)
Total revenues	<u>118,937</u>	<u>-</u>	<u>175</u>	<u>175</u>	<u>(118,762)</u>
<b>Expenditures:</b>					
Cultural and Recreation					
Salaries and benefits	5,000	-	-	-	5,000
Capital outlay - construction	40,800	-	-	-	40,800
Maintenance and repairs	64,200	-	-	-	64,200
Contingency	8,937	-	-	-	8,937
Total expenditures	<u>118,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,937</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>175</u>	<u>175</u>	<u>175</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>175</u>	<u>\$ 175</u>	<u>\$ 175</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 175</u>		

**Town of Spring Lake, North Carolina  
Mendoza Park 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, 2022**

	Project Authorization June 30, 2022	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted Intergovernmental:					
NC Office of State Budget and Management	\$ 200,000	\$ -	\$ -	\$ -	\$ (200,000)
Investment Earnings	15,840	-	318	318	(15,522)
Total revenues	<u>215,840</u>	<u>-</u>	<u>318</u>	<u>318</u>	<u>(215,522)</u>
<b>Expenditures:</b>					
Cultural and Recreation					
Capital outlay - construction	213,158	-	-	-	213,158
Contingency	2,682	-	-	-	2,682
Total expenditures	<u>215,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,840</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>318</u>	<u>318</u>	<u>318</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>318</u>	<u>\$ 318</u>	<u>\$ 318</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 318</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, 2022

Page 1 of 3

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Water sales	\$ 1,807,000	\$ 1,673,140	\$ (133,860)
Sewer charges	1,918,000	1,745,784	(172,216)
Credit card convenience fees	24,500	31,253	6,753
New account and transfer fees	25,000	25,989	989
Penalties and late fees	125,000	242,779	117,779
Tap and connection fees	-	3,250	3,250
Other operating revenues	1,200	945	(255)
Total operating revenues	<u>3,900,700</u>	<u>3,723,140</u>	<u>(177,560)</u>
Non-operating revenues:			
Investment earnings	1,000	2,710	1,710
FEMA Grant	123,000	326,099	203,099
Miscellaneous revenue	4,800	8,296	3,496
Rental income	22,000	23,567	1,567
Sale of materials	-	3,364	3,364
Total non-operating revenues	<u>150,800</u>	<u>364,036</u>	<u>213,236</u>
Total revenues	4,051,500	4,087,176	35,676
<b>Expenditures:</b>			
Revenue collections:			
Salaries and employee benefits	211,118	162,180	48,938
Bank service charges	21,600	32,143	(10,543)
Professional services	126,100	101,038	25,062
Service and maintenance	31,100	2,905	28,195
Expense reimbursement General Fund	209,386	209,386	-
Other operating expenses	23,225	6,449	16,776
Total	<u>622,529</u>	<u>514,101</u>	<u>108,428</u>
Revenue billing:			
Salaries and employee benefits	106,160	110,605	(4,445)
Purchases of water for resale	1,392,000	991,408	400,592
Contracted billing services	24,600	23,248	1,352
Professional services	2,000	289	1,711
Service and maintenance	28,129	24,003	4,126
Vehicle expenses	13,500	7,821	5,679
Other operating expenses	11,845	4,065	7,780
Total	<u>1,578,234</u>	<u>1,161,439</u>	<u>416,795</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, 2022

Page 2 of 3

Water and Sewer Operations:			
Salaries and employee benefits	297,789	319,115	(21,326)
Contracted services	43,600	19,956	23,644
Professional services	3,207	-	3,207
Repairs and maintenance	233,939	165,039	68,900
Utilities	16,560	10,295	6,265
Vehicle expenses	12,600	15,731	(3,131)
Other operating expenses	33,918	32,714	1,204
Capital outlay	130,000	-	130,000
Total	<u>771,613</u>	<u>562,850</u>	<u>208,763</u>
Waste Water Treatment Plant:			
Salaries and employee benefits	208,382	174,628	33,754
Professional services	4,240	2,808	1,432
Utilities	87,600	60,964	26,636
Chemicals	34,416	31,582	2,834
Vehicle expenses	3,000	3,090	(90)
Contracted services	99,900	49,816	50,084
Repairs and maintenance	68,540	20,797	47,743
Other operating expenses	25,900	20,042	5,858
Capital outlay	31,000	19,521	11,479
Total	<u>562,978</u>	<u>383,248</u>	<u>179,730</u>
Debt service:			
Principal retirement	166,035	188,452	(22,417)
Interest	50,552	50,552	-
Total debt service	<u>216,587</u>	<u>239,004</u>	<u>(22,417)</u>
Contingency	<u>246,588</u>	<u>-</u>	<u>246,588</u>
Total expenditures	<u>3,998,529</u>	<u>2,860,642</u>	<u>1,137,887</u>
Revenues over (under) expenditures	<u>\$ 52,971</u>	<u>1,226,534</u>	<u>1,173,563</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, 2022

Page 3 of 3

	Budget	Actual	Variance Positive (Negative)
<b>Other financing sources (uses):</b>			
Transfers to other funds:			
Stormwater Fund	(8,596)	(8,596)	-
Post Retirement Fund	(15,090)	-	15,090
Fleet Maintenance Fund	(29,285)	(29,285)	-
Total other financing sources (uses)	(52,971)	(37,881)	15,090

Revenues, other financing sources and fund balance appropriated over (under) expenditures and other uses	\$ -	1,188,653	\$ 1,188,653
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**Reconciliation from budgetary basis (modified accrual) to full accrual:**

Reconciling items:			
Principal retirement		188,452	
Capital outlay		19,521	
Depreciation		(531,556)	
(Increase) decrease in accrued interest		92	
Increase (decrease) in deferred outflows of resources - pensions		(15,665)	
(Increase) decrease in deferred inflows of resources - pensions		(204,717)	
(Increase) decrease in net pension liability		220,271	
Increase (decrease) in deferred outflows of resources - OPEB		120	
(Increase) decrease in deferred inflows of resources - OPEB		(17,724)	
(Increase) decrease in OPEB liability		24,968	
(Increase) decrease in accrued vacation pay		(2,554)	
Total		(318,792)	
Change in net position		\$ 869,861	

**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, 2022

	Project Authorization			Prior Years	Actual		Variance Positive (Negative)
	June 30, 2021	Amendments	June 30, 2022		Current Year	Total to Date	
<b>Revenues:</b>							
Restricted Intergovernmental:							
Community Development Block Grant	\$ 87,389	\$ -	\$ 87,389	\$ 82,603	\$ -	\$ 82,603	\$ (4,786)
Clean Water Management Trust Fund Grant	37,000	-	37,000	37,000	-	37,000	-
DWSRF grant	681,146	-	681,146	672,684	-	672,684	(8,462)
Total	805,535	-	805,535	792,287	-	792,287	(13,248)
Non-Operating Revenues							
Impact fees	-	-	-	46,521	-	46,521	46,521
Total revenues	805,535	-	805,535	838,808	-	838,808	33,273
<b>Expenditures:</b>							
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, 2022

	Project Authorization			Prior Years	Actual		Variance Positive (Negative)
	June 30, 2021	Amendments	June 30, 2022		Current Year	Total to Date	
<b>Expenditures (continued):</b>							
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	4,807,251	-	4,807,251	4,284,721	-	4,284,721	522,530
Revenues over (under) expenditures	(4,001,716)	-	(4,001,716)	(3,445,913)	-	(3,445,913)	555,803
<b>Other Financing Sources:</b>							
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	4,001,716	-	4,001,716	2,902,713	-	2,902,713	(1,099,003)
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ -	\$ (543,200)	-	\$ (543,200)	\$ (543,200)
Fund balance, beginning					(543,200)		
Fund balance, ending					\$ (543,200)		

**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, 2022

Page 1 of 2

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Operating revenues:				
Solid waste fees - County	\$ 547,476	\$ 568,516	\$ 612,676	\$ 44,160
Solid waste fees - Town	75,500	75,500	92,879	17,379
Solid waste disposal tax	8,000	8,000	8,793	793
Total operating revenues	<u>630,976</u>	<u>652,016</u>	<u>714,348</u>	<u>62,332</u>
Non-operating revenues:				
Investment earnings	1,000	1,000	648	(352)
Insurance proceeds	960	960	-	(960)
Sale of material	-	-	590	590
Total non-operating revenues	<u>1,960</u>	<u>1,960</u>	<u>1,238</u>	<u>(722)</u>
Total revenues	632,936	653,976	715,586	61,610
<b>Expenditures:</b>				
Sanitation:				
Salaries and employee benefits	107,963	107,963	124,481	(16,518)
Contracted services trash collection	348,000	348,000	343,770	4,230
Professional services	-	21,040	16,296	4,744
RIF Expense	7,768	7,768	-	7,768
Tipping fees	30,000	30,000	19,851	10,149
Expense reimbursement General Fund	34,832	34,832	34,832	-
Other operating expenses	31,881	31,881	22,742	9,139
Total operating expenditures	<u>560,444</u>	<u>581,484</u>	<u>561,972</u>	<u>19,512</u>
Non-operating expenditures:				
Debt service:				
Principal retirement	48,310	48,310	48,310	-
Interest	754	754	753	1
Total debt service	<u>49,064</u>	<u>49,064</u>	<u>49,063</u>	<u>1</u>
Total expenditures	<u>609,508</u>	<u>630,548</u>	<u>611,035</u>	<u>19,513</u>
Revenues over (under) expenditures	<u>23,428</u>	<u>23,428</u>	<u>104,551</u>	<u>81,123</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, 2022

Page 2 of 2

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ 23,428	\$ 23,428	\$ 104,551	\$ 81,123
Other financing sources (uses):				
Transfers to other funds:				
Fleet Maintenance Fund	(23,428)	(23,428)	(23,428)	-
Total other financing sources (uses)	(23,428)	(23,428)	(23,428)	-
Revenues, other sources and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>81,123</u>	<u>\$ 81,123</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>				
Reconciling items:				
Principal retirement			48,310	
Depreciation			(29,169)	
(Increase) decrease in accrued interest			687	
Increase (decrease) in deferred outflows of resources - pensions			(11,531)	
(Increase) decrease in deferred inflows of resources - pensions			(31,677)	
(Increase) decrease in net pension liability			45,822	
Increase (decrease) in deferred outflows of resources - OPEB			(3,918)	
(Increase) decrease in deferred inflows of resources - OPEB			3,474	
(Increase) decrease in OPEB liability			24,334	
Total			<u>46,332</u>	
Change in net position			<u>\$ 127,455</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, 2022

Page 1 of 2

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Operating revenues:				
Stormwater fees	\$ 283,307	\$ 283,307	\$ 288,917	\$ 5,610
Stormwater permit fees	-	-	250	250
Total operating revenues	<u>283,307</u>	<u>283,307</u>	<u>289,167</u>	<u>5,860</u>
Non-operating revenues:				
Investment earnings	500	500	263	(237)
Total non-operating revenues	<u>500</u>	<u>500</u>	<u>263</u>	<u>(237)</u>
Total revenues	283,807	283,807	289,430	5,623
<b>Expenditures:</b>				
Storm Water:				
Salaries and employee benefits	51,866	51,866	53,780	(1,914)
Storm water fees	8,000	8,000	6,707	1,293
Tipping fees	1,040	1,040	-	1,040
Repairs and maintenance	26,700	26,700	2,458	24,242
Expense reimbursement General Fund	11,567	11,567	11,567	-
Other operating expenses	45,325	55,029	26,487	28,542
Capital outlay	100,000	90,296		
Total operating expenditures	<u>244,498</u>	<u>244,498</u>	<u>100,999</u>	<u>143,499</u>
Revenues over (under) expenditures	<u>39,309</u>	<u>39,309</u>	<u>188,431</u>	<u>149,122</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, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ 39,309	\$ 39,309	\$ 188,431	\$ 149,122
Other financing sources (uses):				
Transfers from other funds:				
Water and Sewer Fund	8,596	8,596	8,596	-
Transfers to other funds:				
Post Retirement Fund	(36,191)	(36,191)	-	36,191
Fleet Maintenance Fund	(11,714)	(11,714)	(11,714)	-
Total other financing sources (uses)	(39,309)	(39,309)	(3,118)	36,191
Fund balance appropriated	-	-	-	-
Revenues, other sources and appropriated fund balance over (under) expenditures and other uses	\$ -	\$ -	185,313	\$ 185,313
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>				
Reconciling items:				
Depreciation			(7,811)	
Increase (decrease) in deferred outflows of resources - pensions			(27,540)	
(Increase) decrease in deferred inflows of resources - pensions			(17,583)	
(Increase) decrease in net pension liability			52,680	
Increase (decrease) in deferred outflows of resources - OPEB			(14,013)	
(Increase) decrease in deferred inflows of resources - OPEB			20,439	
(Increase) decrease in OPEB liability			75,350	
(Increase) decrease in accrued vacation pay			(2)	
Total			81,520	
Change in net position			\$ 266,833	

**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, 2022

	Original Financial Plan	Final Financial Plan	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Miscellaneous revenues	\$ 480	\$ 480	\$ -	\$ (480)
Total revenues	<u>480</u>	<u>480</u>	<u>-</u>	<u>(480)</u>
<b>Expenditures:</b>				
Transportation:				
Salaries and benefits	64,884	64,884	72,927	(8,043)
Expense reimbursement General Fund	23,265	23,265	23,265	-
Other operating expenditures	112,463	112,463	89,711	22,752
Total expenditures	<u>200,612</u>	<u>200,612</u>	<u>185,903</u>	<u>14,709</u>
Revenues over (under) expenditures	<u>(200,132)</u>	<u>(200,132)</u>	<u>(185,903)</u>	<u>14,229</u>
<b>Other financing sources:</b>				
Transfers from other funds:				
Transfer from General Fund	135,705	135,705	135,705	-
Transfer from Water and Sewer Fund	29,285	29,285	29,285	-
Transfer from Storm Water Fund	11,714	11,714	11,714	-
Transfer from Sanitation Fund	23,428	23,428	23,428	-
Total other financing sources	<u>200,132</u>	<u>200,132</u>	<u>200,132</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	14,229	<u>\$ 14,229</u>
Fund balance, beginning			111,258	
Fund balance, ending			<u>\$ 125,487</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, 2022**

Fiscal Year	Uncollected Balance June 30, 2021	Additions	Collections And Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 3,261,181	\$ 3,222,051	\$ 39,130
2020-2021	27,401	-	16,320	11,081
2019-2020	12,577	-	2,864	9,713
2018-2019	12,706	-	2,395	10,311
2017-2018	7,066	-	595	6,471
2016-2017	5,372	-	965	4,407
2015-2016	5,338	-	1,205	4,133
2014-2015	3,227	-	355	2,872
2013-2014	13,302	-	195	13,107
2012-2013	26,969	-	31	26,938
2011-2012	19,370	-	19,370	-
<b>Total</b>	<u>\$ 133,328</u>	<u>\$ 3,261,181</u>	<u>\$ 3,266,346</u>	<u>\$ 128,163</u>
Less: allowance for uncollectible accounts:				
General fund				<u>(68,239)</u>
Ad valorem taxes receivable - net				<u>\$ 59,924</u>
 <u>Reconcilement with Revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,268,360
Reconciling items:				
Interest collected				(21,264)
Taxes written off 10 year statute of limitations				19,370
Releases (prior years) and other adjustments				(120)
Subtotal				<u>(2,014)</u>
Total collections and credits				<u>\$ 3,266,346</u>

**Town of Spring Lake, North Carolina**  
**ANALYSIS OF CURRENT TAX LEVY**  
**TOWN-WIDE LEVY**  
**For the Fiscal Year Ended June 30, 2022**

	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	\$445,955,714	\$ 0.70	\$ 3,121,690	\$ 2,874,551	\$ 247,139
Prior year's rate	11,762,571	0.70	82,338	-	82,338
Discoveries	8,331,857	0.70	58,323	58,323	-
Releases	(1,794,286)	0.70	(12,560)	(5,727)	(6,833)
Late listing penalties			11,390	11,390	-
Total property valuation	<u>\$464,255,856</u>				
Net levy			3,261,181	2,938,537	322,644
Unpaid (by taxpayer) taxes at June 30, 2022			<u>(39,130)</u>	<u>(39,130)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,222,051</u>	<u>\$ 2,899,407</u>	<u>\$ 322,644</u>
Current levy collection percentage			<u>98.80%</u>	<u>98.67%</u>	<u>100.00%</u>



## **Compliance Section**



**New Kubota Skid Steer &  
Ditch Witch Leaf Vacuum Trailer**



**Town of Spring Lake, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2022**

**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, 2022.

**Condition:** All 12-months of bank reconciliations for the fiscal years June 30, 2020, 2021 and 2022 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, 2022**

**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, 2022**

### **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**

Soñia 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, 2022**

### **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, 2022**

**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: June 30, 2026.

**Town of Spring Lake, North Carolina**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2022**

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 Fiscal Year Ended June 30, 2022**

	Federal CFDA Number	State / Pass- Through Grantor's Number	Federal (Direct & Pass-Through) Expenditures	State Expenditures
<b>Federal Grants:</b>				
<b>Cash Programs:</b>				
United States Department of Homeland Security				
Staffing for Adequate Fire and Emergency Response (SAFER)				
	97.083		\$ 171,109	\$ -
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	244,574	81,525
<b>State Grants:</b>				
<b>Cash Assistance:</b>				
NC Department of Transportation:				
Powell Bill				
		38570	-	2,476
Total Federal and State Awards			\$ 415,683	\$ 84,001

**Town of Spring Lake, North Carolina**  
**Notes to the Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2022**

**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, 2022. 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, 2022.

**6. Federally Funded Insurance.**

The Town has no federally funded insurance.



**Mural at Mendoza Park  
Artist Dimitri Borisov**



**New Playground at Mendoza Park**