

**Town of Spring Lake**  
**Spring Lake, North Carolina**  
**Financial Statements**  
**Fiscal Year Ended June 30, 2023**



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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**

Jason Williams, Interim Town Manager

David Erwin, Local Government Commission

Interim Finance Director

Carly Autry, Town Clerk

Michael Porter, Town Attorney



**Spring Lake Splash Pad  
Recreation Center  
245 Ruth Street**

## **Financial Section**



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

**Jason Williams, Fire Chief**

**October 14, 2019**

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



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

# Town of Spring Lake, North Carolina

## Management's Discussion and Analysis

### June 30, 2023

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, 2023. 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 \$13,833,500 (*net position*).
- The government's total net position increased by \$5,550,748, primarily due to an increase of \$3,494,499 in governmental activities net position and \$2,056,249 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 \$4,243,114, an increase of \$2,642,332. Approximately 71% of this total amount, or \$3,026,152, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,156,125, or 13.66% of total general fund expenditures and transfers for the fiscal year.
- The Town's total debt, excluding compensated absences, pensions, and OPEB, decreased by \$639,675 (6.23%) during the current fiscal year. Governmental activity debt decreased \$450,222, while Water and Sewer Fund debt decreased \$189,453. The key factors in this decrease were the payments of principal on existing loans of \$639,675. The Town did not issue any new debt during the fiscal year ended June 30, 2023.
- The Town's General Fund recognized an increase in fund balance of \$2,374,035 in the current fiscal year compared to an increase of \$1,603,164 in the previous fiscal year. The increase in fund balance was primarily due to an interfund transfer from the American Rescue Plan Fund of \$3,035,933. The General Fund also received reimbursements of expenditures from other funds totaling \$282,699 in the current fiscal year.

- The Town received a Coronavirus State Local Recovery Funds Grant (American Rescue Plan) from the United States Department of the Treasury of \$3,825,963. These grant funds plus investment earnings of \$111,927 were transferred from the American Resuce Plan Grant Fund to the General Fund and Enterprise Funds in fiscal year 2023 to pay for employee salaries and benefits.
- The Town also received the following grant funds in fiscal years 2022 and 2023:
  - North Carolina Office of State Budget and Management \$110,000 for Veterans Park and \$200,000 for Mendoza Park Capital Projects.
  - Fayetteville Cumberland County Arts Council Grant of \$4,000.
  - These funds were not expended during the current year and are shown as unearned revenues on the Statement of Net Position – Exhibit 1.
- In July 2019, the Town voted to create a Town-controlled nonprofit called Spring Lake Property Acquisitions, Inc. (“SPLA”). The purpose of the entity was to transfer certain properties previously acquired by the Town inside and outside the Town limits to SLPA and to help SLPA obtain a loan of up to \$3,500,000 to allow SLPA to acquire and assemble more property for economic development purposes for the benefit of the Town. SPLA has acquired 18 parcels of real estate at a total cost of \$3,441,567.
- The Town and SPLA entered into a support agreement on August 22, 2019, which states that the Town “promises to consider appropriating money to SPLA for loan payments.” Further, per the agreement, the “Town’s obligation to make payments will be subject to annual appropriation of funds by the Town’s Board of Aldermen.”
- For the year ended June 30, 2021, the SLPA paid \$104,300 in interest payments to BB&T Governmental Finance of which \$69,533 was paid by an appropriation from the Town’s General Fund. The \$3,500,000 loan was payable in four annual installments of \$875,000 beginning on August 22, 2021 plus monthly payments of interest at 2.98%. SLPA defaulted on the loan principal and interest payments. BB&T Governmental Finance closed SLPA’s escrow account on December 10, 2021 and applied the remaining account balance of \$360,713 to loan principal and interest.
- 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 December 8 30, 2025, the outstanding loan balance due to Truist Bank was zero (\$0).
- On September 19, 2025, The Town of Spring Lake sold one the parcels acquired by SLPA for \$75,000. On October 20, 2025, sale proceeds were applied to pay delinquent property taxes and solid waste fees due to Cumberland County from SLPA in the amount of \$49,842.

- As of June 30, 2023, SLPA had an outstanding balance due to the Town of Spring Lake of \$336,910. The current balance due to the Town of Spring Lake as of December 8, 2025, is \$763,752 including the mortgage note of \$450,000 purchased from Truist Bank less the remaining sales proceeds of \$23,158. 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. Any proceeds from the sale of real estate will be applied to repay the Town for the outstanding balance of \$763,752.
- On October 5, 2021, the Local Government Commission exercised its authority under NC General Statutes Section 159-18(c) and assumed full control of all financial affairs of the Town of Spring Lake and appointed Samatha Wullenwaber as Finance Officer and David Erwin as Deputy Finance Officer of the Town.
- On July 9, 2024, the Local Government Commission returned full control of all financial affairs of the Town of Spring Lake to its elected Board of Commissioners and its properly designed fiscal officers effective the earlier of August 1, 2024 or the date the Town appoints a properly bonded Finance Officer. The Town hired a bonded Finance Director on July 15, 2024.

## **Overview of the Financial Statements**

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

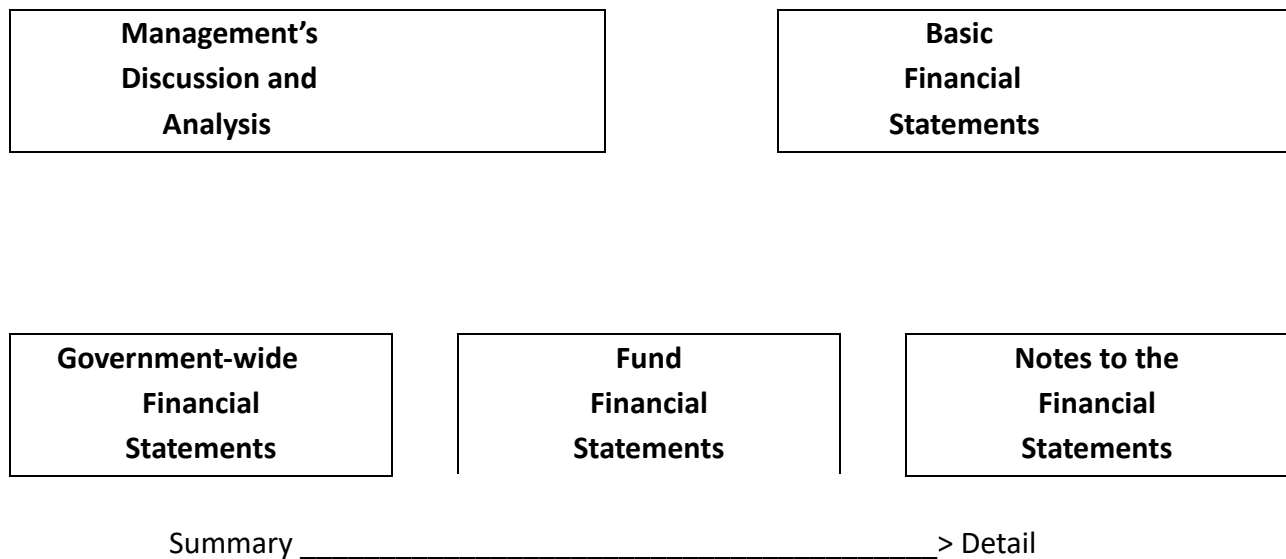
## **Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status. The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **required supplemental information** provides information on the Town’s proportionate share of the LGERS net pension liability, the total LEOSA pension liability and the net OPEB liability. Supplemental information is provided to show details about the Town’s individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

**Required Components of Annual Financial Report**

**Figure 1**



**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Town’s finances, in a manner similar to the private-sector business. The government-wide statements provide short and long-term information about the Town’s financial status as a whole.

The two government-wide statements report the Town’s net position and how it has changed. Net position is the difference between the Town’s total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town’s financial condition.

The government-wide statements are divided into two categories: 1) governmental activities, and 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, economic development, cultural and recreation, and debt service. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer, sanitation and storm water services offered by the Town of Spring Lake.

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

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 47 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 106 of this report.

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

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$13,833,500 as of June 30, 2023. The Town’s net position increased by \$5,550,748 for the fiscal year ended June 30, 2023. However, the largest portion \$10,013,512 (72.39%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment).

The Town of Spring Lake uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Town’s net position, \$3,066,110 (22.16%), represents resources that are subject to external restrictions on how they may be used. The remaining net position of \$753,878 (5.45%) is unrestricted.

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

|                                   | <u>Governmental</u><br><u>Activities</u> |                     | <u>Business-Type</u><br><u>Activities</u> |                    | <u>Total</u>        |                     |
|-----------------------------------|--|---------------------|---|--------------------|---------------------|---------------------|
|                                   | <u>2023</u>                              | <u>2022</u>         | <u>2023</u>                               | <u>2022</u>        | <u>2023</u>         | <u>2022</u>         |
| Current and other assets          | \$ 6,009,329                             | \$ 5,027,830        | \$ 7,651,191                              | \$5,097,440        | \$13,660,520        | \$ 10,125,270       |
| Capital assets                    | 11,740,413                               | 11,251,505          | 7,900,829                                 | 8,312,261          | 19,641,242          | 19,563,766          |
| Total assets                      | <u>17,749,742</u>                        | <u>16,279,335</u>   | <u>15,552,020</u>                         | <u>13,409,701</u>  | <u>33,301,762</u>   | <u>29,689,036</u>   |
| Deferred outflows of resources    | <u>2,440,980</u>                         | <u>2,525,931</u>    | <u>612,155</u>                            | <u>527,175</u>     | <u>3,053,135</u>    | <u>3,053,106</u>    |
| Long-term liabilities outstanding | 10,545,685                               | 11,626,259          | 3,687,521                                 | 3,568,868          | 14,233,206          | 15,195,127          |
| Other liabilities                 | 4,517,283                                | 5,245,169           | 780,029                                   | 757,963            | 5,297,312           | 6,003,132           |
| Total liabilities                 | <u>15,062,968</u>                        | <u>16,871,428</u>   | <u>4,467,550</u>                          | <u>4,326,831</u>   | <u>19,530,518</u>   | <u>21,198,259</u>   |
| Deferred inflows of resources     | <u>2,378,626</u>                         | <u>2,679,209</u>    | <u>612,253</u>                            | <u>581,922</u>     | <u>2,990,879</u>    | <u>3,261,131</u>    |
| <b>Net Position:</b>              |  |                     |   |                    |                     |                     |
| Net investment in capital assets  | 4,470,636                                | 3,531,506           | 5,542,876                                 | 5,764,855          | 10,013,512          | 9,296,361           |
| Restricted                        | 2,990,715                                | 2,924,099           | 75,395                                    | 75,395             | 3,066,110           | 2,999,494           |
| Unrestricted                      | <u>(4,712,223)</u>                       | <u>(7,200,976)</u>  | <u>5,466,101</u>                          | <u>3,187,873</u>   | <u>753,878</u>      | <u>(4,013,103)</u>  |
| Total net position                | <u>\$ 2,749,128</u>                      | <u>\$ (745,371)</u> | <u>\$ 11,084,372</u>                      | <u>\$9,028,123</u> | <u>\$13,833,500</u> | <u>\$ 8,282,752</u> |

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

**Figure 3**

|   | Governmental<br>Activities |                     | Business-Type<br>Activities |                     | Total                |                     |
|---|----------------------------|---------------------|-----------------------------|---------------------|----------------------|---------------------|
|   | <u>2023</u>                | <u>2022</u>         | <u>2023</u>                 | <u>2022</u>         | <u>2023</u>          | <u>2022</u>         |
| <b>Revenues:</b>  |                            |                     |                             |                     |                      |                     |
| <b>Program Revenues:</b>                                    |                            |                     |                             |                     |                      |                     |
| Charges for services  | \$ 81,636                  | \$ 117,790          | \$ 5,160,283                | \$ 4,726,655        | \$ 5,241,919         | \$ 4,844,445        |
| Operating grants and contributions                          | 4,541,119                  | 791,038             | -                           | -                   | 4,541,119            | 791,038             |
| Capital grants and contribution                             | -                          | -                   | -                           | 326,099             | -                    | 326,099             |
| <b>General Revenues:</b>                                    |                            |                     |                             |                     |                      |                     |
| Property taxes  | 3,057,959                  | 3,275,600           | -                           | -                   | 3,057,959            | 3,275,600           |
| Other taxes and licenses                                    | 52,764                     | 55,555              | -                           | -                   | 52,764               | 55,555              |
| Unrestricted intergovernmental                              | 3,612,808                  | 3,399,677           | -                           | -                   | 3,612,808            | 3,399,677           |
| Investment earnings   | 292,777                    | 8,528               | 114,326                     | 3,621               | 407,103              | 12,149              |
| Sale of surplus property                                    | 106,291                    | -                   | 5,014                       | 3,954               | 111,305              | 3,954               |
| Other   | 48,579                     | 194,461             | 28,606                      | 31,863              | 77,185               | 226,324             |
| Total revenues  | <u>11,793,933</u>          | <u>7,842,649</u>    | <u>5,308,229</u>            | <u>5,092,192</u>    | <u>17,102,162</u>    | <u>12,934,841</u>   |
| <b>Expenses:</b>  |                            |                     |                             |                     |                      |                     |
| General government  | 949,648                    | 1,314,797           | -                           | -                   | 949,648              | 1,314,797           |
| Public safety   | 4,561,256                  | 4,121,933           | -                           | -                   | 4,561,256            | 4,121,933           |
| Transportation  | 755,645                    | 656,345             | -                           | -                   | 755,645              | 656,345             |
| Economic development  | 92,639                     | 98,122              | -                           | -                   | 92,639               | 98,122              |
| Cultural and recreation                                     | 308,517                    | 575,418             | -                           | -                   | 308,517              | 575,418             |
| Interest expense  | 204,945                    | 214,086             | -                           | -                   | 204,945              | 214,086             |
| Water and Sewer   | -                          | -                   | 3,968,429                   | 3,179,434           | 3,968,429            | 3,179,434           |
| Sanitation  | -                          | -                   | 591,258                     | 564,703             | 591,258              | 564,703             |
| Storm Water   | -                          | -                   | 119,077                     | 19,479              | 119,077              | 19,479              |
| Total expenses  | <u>6,872,650</u>           | <u>6,980,701</u>    | <u>4,678,764</u>            | <u>3,763,616</u>    | <u>11,551,414</u>    | <u>10,744,317</u>   |
| <b>Increase (decrease) in net position before transfers</b> |                            |                     |                             |                     |                      |                     |
|   | 4,921,283                  | 861,948             | 629,465                     | 1,328,576           | 5,550,748            | 2,190,524           |
| Transfers   | <u>(1,426,784)</u>         | <u>64,427</u>       | <u>1,426,784</u>            | <u>(64,427)</u>     | <u>-</u>             | <u>-</u>            |
| <b>Increase (decrease) in net position</b>                  | <u>3,494,499</u>           | <u>926,375</u>      | <u>2,056,249</u>            | <u>1,264,149</u>    | <u>5,550,748</u>     | <u>2,190,524</u>    |
| <b>Net position</b>   | <u>(745,371)</u>           | <u>(1,671,746)</u>  | <u>9,028,123</u>            | <u>7,763,974</u>    | <u>8,282,752</u>     | <u>6,092,228</u>    |
| <b>Net position (deficit), June 30</b>                      | <u>\$ 2,749,128</u>        | <u>\$ (745,371)</u> | <u>\$ 11,084,372</u>        | <u>\$ 9,028,123</u> | <u>\$ 13,833,500</u> | <u>\$ 8,282,752</u> |

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

- Continued diligence in the collection of property taxes by increasing aggressive collection procedures through the debt setoff program, garnishments and bank account attachments. The tax collection percentage increased by 0.43% to 99.23% from 98.80% in the previous year.
- Investment earnings increased from the previous year by \$419,252 due to increases in the Town's cash balances available for investment and an increase in interest rates.
- Sales tax revenues (net of reimbursement to Cumberland County per interlocal agreement) increased by \$169,974 (6%) over the previous year.
- The Town received American Rescue Plan Grant funds from the United States Department of the Treasury in the amount of \$3,825,963 which was used to pay employee salaries and benefits.

**Governmental activities:** Governmental activities increased the Town's net position by \$3,494,499, accounting for 62.96% of the total increase in the net position of the Town. The key elements of this increase are as follows:

- Property tax revenues decreased by \$217,641 (6.64%) due to a decrease in the tax rate of \$0.05 from \$0.70 to \$0.65 per \$100 of assessed property valuation.
- The Town of Spring Lake has contracted with the Fayetteville Cumberland County Parks and Recreation Department to manage sports and other recreational activities for the Town beginning in the current fiscal year. As part of this agreement, the Town reduced its tax rate by \$0.05. Beginning with the 2022 tax levy for fiscal year 2023, Spring Lake residents will pay a \$0.05 recreation tax to Cumberland County.
- Reduction in expenditures of \$108,051 from the previous year.
- American Rescue Plan Grant of \$3,825,963.

**Business-type activities:** Business-type activities increased the Town's net position by \$2,056,249, accounting for 37.04% 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 \$414,898 due to rate increases for water and sewer services.
- Interfund transfers from the American Rescue Plan Grant Fund of \$569,187, \$99,919 and \$170,515, respectively, to the Water and Sewer Fund, Sanitation Fund and Stormwater Fund.
- Increase in expenses of \$915,148 combined in the Water and Sewer, Sanitation and Stormwater Funds including an increase of \$335,674 in the Town's pension liability for Enterprise Funds.

## 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. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

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 in the General Fund was \$1,156,125, while total fund balance increased to \$4,584,442. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.66% of total General Fund expenditures and transfers out to other funds, while total fund balance represents 54.16% of that same amount. Nonspendable and restricted fund balance represents 35.61% of total General Fund expenditures and transfers. \$414,036 (4.89%) of total fund balance is appropriated for the next fiscal year ending June 30, 2024 budget.

**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 2023 were \$7,691,313 compared to \$7,660,733 in the previous year. Revenues exceeded the budgeted amounts by \$348,910. primarily due to the increase in sales tax revenues and investment earnings.

- Ad-valorem taxes decreased by \$197,478 due to a decrease of \$0.05 in the tax rate and an increase of \$2,477,463 (0.53%) in assessed property value. The tax collection percentage increased from 98.80% in the previous fiscal year 2022 to 99.23% in the current fiscal year 2023.
- Sales tax revenues (net of reimbursement to Cumberland County) increased by \$169,974 (6%).
- Restricted intergovernmental revenues (Federal, state and local grants) increased by \$32,184 due to recreation merger reimbursement of \$53,085 received from Fayetteville Cumberland County Parks and Recreation Department.
- Revenues from permits and fees decreased by \$24,102 due primarily to Fire Department and Inspections Department fees.

- Investment earnings increased by \$167,570 due to rising interest rates and increased cash balances available for investment.
- Miscellaneous revenues decreased by \$145,882 due to insurance proceeds of \$135,000 received in fiscal year 2022 for employee embezzlement in previous years.

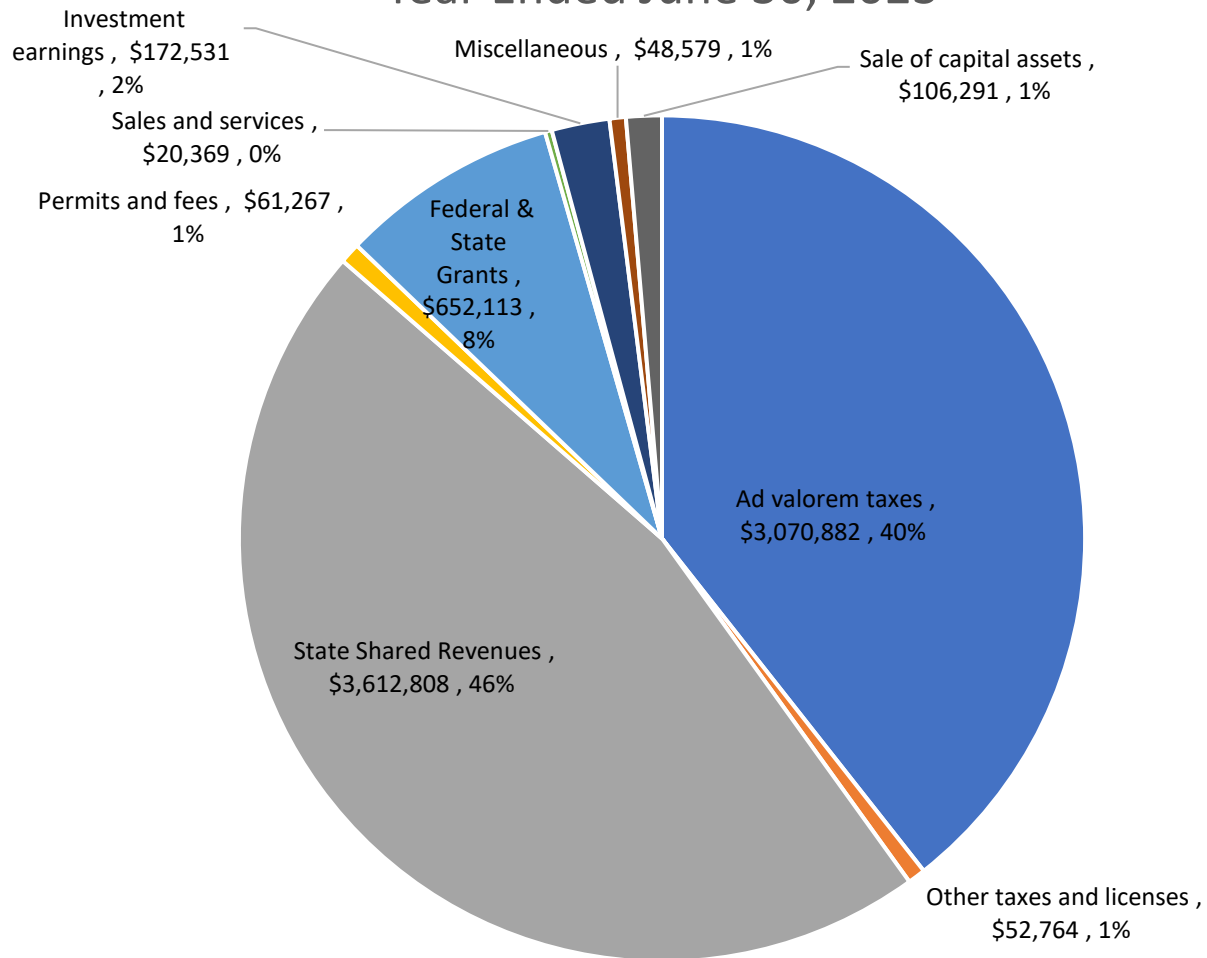
Total budgeted appropriations in the General Fund exceeded expenditures by \$2,034,157. Total expenditures in the General Fund for fiscal year 2023 were \$7,378,264 compared to \$5,691,103 in the previous year, an increase of \$1,687,161 (29.65%). Major increases and decreases in expenditures are listed below:

- General government expenditures increased by \$149,208 due mainly to an increase in professional services in the Finance Department for accountants hired by the Local Government Commission to correct the Town's accounting records for the current and previous fiscal years.
- Public safety expenditures increased by \$1,284,349 due to the purchase of a ladder truck for the Fire Department and increases in salaries and benefits to staff the new Manchester Fire Station which was completed in the previous fiscal year 2022. The Police Department purchased new radios, tasers, guns and body cameras for police officers in the current fiscal year at a cost of \$181,607.
- Transportation expenditures increased by \$471,825 due capital outlay expenditures of \$426,745 to purchase a Ford F-750 truck, tractor, backhoe, zero turn mower, trailer and roller for the Street Department.
- The Town discontinued bus service in the current fiscal year which reduced expenditures by \$32,185.
- Economic development expenditures decreased by \$4,882 due to reductions in salaries and benefits for vacant positions.
- Cultural and recreation expenditures decreased by \$265,400 as the Town contracted with Fayetteville Cumberland County Parks and Recreation to manage recreational activities within the Town of Spring Lake.
- Debt service expenditures increased by \$52,061 due to payment to South River Electric Membership Corporation of \$56,556 for the loan on the new Manchester Fire Station.

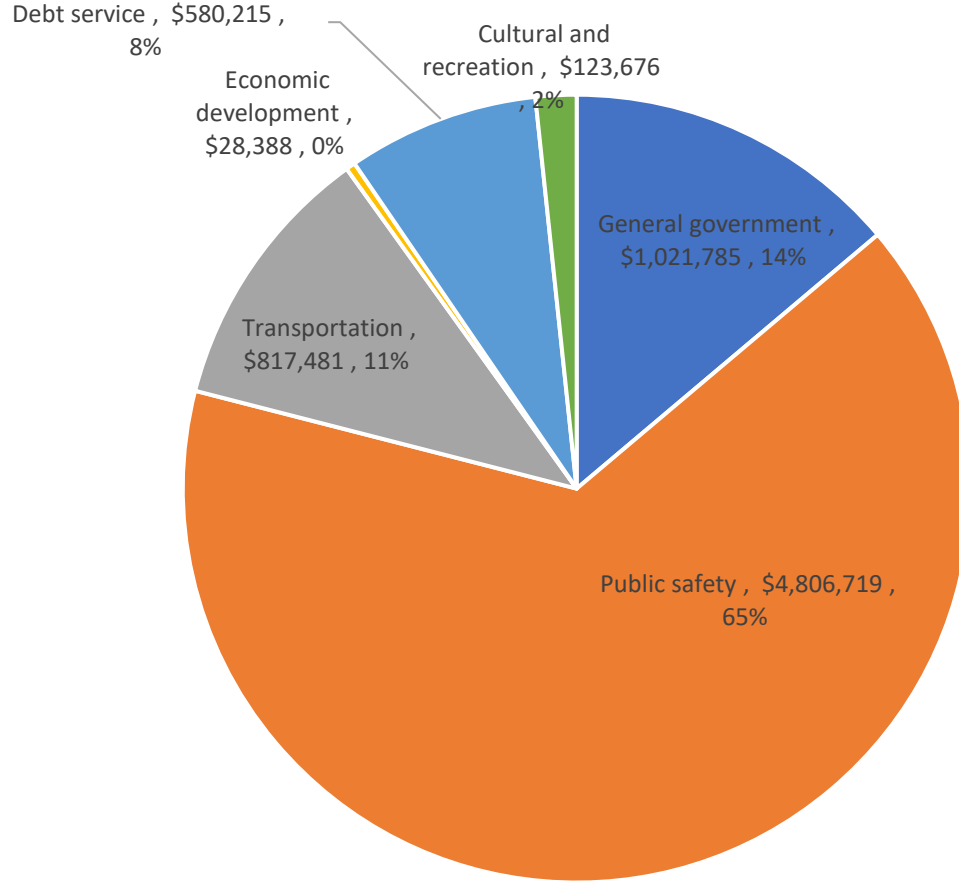
**Proprietary Funds.** The Town of Spring Lake's proprietary funds provide the same type of information found in the government-wide statements but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,856,813. The total increase in net position for the Water and Sewer Fund was \$1,358,875.

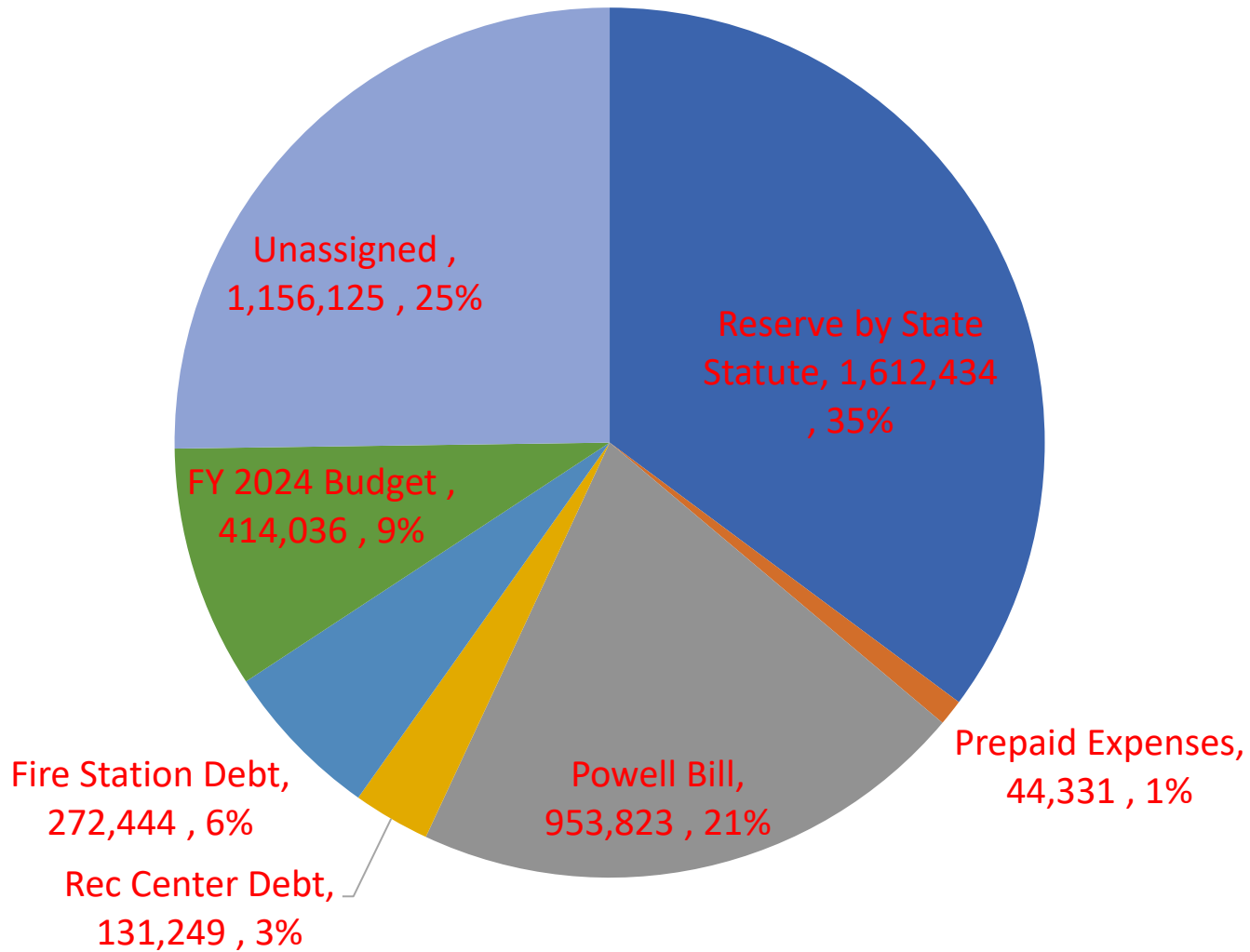
## Town of Spring Lake General Fund Revenues Fiscal Year Ended June 30, 2023



Town of Spring Lake  
General Fund Expenditures  
Fiscal Year Ended June 30, 2023

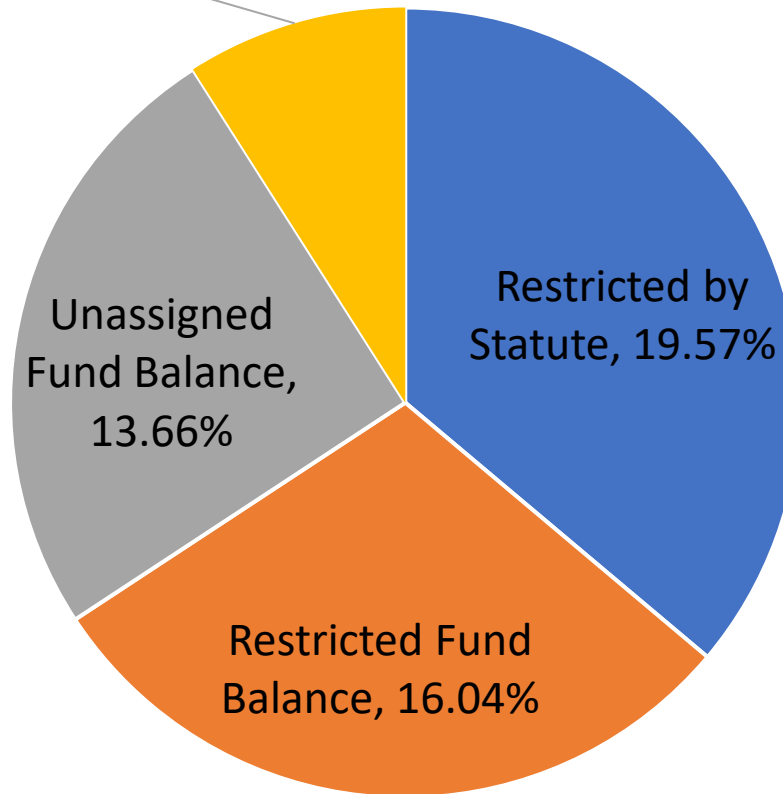


Town of Spring Lake  
Fund Balance - General Fund \$4,584,442  
Fiscal Year Ended June 30, 2023



Town of Spring Lake  
 General Fund Balance as a Percentage of Expenditures  
 Fiscal Year Ended June 30, 2023

FY 2024 Budget ,  
 4.89%



|               |               |
|---------------|---------------|
| Assigned      | 4.89%         |
| Unassigned    | 13.66%        |
| Restricted FB | <u>16.04%</u> |
| FBA           | <u>34.59%</u> |

FB \$4,584,442  
 EXP \$8,464,849 = 54.16%

Unrestricted net position of the Sanitation Fund at the end of the fiscal year amounted to \$568,219. The total increase in net position for the Sanitation Fund was \$340,910. Unrestricted net position of the Storm Water Fund at the end of the fiscal year amounted to \$1,041,069. The total increase in net position for the Storm Water Fund was \$356,464. Factors concerning the finances of these funds have already been addressed in the discussion of the Town’s business-type activities.

**Capital Asset and Debt Administration**

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

|                                       | <b>Governmental<br/>Activities</b> |                      | <b>Business-Type<br/>Activities</b> |                     | <b>Total</b>         |                      |
|---------------------------------------|------------------------------------|----------------------|-------------------------------------|---------------------|----------------------|----------------------|
|                                       | <u>2023</u>                        | <u>2022</u>          | <u>2023</u>                         | <u>2022</u>         | <u>2023</u>          | <u>2022</u>          |
| Land                                  | \$ 2,991,821                       | \$ 2,991,821         | \$ 93,889                           | \$ 82,889           | \$ 3,085,710         | \$ 3,074,710         |
| Distribution and<br>treatment systems | -                                  | -                    | 7,544,844                           | 8,023,224           | 7,544,844            | 8,023,224            |
| Buildings                             | 5,138,172                          | 5,375,425            | -                                   | -                   | 5,138,172            | 5,375,425            |
| Other Improvements                    | 1,240,861                          | 1,365,030            | 139,943                             | 105,894             | 1,380,804            | 1,470,924            |
| Equipment                             | 435,057                            | 105,979              | 99,608                              | 62,110              | 534,665              | 168,089              |
| Vehicles                              | 1,934,502                          | 1,413,250            | 22,545                              | 38,144              | 1,957,047            | 1,451,394            |
| Construction in<br>progress           | -                                  | -                    | -                                   | -                   | -                    | -                    |
| <b>Total</b>                          | <u>\$ 11,740,413</u>               | <u>\$ 11,251,505</u> | <u>\$ 7,900,829</u>                 | <u>\$ 8,312,261</u> | <u>\$ 19,641,242</u> | <u>\$ 19,563,766</u> |

**Capital assets.** The Town’s investment in capital assets for its governmental and business–type activities as of June 30, 2023, totals \$19,641,242 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Purchase of 2012 Spartan Ladder Truck for Fire Department at \$604,975.
- Purchase of 2023 Ford F750 Truck for Street Department at \$109,885.
- Purchase of John Deere 5100E Tractor for Street Department at \$65,686.
- Purchase of Caterpillar 420XE Backhoe & Loader for Street Department at \$157,085.
- Purchase of Caterpillar Roller for Street Department at \$35,319.
- Purchase of Kubota Zero Turn Mower for Street Department at \$35,524

- Purchase of Kaufman Trailer and Hardee Mower arm for Street Department at \$26,246.
- Purchase of Poweredge R550 Intel Server for Information Technology Department at \$37,437.
- Purchase of 2.03 acres easement on Manchester Road in Water and Sewer Fund for \$11,000.
- 40-foot 6-inch water main on N Second Street at \$24,500.
- Purchase of Deluxe trailer, Carrier heat pump and aerators totaling \$65,994 in Water and Sewer Fund.
- Construction of storm water improvements on Wapiti Drive of \$42,000 in the Stormwater Fund.
- Sale of surplus vehicles and equipment of \$106,291 in the General Fund and \$5,014 in the Water and Sewer Fund.

Additional information on the Town’s capital assets can be found in Note 3 on page 70 of this report.

### Town of Spring Lake’s Outstanding Debt

Figure 5

|                                   | Governmental<br>Activities |                      | Business-Type<br>Activities |                    | Total                |                      |
|-----------------------------------|----------------------------|----------------------|-----------------------------|--------------------|----------------------|----------------------|
|                                   | <u>2023</u>                | <u>2022</u>          | <u>2023</u>                 | <u>2022</u>        | <u>2023</u>          | <u>2022</u>          |
| General obligation bonds          | \$ -                       | \$ -                 | \$1,042,000                 | \$1,068,000        | \$ 1,042,000         | \$ 1,068,000         |
| Installment purchases             |                            |                      |                             |                    |                      |                      |
| Notes payable - BB&T              | 150,000                    | 300,000              | -                           | -                  | 150,000              | 300,000              |
| Notes payable - South River EMC   | 944,444                    | 1,000,000            | -                           | -                  | 944,444              | 1,000,000            |
| Notes payable - USDA              | 1,975,493                  | 2,023,281            | -                           | -                  | 1,975,493            | 2,023,281            |
| Notes payable - First Bank        | 905,869                    | 1,011,890            | -                           | -                  | 905,869              | 1,011,890            |
| Spring Lake Property Acquisitions | 3,184,557                  | 3,184,557            | -                           | -                  | 3,184,557            | 3,184,557            |
| Notes payable - NCDEQ             | -                          | -                    | 1,315,953                   | 1,479,406          | 1,315,953            | 1,479,406            |
| Capital leases                    | 109,414                    | 200,271              | -                           | -                  | 109,414              | 200,271              |
| Compensated absences              | 162,599                    | 149,511              | 48,017                      | 47,734             | 210,616              | 197,245              |
| Total OPEB liability              | 3,560,137                  | 4,409,674            | 969,875                     | 997,652            | 4,530,012            | 5,407,326            |
| Total pension liability - LEOSSA  | 387,500                    | 470,253              | -                           | -                  | 387,500              | 470,253              |
| Net pension liability - NCLGERS   | 1,969,350                  | 798,979              | 513,442                     | 177,768            | 2,482,792            | 976,747              |
| <b>Total</b>                      | <u>\$ 13,349,363</u>       | <u>\$ 13,548,416</u> | <u>\$3,889,287</u>          | <u>\$3,770,560</u> | <u>\$ 17,238,650</u> | <u>\$ 17,318,976</u> |

**Long-term Debt.** As of June 30, 2023, the Town of Spring Lake had total bonded debt outstanding of \$1,042,000. All of this debt is 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 \$80,326 (0.46%) during the current fiscal year. The key factors in this increase were as follows:

- Principal payments of \$450,222 for governmental activities debt and \$189,453 for business-type activities debt.
- Increase in compensated absences of \$13,371 from the previous fiscal year.
- Decrease in total OPEB liability of \$877,314.
- Decrease in total pension liability for the Law Enforcement Officers' Special Separation Allowance of \$82,753.
- Increase in the net pension liability for the North Carolina Local Government Employees' Retirement System of \$1,506,045.

North Carolina's General Statutes limit the amount of general obligation debt that a governmental unit can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Spring Lake is presently at \$30,068,889 (the amount of additional debt the town could obligate itself to under NC General Statutes).

Additional information pertaining to the Town of Spring Lake's long-term debt can be found in Note 3 on page 92 of this report.

#### **Spring Lake Property Acquisitions, Inc. (SLPA) Debt**

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

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

The Town and SPLA entered into a support agreement on August 22, 2019, which states that the Town "promises to consider appropriating money to SPLA for loan payments." Further, per the agreement, the "Town's obligation to make payments will be subject to annual appropriation of funds by the Town's Board of Aldermen."

SLPA did not seek approval from the North Carolina Local Government Commission for this loan as required by NC General Statutes. Per the Local Government Commission “It continues to be our opinion that the Town has no legal obligation to make payments on this loan”.

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

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

Although, Truist Bank may legally foreclose on the properties, Truist has chosen not to foreclose. 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 December 8, 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 as of June 30, 2023. 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. The Town sold one 5-acre parcel of this land on September 19, 2025 for \$75,000. On October 20, 2025, the sale proceeds were applied to pay past due property taxes and solid waste fees for years 2020 through 2025 owed to Cumberland County of \$49,842. The remaining sales proceeds were applied to legal fees for the sale of \$2,000 and \$23,158 to repay the loan from the Town’s General Fund. Any future proceeds from the sale of SLPA real estate will be applied to repay the Town for the outstanding balance of \$313,392 (\$336,910 less \$23,158) and the \$450,000 for the purchase of the mortgage from Truist Bank.

These financial statements do not include any adjustment for the impairment of the real estate assets owned by SLPA. The real estate is stated at original cost less accumulated depreciation. The loan is stated at the outstanding principal balance plus accrued interest as of the fiscal year ended June 30, 2023. 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 for impairment of the real estate assets.

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

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

- The local unemployment rate for Cumberland County as of June 30, 2023 was 4.7% compared to the North Carolina state average rate of 3.6%. The unemployment rate decreased by 0.4% from the previous year's unemployment rate of 5.1% which reflects improvement in both the local and state economy.
- Sales tax revenues for fiscal year 2023 increased by \$183,065 (5.54%) over fiscal year 2022. Per an interlocal agreement, The Town must reimburse Cumberland County for a portion of the increase in sales tax revenue received by the Town. After the reimbursement to the County, net sales tax revenues increased by \$169,974 (6%).
- Beginning with the fiscal year ending June 30, 2026, Cumberland County has elected to distribute future sales tax revenues based on ad-valorem property tax levies, rather than by population. The Town of Spring Lake's share of sales tax based on population is approximately 1.99%. Based on tax levies, the Town's share in the future will be approximately 1.08%, or a decrease of 46% in total sales tax revenues for the Town. 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).

### **Budget Highlights for the Fiscal Year Ending June 30, 2024**

#### **Governmental Activities:**

Total budgeted expenditures and interfund transfers for the General Fund for the upcoming fiscal year 2024 are \$8,687,239. This is a decrease of \$1,974,453 from the final budget of \$10,661,692 for the previous fiscal year 2023. The property tax rate will remain at \$0.65 per \$100 of assessed property value. The budget for fiscal year 2024 includes a fund balance appropriation of \$414,036.

#### **Business-type Activities:**

Total budgeted expenditures for the Water and Sewer Fund for the upcoming fiscal year 2024 are \$5,058,775. The budget includes a fund balance appropriation of \$579,191. This is an increase of \$214,520 from the final budget of \$4,844,255 for the previous fiscal year 2023.

The minimum monthly rate for water will increase by \$2.49 (43%) from \$5.78 to \$8.27. The minimum monthly sewer rate will increase by \$3.46 (26%) from \$13.32 to \$16.78. Consumption or usage charges for water will increase by 1.5% per 1,000 gallons. Consumption or usage charges for sewer will increase by 10% per 1,000 gallons.

Total budgeted expenditures for the Sanitation Fund for the upcoming fiscal year 2024 are \$992,388. This is an increase of \$29,618 from the final budget of \$962,770 for the previous fiscal year 2023. The annual solid waste fees for fiscal year 2024 will remain at \$307. The budget includes a fund balance appropriation of \$236,017.

Total budgeted expenditures for the Storm Water Fund for the upcoming fiscal year 2024 are \$300,025. This is a decrease of \$168,336 from the final budget of \$468,361 for the previous fiscal year 2023. 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.

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## **Basic Financial Statements**

**Town of Spring Lake, North Carolina**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

Exhibit 1

|   | Primary Government         |                             |              |
|---|----------------------------|-----------------------------|--------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total        |
| <b>ASSETS</b>   |                            |                             |              |
| Current assets:   |                            |                             |              |
| Cash and cash equivalents   | \$ 2,669,626               | \$ 6,742,753                | \$ 9,412,379 |
| Restricted cash and cash equivalents                                | 1,683,387                  | 413,948                     | 2,097,335    |
| Taxes receivables (net)   | 47,001                     | -                           | 47,001       |
| Accounts receivable (net)   | -                          | 412,377                     | 412,377      |
| Other receivables   | 28,077                     | -                           | 28,077       |
| Due from other governments  | 1,256,341                  | 24,657                      | 1,280,998    |
| Due from component unit   | 336,910                    | -                           | 336,910      |
| Internal balances   | (56,344)                   | 56,344                      | -            |
| Prepaid items   | 44,331                     | 1,112                       | 45,443       |
| Total current assets  | 6,009,329                  | 7,651,191                   | 13,660,520   |
| Non-current assets:   |                            |                             |              |
| Capital assets (Note 2):  |                            |                             |              |
| Land, non-depreciable improvements, and<br>construction in progress | 2,991,821                  | 93,889                      | 3,085,710    |
| Other capital assets, net of depreciation                           | 8,748,592                  | 7,806,940                   | 16,555,532   |
| Total capital assets  | 11,740,413                 | 7,900,829                   | 19,641,242   |
| Total non-current assets  | 11,740,413                 | 7,900,829                   | 19,641,242   |
| TOTAL ASSETS  | 17,749,742                 | 15,552,020                  | 33,301,762   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                               |                            |                             |              |
| Pension deferrals   | 1,715,737                  | 414,579                     | 2,130,316    |
| OPEB deferrals  | 725,243                    | 197,576                     | 922,819      |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES                                | 2,440,980                  | 612,155                     | 3,053,135    |

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

**Town of Spring Lake, North Carolina**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

Exhibit 1

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
| <b>LIABILITIES</b>                          |                            |                             |                      |
| Current liabilities:                        |                            |                             |                      |
| Accounts payable and accrued liabilities    | 1,039,118                  | 239,710                     | 1,278,828            |
| Due to primary government                   | 336,910                    | -                           | 336,910              |
| Due to other governments                    | 23,577                     | -                           | 23,577               |
| Unearned revenues                           | 314,000                    | -                           | 314,000              |
| Compensated absences - current portion      | 40,650                     | 12,313                      | 52,963               |
| Current portion of long-term liabilities    | 2,763,028                  | 189,453                     | 2,952,481            |
| Liabilities payable from restricted assets: |                            |                             |                      |
| Customer deposits                           | -                          | 338,553                     | 338,553              |
| Total current liabilities                   | <u>4,517,283</u>           | <u>780,029</u>              | <u>5,297,312</u>     |
| Long-term liabilities:                      |                            |                             |                      |
| Net pension liability - LGERS               | 1,969,350                  | 513,442                     | 2,482,792            |
| Total pension liability - LEOSA             | 387,500                    | -                           | 387,500              |
| Total OPEB liability                        | 3,560,137                  | 969,875                     | 4,530,012            |
| Compensated absences                        | 121,949                    | 35,704                      | 157,653              |
| Due in more than one year                   | 4,506,749                  | 2,168,500                   | 6,675,249            |
| TOTAL LIABILITIES                           | <u>15,062,968</u>          | <u>4,467,550</u>            | <u>19,530,518</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |                            |                             |                      |
| Prepaid taxes                               | 23,781                     | -                           | 23,781               |
| Pension deferrals                           | 255,736                    | 40,400                      | 296,136              |
| OPEB deferrals                              | 2,099,109                  | 571,853                     | 2,670,962            |
| TOTAL DEFERRED INFLOWS OF RESOURCES         | <u>2,378,626</u>           | <u>612,253</u>              | <u>2,990,879</u>     |
| <b>NET POSITION</b>                         |                            |                             |                      |
| Net investment in capital assets            | 4,470,636                  | 5,542,876                   | 10,013,512           |
| Restricted for:                             |                            |                             |                      |
| Stabilization by State Statute              | 1,621,328                  | -                           | 1,621,328            |
| Streets                                     | 953,823                    | -                           | 953,823              |
| Cultural and recreation                     | 11,871                     | -                           | 11,871               |
| USDA debt service                           | 403,693                    | 75,395                      | 479,088              |
| Unrestricted net position (deficit)         | <u>(4,712,223)</u>         | <u>5,466,101</u>            | <u>753,878</u>       |
| TOTAL NET POSITION                          | <u>\$ 2,749,128</u>        | <u>\$ 11,084,372</u>        | <u>\$ 13,833,500</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, 2023**

Exhibit 2

| <u>Functions/Programs</u>      | <u>Expenses</u>     | <u>Program Revenues</u>         |   |   |
|--------------------------------|---------------------|---------------------------------|---|---|
|                                |                     | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital Grants<br/>and<br/>Contributions</u> |
| <b>Primary government:</b>     |                     |                                 |   |   |
| Governmental Activities:       |                     |                                 |   |   |
| General government             | \$ 949,648          | \$ -                            | \$ 457,901  | \$ -  |
| Public safety                  | 4,561,256           | 56,452                          | 2,298,463   | -   |
| Transportation                 | 755,645             | 11,370                          | 660,666   | -   |
| Economic development           | 92,639              | 4,815                           | -   | -   |
| Environmental protection       | -                   | -                               | 842,837   | -   |
| Cultural and recreation        | 308,517             | 8,999                           | 198,752   | -   |
| Interest on long-term debt     | 204,945             | -                               | 82,500  | -   |
| Total governmental activities  | <u>6,872,650</u>    | <u>81,636</u>                   | <u>4,541,119</u>                                  | <u>-</u>  |
| Business-type activities:      |                     |                                 |   |   |
| Water and Sewer                | 3,968,429           | 4,138,038                       | -   | -   |
| Sanitation                     | 591,258             | 726,830                         | -   | -   |
| Stormwater                     | 119,077             | 295,415                         | -   | -   |
| Total business-type activities | <u>4,678,764</u>    | <u>5,160,283</u>                | <u>-</u>  | <u>-</u>  |
| Total primary government       | <u>\$11,551,414</u> | <u>\$ 5,241,919</u>             | <u>\$ 4,541,119</u>                               | <u>\$ -</u>                                     |

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

| Functions/Programs   | Net (Expense) Revenue and Changes in Net Position |               |               |
|--|---|---------------|---------------|
|  | Primary Government                                |               |               |
|  | Governmental                                      | Business-type | Total         |
| <b>Primary government:</b>                                   |   |               |               |
| Governmental Activities:                                     |   |               |               |
| General government   | \$ (491,747)                                      | \$ -          | \$ (491,747)  |
| Public safety  | (2,206,341)                                       | -             | (2,206,341)   |
| Transportation   | (83,609)  | -             | (83,609)      |
| Economic development   | (87,824)  | -             | (87,824)      |
| Environmental protection                                     | 842,837   | -             | 842,837       |
| Cultural and recreation                                      | (100,766)   | -             | (100,766)     |
| Interest on long-term debt                                   | (122,445)   | -             | (122,445)     |
| Total governmental activities                                | (2,249,895)                                       | -             | (2,249,895)   |
| Business-type activities:                                    |   |               |               |
| Water and Sewer  | -   | 169,609       | 169,609       |
| Sanitation   | -   | 135,572       | 135,572       |
| Stormwater   | -   | 176,338       | 176,338       |
| Total business-type activities                               | -   | 481,519       | 481,519       |
| Total primary government                                     | (2,249,895)                                       | 481,519       | (1,768,376)   |
| General revenues:  |   |               |               |
| Taxes:   |   |               |               |
| Property taxes, levied for general purpose                   | 3,057,959   | -             | 3,057,959     |
| Other taxes  | 52,764  | -             | 52,764        |
| Grants and contributions not restricted to specific programs |   |               |               |
| Unrestricted investment earnings                             | 292,777   | 114,326       | 407,103       |
| Miscellaneous  | 48,579  | 28,606        | 77,185        |
| Gain (loss) on disposal of capital assets                    | 106,291   | 5,014         | 111,305       |
| Total general revenues not including transfers               | 7,171,178   | 147,946       | 7,319,124     |
| Transfers  | (1,426,784)                                       | 1,426,784     | -             |
| Total general revenues and transfers                         | 5,744,394   | 1,574,730     | 7,319,124     |
| Change in net position                                       | 3,494,499   | 2,056,249     | 5,550,748     |
| Net position (deficit), beginning                            | (745,371)   | 9,028,123     | 8,282,752     |
| Net position (deficit), ending                               | \$ 2,749,128                                      | \$ 11,084,372 | \$ 13,833,500 |

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

**Town of Spring Lake, North Carolina**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

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   | \$ 2,529,418        | \$ -                              | \$ -                 | \$ 7,288          | \$ 2,536,706             |
| Restricted cash and cash equivalents                                      | 1,361,516           | -                                 | -                    | 321,871           | 1,683,387                |
| Receivables, net:   |                     |                                   |                      |                   |                          |
| Taxes   | 47,001              | -                                 | -                    | -                 | 47,001                   |
| Other receivables   | 28,077              | -                                 | -                    | -                 | 28,077                   |
| Due from other governments  | 1,247,447           | -                                 | -                    | -                 | 1,247,447                |
| Due from component unit   | 336,910             | -                                 | -                    | -                 | 336,910                  |
| Prepaid items   | 44,331              | -                                 | -                    | -                 | 44,331                   |
| <b>Total assets</b>   | <b>\$ 5,594,700</b> | <b>\$ -</b>                       | <b>\$ -</b>          | <b>\$ 329,159</b> | <b>\$ 5,923,859</b>      |
| <b>LIABILITIES</b>  |                     |                                   |                      |                   |                          |
| Accounts payable  | \$ 695,690          | \$ -                              | \$ -                 | \$ -              | \$ 695,690               |
| Accrued liabilities   | 183,442             | -                                 | -                    | -                 | 183,442                  |
| Due to other funds  | 56,344              | -                                 | -                    | -                 | 56,344                   |
| Due to primary government   | -                   | 336,910                           | -                    | -                 | 336,910                  |
| Due to Cumberland County  | -                   | 23,577                            | -                    | -                 | 23,577                   |
| Unearned revenues   | 4,000               | -                                 | -                    | 310,000           | 314,000                  |
| <b>Total liabilities</b>  | <b>939,476</b>      | <b>360,487</b>                    | <b>-</b>             | <b>310,000</b>    | <b>1,609,963</b>         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                     |                                   |                      |                   |                          |
| Prepaid taxes   | 23,781              | -                                 | -                    | -                 | 23,781                   |
| Property taxes receivable   | 47,001              | -                                 | -                    | -                 | 47,001                   |
| <b>Total deferred inflows of resources</b>                                | <b>70,782</b>       | <b>-</b>                          | <b>-</b>             | <b>-</b>          | <b>70,782</b>            |
| <b>FUND BALANCES</b>  |                     |                                   |                      |                   |                          |
| Nonspendable  |                     |                                   |                      |                   |                          |
| Prepaid items   | 44,331              | -                                 | -                    | -                 | 44,331                   |
| Restricted  |                     |                                   |                      |                   |                          |
| Stabilization by State Statute  | 1,612,434           | -                                 | -                    | -                 | 1,612,434                |
| Streets   | 953,823             | -                                 | -                    | -                 | 953,823                  |
| Cultural and recreation   | -                   | -                                 | -                    | 11,871            | 11,871                   |
| Debt service  | 403,693             | -                                 | -                    | -                 | 403,693                  |
| Assigned  |                     |                                   |                      |                   |                          |
| Transportation streets  | -                   | -                                 | -                    | 7,288             | 7,288                    |
| Subsequent year's expenditures  | 414,036             | -                                 | -                    | -                 | 414,036                  |
| Unassigned fund balance (deficit)   | 1,156,125           | (360,487)                         | -                    | -                 | 795,638                  |
| <b>Total fund balances</b>  | <b>4,584,442</b>    | <b>(360,487)</b>                  | <b>-</b>             | <b>19,159</b>     | <b>4,243,114</b>         |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b>\$ 5,594,700</b> | <b>\$ -</b>                       | <b>\$ -</b>          | <b>\$ 329,159</b> | <b>\$ 5,923,859</b>      |

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

**Town of Spring Lake, North Carolina**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2023**

Exhibit 3

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

|  |                    |                  |
|--|--------------------|------------------|
| Total Fund Balance, Governmental Funds   | \$                 | 4,243,114        |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  |                    |                  |
| Gross capital assets at historical cost  | \$                 | 21,359,612       |
| Accumulated depreciation   | <u>(9,619,199)</u> | 11,740,413       |
| Internal service funds are used by management to charge the costs of fleet maintenance, to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. |                    |                  |
|  |                    | 138,531          |
| Deferred outflows of resources related to pensions are not report in the funds   |                    |                  |
|  |                    | 1,715,737        |
| Deferred outflows of resources related to OPEB are not report in the funds   |                    |                  |
|  |                    | 725,243          |
| Earned revenues considered deferred inflows of resources in fund statements  |                    |                  |
|  |                    | 47,001           |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in funds.  |                    |                  |
| Installment purchases  | \$                 | (7,160,363)      |
| Capital leases   |                    | (109,414)        |
| Compensated absences   |                    | (162,599)        |
| Total pension liability - LEOSA  |                    | (387,500)        |
| Net pension liability - LGERS  |                    | (1,969,350)      |
| Total OPEB liability   | <u>(3,560,137)</u> | (13,349,363)     |
| Deferred inflows of resources related to pensions are not reported in the funds  |                    |                  |
|  |                    | (255,736)        |
| Deferred inflows of resources related to OPEB are not reported in the funds  |                    |                  |
|  |                    | (2,099,109)      |
| Other long term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.  |                    |                  |
|  |                    | <u>(156,703)</u> |
| Net position of governmental activities  | <u>\$</u>          | <u>2,749,128</u> |

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

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

For the Fiscal Year Ended June 30, 2023

Exhibit 4

|  | General Fund        | Spring Lake<br>Property<br>Acquisitions | American<br>Rescue<br>Plan | Total Non-<br>Major Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---|----------------------------|---------------------------|--------------------------------|
| <b>Revenues:</b>   |                     |   |                            |                           |                                |
| Ad valorem taxes   | \$ 3,070,882        | \$ -                                    | \$ -                       | \$ -                      | \$ 3,070,882                   |
| Other taxes and licenses                                     | 52,764              |   |                            | -                         | 52,764                         |
| Unrestricted intergovernmental                               | 3,612,808           |   |                            | -                         | 3,612,808                      |
| Restricted intergovernmental                                 | 652,113             |   | 3,825,963                  | 63,043                    | 4,541,119                      |
| Permits and fees   | 61,267              |   |                            | -                         | 61,267                         |
| Sales and services   | 20,369              |   |                            | -                         | 20,369                         |
| Investment earnings  | 172,531             |   | 108,868                    | 11,378                    | 292,777                        |
| Miscellaneous  | 48,579              |   |                            | -                         | 48,579                         |
| Total revenues   | <u>7,691,313</u>    | <u>-</u>                                | <u>3,934,831</u>           | <u>74,421</u>             | <u>11,700,565</u>              |
| <b>Expenditures:</b>   |                     |   |                            |                           |                                |
| Current:   |                     |   |                            |                           |                                |
| General government   | 1,021,785           |   |                            | -                         | 1,021,785                      |
| Public safety  | 4,806,719           |   |                            | 104,514                   | 4,911,233                      |
| Transportation   | 817,481             |   |                            | -                         | 817,481                        |
| Economic development   | 28,388              | 6,680                                   |                            | -                         | 35,068                         |
| Cultural and recreation                                      | 123,676             |   |                            | -                         | 123,676                        |
| Debt service:  |                     |   |                            |                           |                                |
| Principal retirement   | 450,222             |   |                            | -                         | 450,222                        |
| Interest   | 129,993             |   |                            | -                         | 129,993                        |
| Total expenditures   | <u>7,378,264</u>    | <u>6,680</u>                            | <u>-</u>                   | <u>104,514</u>            | <u>7,489,458</u>               |
| Excess (deficiency) of revenues<br>over (under) expenditures | 313,049             | (6,680)                                 | 3,934,831                  | (30,093)                  | 4,211,107                      |
| <b>Other financing sources (uses):</b>                       |                     |   |                            |                           |                                |
| Transfers from other funds                                   | 3,041,280           |   |                            | 308,129                   | 3,349,409                      |
| Transfers to other funds                                     | (1,086,585)         |   | (3,937,890)                | -                         | (5,024,475)                    |
| Sale of capital assets                                       | 106,291             |   |                            | -                         | 106,291                        |
| Total other financing sources (uses)                         | <u>2,060,986</u>    | <u>-</u>                                | <u>(3,937,890)</u>         | <u>308,129</u>            | <u>(1,568,775)</u>             |
| <b>Net change in fund balance</b>                            | 2,374,035           | (6,680)                                 | (3,059)                    | 278,036                   | 2,642,332                      |
| <b>Fund balances, beginning</b>                              | <u>2,210,407</u>    | <u>(353,807)</u>                        | <u>3,059</u>               | <u>(258,877)</u>          | <u>1,600,782</u>               |
| <b>Fund balances, ending</b>                                 | <u>\$ 4,584,442</u> | <u>\$ (360,487)</u>                     | <u>\$ -</u>                | <u>\$ 19,159</u>          | <u>\$ 4,243,114</u>            |

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

**Town of Spring Lake, North Carolina**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2023**

Exhibit 4

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

|   |                  |                     |
|---|------------------|---------------------|
| Net changes in fund balances - total governmental funds   |                  | \$ 2,642,332        |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>  |                  |                     |
| Capital outlay expenditures which were capitalized  | \$ 1,076,957     |                     |
| Depreciation expense for governmental assets  | <u>(588,049)</u> | 488,908             |
| <p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>   |                  |                     |
|   |                  | 530,690             |
| <p>Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities</p>  |                  |                     |
|   |                  | 27,490              |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>   |                  |                     |
| Change in unavailable revenue for tax revenues  |                  | (12,923)            |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> |                  |                     |
| Principal payments on long-term debt  | 450,222          |                     |
| Change in accrued interest payable  | <u>(74,952)</u>  | 375,270             |
| <p>Consolidation adjustment for the Internal Service Fund</p>   |                  |                     |
| Expenditures  | (235,238)        |                     |
| Transfer to other funds   | (62,389)         |                     |
| Transfers from other funds  | <u>310,671</u>   |                     |
| Net revenue (expense) of the Internal Service Fund  |                  | 13,044              |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>  |                  |                     |
| Compensated absences  | (13,088)         |                     |
| Pension expense - LEOSSA  | (3,328)          |                     |
| Pension expense - NCLGERS   | (609,747)        |                     |
| OPEB plan expense   | <u>55,851</u>    | (570,312)           |
| Total changes in net position of governmental activities  |                  | <u>\$ 3,494,499</u> |

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

**Town of Spring Lake, North Carolina**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET VS. ACTUAL - GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2023**

Exhibit 5

|  | General Fund     |                  |                     | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|------------------|------------------|---------------------|---|
|  | Original         | Budget<br>Final  | Actual<br>Amounts   |   |
| <b>Revenues:</b>                       |                  |                  |                     |   |
| Ad valorem taxes                       | \$ 2,954,323     | \$ 2,975,194     | \$ 3,070,882        | \$ 95,688   |
| Other taxes and licenses               | 47,000           | 47,000           | 52,764              | 5,764   |
| Unrestricted intergovernmental         | 3,476,300        | 3,410,300        | 3,612,808           | 202,508   |
| Restricted intergovernmental           | 611,569          | 668,571          | 652,113             | (16,458)  |
| Permits and fees                       | 72,098           | 77,598           | 61,267              | (16,331)  |
| Sales and services                     | 8,568            | 17,567           | 20,369              | 2,802   |
| Investment earnings                    | 200              | 107,200          | 172,531             | 65,331  |
| Miscellaneous                          | 30,840           | 38,973           | 48,579              | 9,606   |
| Total revenues                         | <u>7,200,898</u> | <u>7,342,403</u> | <u>7,691,313</u>    | <u>348,910</u>  |
| <b>Expenditures:</b>                   |                  |                  |                     |   |
| Current:                               |                  |                  |                     |   |
| General government                     | 1,202,541        | 1,450,537        | 1,021,785           | 428,752   |
| Public safety                          | 4,205,871        | 5,460,470        | 4,806,719           | 653,751   |
| Transportation                         | 466,384          | 1,079,399        | 817,481             | 261,918   |
| Economic development                   | 34,000           | 34,000           | 28,388              | 5,612   |
| Cultural and recreation                | 82,293           | 125,215          | 123,676             | 1,539   |
| Debt service:                          |                  |                  |                     |   |
| Principal retirement                   | 451,165          | 451,165          | 450,222             | 943   |
| Interest                               | 129,403          | 130,603          | 129,993             | 610   |
| Contingency                            | 470,838          | 681,032          | -                   | 681,032   |
| Total expenditures                     | <u>7,042,495</u> | <u>9,412,421</u> | <u>7,378,264</u>    | <u>2,034,157</u>  |
| Revenues over (under) expenditures     | 158,403          | (2,070,018)      | 313,049             | 2,383,067   |
| <b>Other financing sources (uses):</b> |                  |                  |                     |   |
| Transfer from other funds              | -                | 3,046,390        | 3,041,280           | (5,110)   |
| Transfer to other funds                | (158,403)        | (1,249,271)      | (1,086,585)         | 162,686   |
| Sale of capital assets                 | -                | 81,316           | 106,291             | 24,975  |
| Total other financing sources (uses)   | <u>(158,403)</u> | <u>1,878,435</u> | <u>2,060,986</u>    | <u>182,551</u>  |
| <b>Fund balance appropriated</b>       | -                | 191,583          | -                   | (191,583)   |
| <b>Net change in fund balance</b>      | <u>\$ -</u>      | <u>\$ -</u>      | 2,374,035           | <u>\$ 2,374,035</u>                                       |
| <b>Fund balances, beginning</b>        |                  |                  | <u>2,210,407</u>    |   |
| <b>Fund balances, ending</b>           |                  |                  | <u>\$ 4,584,442</u> |   |

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

**Town of Spring Lake, North Carolina  
Spring Lake Property Acquisitions, Inc.  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2023**

Exhibit 6

|                                    | Original<br>Budget | Final<br>Budget | Actual              | Variance<br>Positive<br>(Negative) |
|------------------------------------|--------------------|-----------------|---------------------|------------------------------------|
| <b>Revenues:</b>                   |                    |                 |                     |                                    |
| Investment earnings                | \$ -               | \$ -            | \$ -                | \$ -                               |
| Total revenues                     | -                  | -               | -                   | -                                  |
| <b>Expenditures:</b>               |                    |                 |                     |                                    |
| Economic Development:              |                    |                 |                     |                                    |
| Solid waste fees                   | -                  | -               | 1,396               | (1,396)                            |
| Property taxes                     | -                  | -               | 5,284               | (5,284)                            |
| Total expenditures                 | -                  | -               | 6,680               | (6,680)                            |
| Revenues over (under) expenditures | -                  | -               | (6,680)             | <u>\$ (6,680)</u>                  |
| Fund balance appropriated          | -                  | -               | -                   | -                                  |
| Net change in fund balance         | <u>\$ -</u>        | <u>\$ -</u>     | (6,680)             | <u>(6,680)</u>                     |
| Fund balance, beginning            |                    |                 | <u>(353,807)</u>    |                                    |
| Fund balance, ending               |                    |                 | <u>\$ (360,487)</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, 2023**

Exhibit 7

|   | Major Enterprise Funds  |                    |                     |              | Internal<br>Service<br>Fund |
|---|-------------------------|--------------------|---------------------|--------------|-----------------------------|
|   | Water and<br>Sewer Fund | Sanitation<br>Fund | Storm Water<br>Fund | Total        |                             |
| <b>Assets</b>                             |                         |                    |                     |              |                             |
| Current Assets:                           |                         |                    |                     |              |                             |
| Cash and cash equivalents                 | \$ 4,866,980            | \$ 744,284         | \$ 1,131,489        | \$ 6,742,753 | \$ 132,920                  |
| Accounts receivable (net)                 | 412,377                 | -                  | -                   | 412,377      | -                           |
| Due from other governments                | 22,832                  | 1,146              | 679                 | 24,657       | 8,894                       |
| Due from other funds                      | 56,344                  | -                  | -                   | 56,344       | -                           |
| Prepaid items                             | 1,012                   | -                  | 100                 | 1,112        | -                           |
| Restricted cash and cash equivalents      | 413,948                 | -                  | -                   | 413,948      | -                           |
| Total current assets                      | 5,773,493               | 745,430            | 1,132,268           | 7,651,191    | 141,814                     |
| Noncurrent assets:                        |                         |                    |                     |              |                             |
| Capital assets:                           |                         |                    |                     |              |                             |
| Land and construction in progress         | 93,889                  | -                  | -                   | 93,889       | -                           |
| Other capital assets, net of depreciation | 7,644,452               | 22,545             | 139,943             | 7,806,940    | -                           |
| Capital assets                            | 7,738,341               | 22,545             | 139,943             | 7,900,829    | -                           |
| Total noncurrent assets                   | 7,738,341               | 22,545             | 139,943             | 7,900,829    | -                           |
| Total assets                              | 13,511,834              | 767,975            | 1,272,211           | 15,552,020   | 141,814                     |
| <b>Deferred Outflows of Resources</b>     |                         |                    |                     |              |                             |
| Pension deferrals                         | 345,817                 | 42,500             | 26,262              | 414,579      | -                           |
| OPEB deferrals                            | 167,492                 | 18,549             | 11,535              | 197,576      | -                           |
| Total deferred outflows of resources      | 513,309                 | 61,049             | 37,797              | 612,155      | -                           |

*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, 2023**

Exhibit 7

|   | Major Enterprise Funds  |                    |                     |                      | Internal<br>Service<br>Fund |
|---|-------------------------|--------------------|---------------------|----------------------|-----------------------------|
|   | Water and<br>Sewer Fund | Sanitation<br>Fund | Storm Water<br>Fund | Total                |                             |
| <b>Liabilities</b>                          |                         |                    |                     |                      |                             |
| Current Liabilities:                        |                         |                    |                     |                      |                             |
| Accounts payable                            | 167,786                 | 33,296             | 1,435               | 202,517              | 1,150                       |
| Accrued salaries                            | 27,862                  | 3,448              | 2,054               | 33,364               | 2,133                       |
| Accrued interest                            | 3,829                   | -                  | -                   | 3,829                | -                           |
| Compensated absences - current              | 11,902                  | -                  | 411                 | 12,313               | -                           |
| Bonds payable - current                     | 26,000                  | -                  | -                   | 26,000               | -                           |
| Federal revolving loan - current            | 163,453                 | -                  | -                   | 163,453              | -                           |
| Liabilities payable from restricted assets: |                         |                    |                     |                      |                             |
| Customer deposits                           | 338,553                 | -                  | -                   | 338,553              | -                           |
| Total current liabilities                   | <u>739,385</u>          | <u>36,744</u>      | <u>3,900</u>        | <u>780,029</u>       | <u>3,283</u>                |
| Noncurrent liabilities:                     |                         |                    |                     |                      |                             |
| Compensated absences                        | 35,704                  | -                  | -                   | 35,704               | -                           |
| Total OPEB liability                        | 822,197                 | 91,053             | 56,625              | 969,875              | -                           |
| Net pension liability                       | 428,282                 | 52,635             | 32,525              | 513,442              | -                           |
| Bonds payable                               | 1,016,000               | -                  | -                   | 1,016,000            | -                           |
| Federal revolving loan                      | 1,152,500               | -                  | -                   | 1,152,500            | -                           |
| Total noncurrent liabilities                | <u>3,454,683</u>        | <u>143,688</u>     | <u>89,150</u>       | <u>3,687,521</u>     | <u>-</u>                    |
| Total liabilities                           | <u>4,194,068</u>        | <u>180,432</u>     | <u>93,050</u>       | <u>4,467,550</u>     | <u>3,283</u>                |
| <b>Deferred Inflows of Resources</b>        |                         |                    |                     |                      |                             |
| Pension deferrals                           | 33,699                  | 4,142              | 2,559               | 40,400               | -                           |
| OPEB deferrals                              | 484,780                 | 53,686             | 33,387              | 571,853              | -                           |
| Total deferred inflows of resources         | <u>518,479</u>          | <u>57,828</u>      | <u>35,946</u>       | <u>612,253</u>       | <u>-</u>                    |
| <b>Net Position</b>                         |                         |                    |                     |                      |                             |
| Net investment in capital assets            | 5,380,388               | 22,545             | 139,943             | 5,542,876            | -                           |
| Restricted USDA debt service                | 75,395                  | -                  | -                   | 75,395               | -                           |
| Unrestricted                                | 3,856,813               | 568,219            | 1,041,069           | 5,466,101            | 138,531                     |
| Total net position                          | <u>\$ 9,312,596</u>     | <u>\$ 590,764</u>  | <u>\$ 1,181,012</u> | <u>\$ 11,084,372</u> | <u>\$ 138,531</u>           |

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

**Town of Spring Lake, North Carolina**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET POSITION - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2023**

Exhibit 8

|  | Major Enterprise Funds  |                    |                     |                      | Internal<br>Service<br>Fund |
|--|-------------------------|--------------------|---------------------|----------------------|-----------------------------|
|  | Water and<br>Sewer Fund | Sanitation<br>Fund | Storm Water<br>Fund | Total                |                             |
| <b>Operating revenues:</b>                       |                         |                    |                     |                      |                             |
| Charges for services                             | \$ 4,136,452            | \$ 719,723         | \$ 295,415          | \$ 5,151,590         | \$ -                        |
| Other operating revenues                         | 1,586                   | 7,107              | -                   | 8,693                | -                           |
| Total operating revenues                         | <u>4,138,038</u>        | <u>726,830</u>     | <u>295,415</u>      | <u>5,160,283</u>     | <u>-</u>                    |
| <b>Operating expenses:</b>                       |                         |                    |                     |                      |                             |
| Sanitation                                       | -                       | 576,450            | -                   | 576,450              | -                           |
| Stormwater                                       | -                       | -                  | 111,126             | 111,126              | -                           |
| Revenue Collections                              | 664,623                 | -                  | -                   | 664,623              | -                           |
| Revenue Billing                                  | 1,602,274               | -                  | -                   | 1,602,274            | -                           |
| Water and sewer operations                       | 635,250                 | -                  | -                   | 635,250              | -                           |
| Waste water treatment plant                      | 484,815                 | -                  | -                   | 484,815              | -                           |
| Fleet Maintenance                                | -                       | -                  | -                   | -                    | 235,238                     |
| Depreciation                                     | 532,167                 | 14,808             | 7,951               | 554,926              | -                           |
| Total operating expenses                         | <u>3,919,129</u>        | <u>591,258</u>     | <u>119,077</u>      | <u>4,629,464</u>     | <u>235,238</u>              |
| Operating income (loss)                          | 218,909                 | 135,572            | 176,338             | 530,819              | (235,238)                   |
| <b>Non-operating revenues (expenses):</b>        |                         |                    |                     |                      |                             |
| Rental income                                    | 24,274                  | -                  | -                   | 24,274               | -                           |
| Sale of surplus property                         | 5,014                   | -                  | -                   | 5,014                | -                           |
| Miscellaneous revenue                            | 4,329                   | 3                  | -                   | 4,332                | -                           |
| Investment earnings                              | 92,275                  | 15,444             | 6,607               | 114,326              | -                           |
| Interest expense                                 | (49,300)                | -                  | -                   | (49,300)             | -                           |
| Total non-operating revenues(expenses)           | <u>76,592</u>           | <u>15,447</u>      | <u>6,607</u>        | <u>98,646</u>        | <u>-</u>                    |
| Income (loss) before contributions and transfers | 295,501                 | 151,019            | 182,945             | 629,465              | (235,238)                   |
| Transfers from other funds                       | 1,112,387               | 220,735            | 188,941             | 1,522,063            | 310,671                     |
| Transfers to other funds                         | (49,013)                | (30,844)           | (15,422)            | (95,279)             | (62,389)                    |
| Total contributions and transfers                | <u>1,063,374</u>        | <u>189,891</u>     | <u>173,519</u>      | <u>1,426,784</u>     | <u>248,282</u>              |
| Change in net position                           | 1,358,875               | 340,910            | 356,464             | 2,056,249            | 13,044                      |
| Total net position, beginning                    | <u>7,953,721</u>        | <u>249,854</u>     | <u>824,548</u>      | <u>9,028,123</u>     | <u>125,487</u>              |
| Total net position, ending                       | <u>\$ 9,312,596</u>     | <u>\$ 590,764</u>  | <u>\$ 1,181,012</u> | <u>\$ 11,084,372</u> | <u>\$ 138,531</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, 2023**

Exhibit 9

|  | Major Enterprise Funds  |                    |                     |              | Internal<br>Service<br>Fund |
|--|-------------------------|--------------------|---------------------|--------------|-----------------------------|
|  | Water and<br>Sewer Fund | Sanitation<br>Fund | Storm Water<br>Fund | Totals       |                             |
| <b>Cash flows from operating activities:</b>                         |                         |                    |                     |              |                             |
| Cash received from customers   | \$ 4,013,637            | \$ 719,723         | \$ 295,415          | \$ 5,028,775 | \$ -                        |
| Cash received from other governments                                 | (8,790)                 | 11,721             | 1,453               | 4,384        | 5,004                       |
| Cash paid for goods and services                                     | (2,136,717)             | (470,464)          | (54,256)            | (2,661,437)  | (179,018)                   |
| Cash paid to or on behalf of employees for services                  | (958,400)               | (117,897)          | (59,924)            | (1,136,221)  | (70,938)                    |
| Cash received (paid) for customer deposits - net                     | (1,798)                 | -                  | -                   | (1,798)      | -                           |
| Net cash provided (used) by operating activities                     | 907,932                 | 143,083            | 182,688             | 1,233,703    | (244,952)                   |
| <b>Cash flows from non-capital financing activities:</b>             |                         |                    |                     |              |                             |
| Miscellaneous revenues   | 33,617                  | 3                  | -                   | 33,620       | -                           |
| Transfers from other funds   | 1,112,387               | 220,735            | 188,941             | 1,522,063    | 310,671                     |
| (Increase) decrease in due from other funds                          | 915,222                 | -                  | -                   | 915,222      | -                           |
| Increase (decrease) in due to other funds                            | (543,200)               | -                  | -                   | (543,200)    | -                           |
| Transfers to other funds   | (49,013)                | (30,844)           | (15,422)            | (95,279)     | (62,389)                    |
| Net cash provided (used) by non-capital financing activities         | 1,469,013               | 189,894            | 173,519             | 1,832,426    | 248,282                     |
| <b>Cash flows from capital and related financing activities:</b>     |                         |                    |                     |              |                             |
| Acquisition and construction of capital assets                       | (101,494)               | -                  | (42,000)            | (143,494)    | -                           |
| Principal payments on long term debt                                 | (189,453)               | -                  | -                   | (189,453)    | -                           |
| Interest paid on debt  | (49,395)                | -                  | -                   | (49,395)     | -                           |
| Net cash provided (used) by capital and related financing activities | (340,342)               | -                  | (42,000)            | (382,342)    | -                           |
| <b>Cash flows from investing activities:</b>                         |                         |                    |                     |              |                             |
| Interest income  | 92,282                  | 15,451             | 6,610               | 114,343      | -                           |
| Net cash provided (used) by investing activities                     | 92,282                  | 15,451             | 6,610               | 114,343      | -                           |
| Net increase (decrease) in cash & cash equivalents                   | 2,128,885               | 348,428            | 320,817             | 2,798,130    | 3,330                       |
| Cash balances, beginning   | 3,152,043               | 395,856            | 810,672             | 4,358,571    | 129,590                     |
| Cash balances, ending  | \$ 5,280,928            | \$ 744,284         | \$ 1,131,489        | \$ 7,156,701 | \$ 132,920                  |
| Reconciliation of cash balances - ending                             |                         |                    |                     |              |                             |
| Cash   | \$ 4,866,980            | \$ 744,284         | \$ 1,131,489        | \$ 6,742,753 | \$ 132,920                  |
| Restricted cash  | 413,948                 | -                  | -                   | 413,948      | -                           |
| Total cash   | \$ 5,280,928            | \$ 744,284         | \$ 1,131,489        | \$ 7,156,701 | \$ 132,920                  |

*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, 2023**

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)   | \$ 218,909             | \$ 135,572        | \$ 176,338        | \$ 530,819          | (235,238)             |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                        |                   |                   |                     |                       |
| Depreciation  | 532,167                | 14,808            | 7,951             | 554,926             | -                     |
| Changes in assets, deferred outflows, liabilities and deferred inflows:                               |                        |                   |                   |                     |                       |
| (Increase) decrease in accounts receivable  | (124,401)              | -                 | -                 | (124,401)           | -                     |
| (Increase) decrease in due from other governments   | (8,790)                | 4,614             | 1,453             | 17,896              | (3,890)               |
| (Increase) decrease in prepaid items  | (437)                  | -                 | (100)             | (537)               | -                     |
| Increase (decrease) in accounts payable   | 31,765                 | (2,951)           | (10,918)          | 17,896              | (6,328)               |
| Increase (decrease) in accrued liabilities  | 4,629                  | 874               | 486               | 5,989               | 504                   |
| Increase (decrease) in customer deposits  | (1,798)                | -                 | -                 | (1,798)             | -                     |
| (Increase) decrease in deferred outflows of resources - pensions                                      | (79,426)               | (1,280)           | (3,383)           | (84,089)            | -                     |
| (Increase) decrease in deferred outflows of resources - OPEB  | (7,479)                | 5,437             | 1,151             | (891)               | -                     |
| Increase (decrease) in net pension liability  | 284,993                | 30,463            | 20,218            | 335,674             | -                     |
| Increase (decrease) in accrued OPEB liability   | 10,557                 | (30,612)          | (7,722)           | (27,777)            | -                     |
| Increase (decrease) in deferred inflows of resources - pensions                                       | (171,018)              | (27,535)          | (15,024)          | (213,577)           | -                     |
| Increase (decrease) in deferred inflows of resources - OPEB   | 217,980                | 13,693            | 12,235            | 243,908             | -                     |
| Increase (decrease) in accrued vacation pay   | 280                    | -                 | 3                 | 283                 | -                     |
| Total adjustments   | 689,022                | 7,511             | 6,350             | 705,606             | (9,714)               |
| Net cash provided (used) by operating activities  | <u>\$ 907,931</u>      | <u>\$ 143,083</u> | <u>\$ 182,688</u> | <u>\$ 1,236,425</u> | <u>\$(244,952)</u>    |

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

## **Notes to the Financial Statements**



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

**Town of Spring Lake, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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

The accounting policies of the Town of Spring Lake, North Carolina (the “Town”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

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

**Spring Lake Property Acquisitions, Inc.**

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

**B. Basis of Presentation**

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

**American Rescue Plan Act (ARPA).** This fund is used to account for the federal ARPA funds that have been received from the federal government.

The Town reports the following non-major governmental funds:

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utility franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Spring Lake because the tax is levied by Cumberland County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues.

Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

#### **D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Spring Fling Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for Grant Projects Special Revenue Funds, Capital Projects Funds and the Enterprise Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The Town's Fleet Maintenance Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to reallocate appropriations within departments up to \$5,000. The Town Manager shall report all such transfers at the next regular meeting of the Board of Aldermen. The Town Manager is not authorized to make interdepartmental or interfund transfers except upon authorization by the Board of Aldermen. The governing board must approve any budget revision that alters the total expenditures of any fund. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

##### **1. Deposits and Investments**

All deposits of the Town and Spring Lake Property Acquisitions, Inc. are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and SLPA may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and SLPA may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

The Town's and SLPA investments are reported at fair value, with the exception of NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool which complies with criteria set forth in Section 150: *Investments* of the GASB Codification and has elected to measure the investment at fair cost, which is the NCCMT's share price.

Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

## **2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and cash investments with maturities of three months or less are considered cash and cash equivalents. Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2023, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Town's access to 100 percent of their account value in either external investment pool.

## **3. Use of Estimates**

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

## **4. Restricted Assets**

The unexpended loan proceeds of the Capital Project Funds are classified as restricted assets within the Capital Project Funds because their use is completely restricted to the purpose for which the loans were originally issued. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. The United States Department of Agriculture loans require the Town to maintain a debt service reserve equal to one year's loan payment. The Town received a grant from Cumberland County for debt service payments on the new fire station. The unexpended grant proceeds received from the Fayetteville Cumberland County Arts Council, the US Department of the Treasury for the American Rescue Plan Act (ARPA), and the North Carolina Office of State Budget and Management are classified as restricted cash because they can be expended only for the purposes approved by the grantors. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Spring Lake Restricted Cash

Governmental Activities

General Fund

|  |            |
|--|------------|
| Powell Bill - Streets                  | \$ 953,823 |
| USDA Reserve - Debt Service            | 131,249    |
| Cumberland County Grant - Debt Service | 272,444    |
| Arts Council - Cultural and Recreation | 4,000      |

Veterans Park Grant - NCOSBM

|                         |         |
|-------------------------|---------|
| Cultural and Recreation | 114,212 |
|-------------------------|---------|

Mendoza Parks Grants - NCOSBM

|                         |         |
|-------------------------|---------|
| Cultural and Recreation | 207,659 |
|-------------------------|---------|

|                               |                     |
|-------------------------------|---------------------|
| Total Governmental Activities | <u>\$ 1,683,387</u> |
|-------------------------------|---------------------|

Business-type Activities

Water and Sewer Fund

|                   |            |
|-------------------|------------|
| Customer deposits | \$ 338,553 |
| USDA Debt service | 75,395     |

|                                |                   |
|--------------------------------|-------------------|
| Total Business-type Activities | <u>\$ 413,948</u> |
|--------------------------------|-------------------|

|                       |                            |
|-----------------------|----------------------------|
| Total Restricted Cash | <u><u>\$ 2,097,335</u></u> |
|-----------------------|----------------------------|

**5. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022.

**6. Allowances for Doubtful Accounts**

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

**7. Inventory and Prepaid Items**

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's Enterprise fund supplies are not inventoried at year-end because the amounts are considered immaterial. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used. General Fund prepaid items consist of prepaid postage that is recorded as an expenditure when consumed rather than when purchased.

## 8. Capital Assets

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

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

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

## 9. Right to Use Assets

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

The Town's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Town reports a lease (only applies when the Town is the lessee) or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

#### **10. Deferred Outflows/Inflows of Resources**

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

#### **11. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

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

#### **12. Compensated Absences**

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

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

### **13. Reimbursements for Pandemic-related Expenditures**

In the prior fiscal year, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The Town was allocated \$3,825,963 of fiscal recovery funds to be paid in two equal installments. The first installment of \$1,912,981 was received in July 2021. The second installment was received in July 2022. The Town has expended all of the ARPA funds for salaries and revenue replacement in the General Fund during the fiscal year ended June 30, 2023. The ARPA funds were reported as revenue in the current fiscal year and transferred from the American Rescue Plan Fund to the General Fund and Enterprise Funds.

### **14. Net Position/Fund Balances**

#### **Net Position**

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

#### **Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

***Restricted for Cultural and Recreation*** – portion of fund balance that is associated with North Carolina Office of State Budget and Management grants and capital projects for improvements to Veterans Park and Mendoza Park.

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

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

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

**Subsequent year's expenditures** – The portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

**Unassigned Fund Balance** – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds and that has not been reported as non-spendable fund balance.

The Town of Spring Lake has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the Town.

## **15. Defined Benefit Cost-Sharing Plans**

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

## **16. New Financial Accounting Standards**

### **Future Accounting Pronouncements:**

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

**GASB Statement No. 100, *Accounting Changes and Error Corrections*.** This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

**GASB Statement No. 101, *Compensated Absences*.** The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The Town is evaluating the requirements of the above statements and the impact on reporting.

**Recently issued and implemented accounting pronouncements:**

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

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

**PPPs**

This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement). The PPP term is defined as the period during which an operator has a noncancellable right to use an underlying PPP asset, plus, if applicable, certain periods if it is reasonably certain, based on all relevant factors, that the transferor or the operator either will exercise an option to extend the PPP or will not exercise an option to terminate the PPP.

A transferor generally should recognize an underlying PPP asset as an asset in financial statements prepared using the economic resources measurement focus. However, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. Measurement of a receivable for installment payments should be at the present value of the payments expected to be received during the PPP term. A transferor also should recognize a deferred inflow of resources for the consideration received or to be received by the transferor as part of the PPP. Revenue should be recognized by a transferor in a systematic and rational manner over the PPP term.

This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term. An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term.

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. If a PPP involves multiple underlying assets, a transferor and an operator in certain cases should account for each underlying PPP asset as a separate PPP. To allocate the contract price to different components, a transferor and an operator should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining the best estimate is not practicable, multiple components in a PPP should be accounted for as a single PPP.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. A PPP termination should be accounted for by a transferor by reducing, as

applicable, any receivable for installment payments or any receivable related to the transfer of ownership of the underlying PPP asset and by reducing the related deferred inflow of resources. An operator should account for a termination by reducing the carrying value of the right-to-use asset and, as applicable, any liability for installment payments or liability to transfer ownership of the underlying PPP asset. A PPP modification that does not qualify as a separate PPP should be accounted for by remeasuring PPP assets and liabilities.

## **APAs**

An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated). The implementation of this statement did not materially impact on the Town's financial statements.

**GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.** This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

**GASB Statement No. 99, *Omnibus 2022*.** The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The GASB Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

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

Management has evaluated subsequent events through December 8, 2025, the date which the financial statements were available to be issued.

### **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 Towns 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 24-26 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 December 8, 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. The Town sold one 5-acre parcel of this land on September 19, 2025 for \$75,000. On October 20, 2025, the sale proceeds were applied to pay past due property taxes and solid waste fees for years 2020 through 2025 owed to Cumberland County of \$49,842. The remaining sales proceeds were applied to legal fees for the sale of \$2,000 and \$23,158 to repay the loan from the Town's General Fund. Any future proceeds from the sale of SLPA real estate will be applied to repay the Town for the outstanding balance of \$313,392 (\$336,910 less \$23,158) 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, 2023, 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 has contracted with Carr, Riggs, and Ingram PLLC to prepare the audit reports for the fiscal years ended June 30, 2023, 2024 and 2025. 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 63 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, December 8, 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, 2024, did not include any appropriation for the fund deficits listed below.

The following fund had a deficit total fund balance as of June 30, 2023:

| <u>Fund</u>                             | <u>Deficit</u> |
|---|----------------|
| Spring Lake Property Acquisitions, Inc. | \$360,487      |

**C. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2023, 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)<br/>Variance</u> |
|--|-------------------|-------------------|--------------------------------|
| <b>General Fund</b>                            |                   |                   |                                |
| Tax Collection                                 | \$ 64,000         | \$ 65,873         | \$ (1,873)                     |
| Manchester Fire Station                        | 48,444            | 409,094           | (360,650)                      |
| <b>Spring Lake Property Acquisitions, Inc.</b> |                   |                   |                                |
| Economic Development                           | -                 | 6,680             | (6,680)                        |
| <b>Public Safety Grants and Projects Fund</b>  |                   |                   |                                |
| Public Safety Equipment                        | -                 | 229,950           | (229,950)                      |
| <b>Street Capital Project Fund</b>             |                   |                   |                                |
| Transfer to General Fund                       | 40,000            | 120,072           | (80,072)                       |
| Total All Funds                                | <u>\$ 152,444</u> | <u>\$ 831,669</u> | <u>\$ (679,225)</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, 2023, 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 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, 2023, the Town's deposits had a carrying amount of \$423,665 and a bank balance of \$606,020. 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, 2023, Spring Lake Property Acquisitions, Inc. did not have any bank deposits. At June 30, 2023, the Town's petty cash fund totaled \$750.

## 2. Investments

At June 30, 2023, the Town's investment balances were as follows:

| Investment Type                                       | Valuation            |              | Maturity | Rating |
|---|----------------------|--------------|----------|--------|
|   | Measurement Method   | Value        |          |        |
| NC Capital Management Trust -<br>Government Portfolio | Fair Value - Level 1 | \$11,085,299 | 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, 2023.

*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

The receivables presented in the statement of net position are presented net of the following allowance for doubtful accounts. Receivables **at the government-wide level** at June 30, 2023, were as follows:

|                                  | Accounts                 | Taxes               | Due from other<br>Governments | Total               |
|----------------------------------|--------------------------|---------------------|-------------------------------|---------------------|
| <b>Governmental Activities:</b>  |                          |                     |                               |                     |
| General                          | \$ 51,943                | \$ 94,944           | \$ 1,256,341                  | \$ 1,403,228        |
| Non-Major Funds                  | -                        | -                   | -                             | -                   |
| Allowance for doubtful accounts  | (23,866)                 | (47,943)            | -                             | (71,809)            |
| Total governmental activities    | <u>\$ 28,077</u>         | <u>\$ 47,001</u>    | <u>\$ 1,256,341</u>           | <u>\$ 1,331,419</u> |
| <br>                             |                          |                     |                               |                     |
|                                  | Charges for<br>Service - | Allowance           | Due from other<br>Governments | Total               |
| <b>Business-Type Activities:</b> |                          |                     |                               |                     |
| Water and Sewer Fund             | \$ 1,257,083             | \$ (844,706)        | \$ 22,832                     | \$ 435,209          |
| Sanitation Fund                  | 109,145                  | (109,145)           | 1,146                         | 1,146               |
| Storm Water Fund                 | 7,114                    | (7,114)             | 679                           | 679                 |
| Total business-type activities   | <u>\$ 1,373,342</u>      | <u>\$ (960,965)</u> | <u>\$ 24,657</u>              | <u>\$ 437,034</u>   |

Due from other governments consists of the following:

**Governmental Activities:**

|                                     |                  |
|-------------------------------------|------------------|
| NC Department of Revenue            |                  |
| Local option sales tax              | \$ 897,181       |
| Franchise tax                       | 110,373          |
| Sales tax refund receivable         | 82,282           |
| Cumberland County-property taxes    | 64,467           |
| Mid Carolina Council of Governments | -                |
| NC Department of Transportation     | 4,695            |
| City of Fayetteville                | 97,343           |
| Total Governmental Activities       | <u>1,256,341</u> |

**Business-Type Activities:**

|                                      |               |
|--------------------------------------|---------------|
| North Carolina Department of Revenue |               |
| Sales tax refund receivable          | 24,117        |
| Cumberland County Tax Department     |               |
| Storm water fees                     | <u>540</u>    |
| Total Business-Type Activities       | <u>24,657</u> |

Total Due from Other Governments \$ 1,280,998

**4. Capital Assets**

Capital asset activity for the Town for the year ended June 30, 2023 was as follows:

|  | Beginning<br>Balances | Increases  | Decreases    | Transfers | Ending<br>Balances   |
|--|-----------------------|------------|--------------|-----------|----------------------|
| <b>Governmental Activities:</b>                  |                       |            |              |           |                      |
| <b>Capital assets not being depreciated:</b>     |                       |            |              |           |                      |
| Land   | \$ 2,991,821          | \$ -       | \$ -         | \$ -      | \$ 2,991,821         |
| Construction in Progress                         | -                     | -          | -            | -         | -                    |
| Total capital assets not being depreciated       | <u>2,991,821</u>      | -          | -            | -         | <u>2,991,821</u>     |
| <b>Capital assets being depreciated:</b>         |                       |            |              |           |                      |
| Buildings  | 8,914,896             | -          | -            | -         | 8,914,896            |
| Other Improvements                               | 2,483,382             | -          | -            | -         | 2,483,382            |
| Equipment  | 1,169,963             | 362,097    | (5,700)      | -         | 1,526,360            |
| Vehicles   | 5,103,338             | 714,860    | (375,045)    | -         | 5,443,153            |
| Total capital assets being depreciated           | 17,671,579            | 1,076,957  | (380,745)    | -         | 18,367,791           |
| <b>Less accumulated depreciation for:</b>        |                       |            |              |           |                      |
| Buildings  | 3,539,471             | 237,253    | -            | -         | 3,776,724            |
| Other Improvements                               | 1,118,352             | 124,169    | -            | -         | 1,242,521            |
| Equipment  | 1,063,984             | 33,019     | (5,700)      | -         | 1,091,303            |
| Vehicles   | 3,690,088             | 193,608    | (375,045)    | -         | 3,508,651            |
| Total accumulated depreciation                   | 9,411,895             | \$ 588,049 | \$ (380,745) | \$ -      | 9,619,199            |
| Total capital assets being depreciated, net      | <u>8,259,684</u>      |            |              |           | <u>8,748,592</u>     |
| <b>Governmental activity capital assets, net</b> | <u>\$11,251,505</u>   |            |              |           | <u>\$ 11,740,413</u> |
| General government                               | 12,322                |            |              |           |                      |
| Public safety                                    | 210,550               |            |              |           |                      |
| Transportation                                   | 124,469               |            |              |           |                      |
| Economic development                             | 57,571                |            |              |           |                      |
| Cultural and recreation                          | <u>183,137</u>        |            |              |           |                      |
| Total  | <u>\$ 588,049</u>     |            |              |           |                      |

|   | Beginning<br>Balances | Increases  | Decreases    | Transfers | Ending<br>Balances  |
|---|-----------------------|------------|--------------|-----------|---------------------|
| <b>Business-type Activities</b>                 |                       |            |              |           |                     |
| <b><i>Water and Sewer Fund</i></b>              |                       |            |              |           |                     |
| <b>Capital assets not being depreciated:</b>    |                       |            |              |           |                     |
| Land  | \$ 82,889             | \$ 11,000  | \$ -         | \$ -      | \$ 93,889           |
| Total capital assets not being depreciated      | 82,889                | 11,000     | -            | -         | 93,889              |
| <b>Capital assets being depreciated:</b>        |                       |            |              |           |                     |
| Water and sewer system                          | 13,192,376            | 24,500     | -            | -         | 13,216,876          |
| Waste water treatment plant                     | 6,124,382             | -          | -            | -         | 6,124,382           |
| Equipment                                       | 1,037,501             | 65,994     | -            | -         | 1,103,495           |
| Vehicles  | 271,702               | -          | (27,458)     | -         | 244,244             |
| Total capital assets being depreciated          | 20,625,961            | 90,494     | (27,458)     | -         | 20,688,997          |
| <b>Less accumulated depreciation for:</b>       |                       |            |              |           |                     |
| Water and sewer system                          | 7,957,814             | 325,006    | -            | -         | 8,282,820           |
| Waste water treatment plant                     | 3,335,720             | 177,874    | -            | -         | 3,513,594           |
| Equipment                                       | 978,829               | 25,058     | -            | -         | 1,003,887           |
| Vehicles  | 267,473               | 4,229      | (27,458)     | -         | 244,244             |
| Total accumulated depreciation                  | 12,539,836            | \$ 532,167 | \$ (27,458)  | \$ -      | 13,044,545          |
| Total capital assets being depreciated, net     | 8,086,125             |            |              |           | 7,644,452           |
| <b>Water and Sewer Fund capital assets, net</b> | <b>\$ 8,169,014</b>   |            |              |           | <b>\$ 7,738,341</b> |
| <b><i>Sanitation Fund</i></b>                   |                       |            |              |           |                     |
| <b>Capital assets being depreciated:</b>        |                       |            |              |           |                     |
| Equipment                                       | \$ 178,589            | \$ -       | \$ (178,589) | \$ -      | \$ -                |
| Vehicles  | 294,574               | -          | (156,572)    | -         | 138,002             |
| Total capital assets being depreciated          | 473,163               | -          | (335,161)    | -         | 138,002             |
| <b>Less accumulated depreciation for:</b>       |                       |            |              |           |                     |
| Equipment                                       | 175,151               | 3,438      | (178,589)    | -         | -                   |
| Vehicles  | 260,659               | 11,370     | (156,572)    | -         | 115,457             |
| Total accumulated depreciation                  | 435,810               | \$ 14,808  | \$ (335,161) | \$ -      | 115,457             |
| Total capital assets being depreciated, net     | 37,353                |            |              |           | 22,545              |
| <b>Sanitation Fund capital assets, net</b>      | <b>\$ 37,353</b>      |            |              |           | <b>\$ 22,545</b>    |

|   | Beginning<br>Balances | Increases | Decreases | Transfers | Ending<br>Balances  |
|---|-----------------------|-----------|-----------|-----------|---------------------|
| <b>Stormwater Fund</b>                              |                       |           |           |           |                     |
| <b>Capital assets being depreciated:</b>            |                       |           |           |           |                     |
| Stormwater Improvements                             | \$ 195,278            | \$ 42,000 | \$ -      | \$ -      | \$ 237,278          |
| Equipment   | 7,100                 | -         | -         | -         | 7,100               |
| Vehicles  | 171,171               | -         | -         | -         | 171,171             |
| Total capital assets being depreciated              | 373,549               | 42,000    | -         | -         | 415,549             |
| <b>Less accumulated depreciation for:</b>           |                       |           |           |           |                     |
| Stormwater Improvements                             | 89,384                | 7,951     | -         | -         | 97,335              |
| Equipment   | 7,100                 | -         | -         | -         | 7,100               |
| Vehicles  | 171,171               | -         | -         | -         | 171,171             |
| Total accumulated depreciation                      | 267,655               | \$ 7,951  | \$ -      | \$ -      | 275,606             |
| Total capital assets being depreciated, net         | <u>105,894</u>        |           |           |           | <u>139,943</u>      |
| <b>Stormwater Fund capital assets, net</b>          | <u>\$ 105,894</u>     |           |           |           | <u>\$ 139,943</u>   |
| <b>Business-type activities capital assets, net</b> | <u>\$ 8,312,261</u>   |           |           |           | <u>\$ 7,900,829</u> |

## 5. Construction Commitments

The Town has active construction projects as of June 30, 2023. 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, 2023, were as follows:

|                                    | <u>General Fund</u>             | <u>Spring Lake<br/>Property<br/>Acquisitions</u> | <u>Non-Major<br/>Funds</u>  | <u>Internal<br/>Service<br/>Fund</u> | <u>Total</u>        |
|------------------------------------|---------------------------------|--|-----------------------------|--------------------------------------|---------------------|
| <b>Governmental Activities:</b>    |                                 |  |                             |                                      |                     |
| Vendors                            | \$ 695,690                      | \$ -   | \$ -                        | \$ 1,150                             | \$ 696,840          |
| Payroll withholding liabilities    | 9,706                           | -  | -                           | -                                    | 9,706               |
| Accrued salaries and related items | 173,736                         | -  | -                           | 2,133                                | 175,869             |
| Accrued interest on long-term debt | 36,300                          | 120,403  | -                           | -                                    | 156,703             |
| Due to other governments           | -                               | 23,577   | -                           | -                                    | 23,577              |
| Total governmental activities      | <u>\$ 915,432</u>               | <u>\$ 143,980</u>                                | <u>\$ -</u>                 | <u>\$ 3,283</u>                      | <u>\$ 1,062,695</u> |
| <br>                               |                                 |  |                             |                                      |                     |
|                                    | <u>Water and<br/>Sewer Fund</u> | <u>Sanitation<br/>Fund</u>                       | <u>Storm<br/>Water Fund</u> | <u>Total</u>                         |                     |
| <b>Business-Type Activities:</b>   |                                 |  |                             |                                      |                     |
| Vendors                            | \$ 167,786                      | \$ 33,296  | \$ 1,435                    | \$ 202,517                           |                     |
| Accrued interest on long-term debt | 3,829                           | -  | -                           | 3,829                                |                     |
| Accrued salaries and related items | 27,862                          | 3,448  | 2,054                       | 33,364                               |                     |
| Total business-type activities     | <u>\$ 199,477</u>               | <u>\$ 36,744</u>                                 | <u>\$ 3,489</u>             | <u>\$ 239,710</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, 2023, was 19.72% of compensation for law enforcement officers and 18.72% 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 \$669,049 for the year ended June 30, 2023.

**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, 2023, the Town reported a liability of \$2,482,792 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2023, the Town's proportion was 0.04401%, (measured as of June 30, 2022), which was a decrease of 0.01968% from its proportion measured as of June 30, 2022 (measured as of June 30, 2021).

For the year ended June 30, 2023, the Town recognized pension expense of \$117,064. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 106,981                                    | \$ 10,489                                    |
| Changes of assumptions  | 247,727                                       | -  |
| Net difference between projected and actual earnings on pension plan investments                          | 820,589                                       | -  |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 160,393                                       | 184,867                                      |
| Town contributions subsequent to the measurement date   | 669,049                                       | -  |
| Total   | <u>\$ 2,004,739</u>                           | <u>\$ 195,356</u>                            |

\$669,049 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, 2024. 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> |              |
| 2024                       | \$ 412,374   |
| 2025                       | 306,266      |
| 2026                       | 30,751       |
| 2027                       | 390,943      |
| 2028                       | -            |
| Thereafter                 | -            |
|                            | \$ 1,140,334 |

**Actuarial Assumptions.** The total pension liability in the December 31, 2021 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,<br>including inflation and                                 |
| Investment rate of return | 6.50 percent, net of pension<br>plan investment expense,<br>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, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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, 2022 are summarized in the following table:

| <b>Asset Class</b>   | <b>Target Allocation</b> | <b>Long-Term<br/>Expected Real<br/>Rate of Return</b> |
|----------------------|--------------------------|---|
| Fixed income         | 29.0%                    | 1.1%  |
| Global Equity        | 42.0%                    | 6.5%  |
| Real Estate          | 8.0%                     | 5.9%  |
| Alternatives         | 8.0%                     | 7.5%  |
| Credit               | 7.0%                     | 5.0%  |
| Inflation Protection | 6.0%                     | 2.7%  |
| Total                | 100%                     |   |

The information above is based on 30-year expectations developed with the consulting actuary for the 2022 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<br/>(5.50%)</u> | <u>Discount Rate<br/>(6.50%)</u> | <u>1% Increase<br/>(7.50%)</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 4,481,121                   | \$ 2,482,792                     | \$ 836,054                     |

**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 of the Town are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

|   |                  |
|---|------------------|
| Active plan members                           | 22               |
| Inactive members currently receiving benefits | <u>5</u>         |
| Total   | <u><u>27</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, 2021 valuation. The total pension liability in the December 31, 2021 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 at 2.50 percent |
| Discount rate              | 4.31 percent – current period                             |
| Discount rate              | 2.25 percent – prior period                               |
| Cost of living adjustments | N/A   |

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, 2021, 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.

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.

**MORTALITY ASSUMPTION:** All mortality rates use Pub-2010 amount-weighted tables.

**MORTALITY PROJECTION:** All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

**DEATHS AFTER RETIREMENT (Healthy):** Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

**DEATHS AFTER RETIREMENT (Disabled Members at Retirement):** Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

**DEATHS AFTER RETIREMENT (Survivors of Deceased Members):** Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below- median Teachers Mortality Table for Employees is used for ages less than 45.

**DEATHS PRIOR TO RETIREMENT:** Mortality rates are based on the Safety Mortality Table for Employees.

**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 \$53,490 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, 2023, the Town reported a total pension liability of \$387,500. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of (\$24,162).

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 30,474                                     | \$ 34,235                                    |
| Changes of assumptions and other inputs  | 67,613  | 66,545                                       |
| Town benefit payments and plan administrative expenses made subsequent to the measurement date | 27,490  | -  |
| Total  | \$ 125,577                                    | \$ 100,780                                   |

\$27,490 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, 2024. 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> |            |
| 2024                       | \$ 2,103   |
| 2025                       | 20,104     |
| 2026                       | (2,098)    |
| 2027                       | (16,538)   |
| 2028                       | (6,264)    |
| Thereafter                 | -          |
|                            | \$ (2,693) |

**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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

|                         | <b>1%<br/>Decrease<br/>(3.31%)</b> | <b>Discount<br/>Rate<br/>(4.31%)</b> | <b>1% Increase<br/>(5.31%)</b> |
|-------------------------|------------------------------------|--------------------------------------|--------------------------------|
| Total pension liability | \$ 419,993                         | \$ 387,500                           | \$ 358,288                     |

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

|  | <b>2023</b> |
|--|-------------|
| Beginning balance                                  | \$ 470,253  |
| Changes for the year:                              |             |
| Service cost                                       | 35,107      |
| Interest on the total pension liability            | 9,979       |
| Changes of benefit terms                           | -           |
| Differences between expected and actual experience | (3,494)     |
| Changes of assumptions or other inputs             | (70,855)    |
| Benefit payments                                   | (53,490)    |
| Net changes for the year                           | (82,753)    |
| Ending balance of the total pension liability      | \$ 387,500  |

**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  | \$ 117,064   | \$ (24,162)   | \$ 92,902    |
| Pension liability  | 2,482,792    | 387,500       | 2,870,292    |
| Proportionate share of the net pension liability   | 0.04401%     | N/A           |              |
| Deferred outflows of resources:  |              |               |              |
| Differences between expected and actual experience   | 106,981      | 30,474        | 137,455      |
| Changes in assumptions   | 247,727      | 67,613        | 315,340      |
| Net difference between projected and actual earnings on plan investments                             | 820,589      | -             | 820,589      |
| Changes in proportion and differences between contributions and proportionate share of contributions | 160,393      | -             | 160,393      |
| Benefit payments and administrative costs paid subsequent to the measurement period                  | 669,049      | 27,490        | 696,539      |
| Deferred inflows of resources:   |              |               |              |
| Differences between expected and actual experience   | 10,489       | 34,235        | 44,724       |
| Changes in assumptions   | -            | 66,545        | 66,545       |
| Net difference between projected and actual earnings on plan investments                             | -            | -             | -            |
| Changes in proportion and differences between contributions and proportionate share of contributions | 184,867      | -             | 184,867      |

**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, 2023 were \$84,876 which consisted of \$53,131 from the Town and \$31,745 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, 2023, the State contributed \$19,352,000 to the plan. The Town of Spring Lake's proportionate share of the State's contribution is \$7,764.

**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, 2023, 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 \$7,890. The net pension liability (asset) was measured as of June 30, 2022. The total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021. The total pension liability (asset) was then rolled forward to the measurement date of June 30, 2022 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, 2022 was 0%.

For the year ended June 30, 2023, the Town recognized pension expense of \$2,036 and revenue of \$2,036 for support provided by the State. At June 30, 2023, 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, 2022 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<br/>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 \$4,530,012 was measured as of June 30, 2022 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                     | 2.16%   |
| Measurement Date                           | 3.54%   |
| 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 20 Year Municipal Bond Index Rate as of the measurement date.

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

| <b>Total OPEB Liability</b>                        | <u><b>2022</b></u>         |
|--|----------------------------|
| Service cost at the end of the year                | \$ 422,994                 |
| Interest on TOL and cash flows                     | 125,146                    |
| Changes of benefit terms                           | -                          |
| Differences between expected and actual experience | 10,157                     |
| Changes of assumptions or other inputs             | (1,362,161)                |
| Benefit payments                                   | (73,450)                   |
| Other changes                                      | -                          |
| <b>Net change in total OPEB liability</b>          | <u>(877,314)</u>           |
| <b>Total OPEB liability - beginning</b>            | <u>5,407,326</u>           |
| <b>Total OPEB liability - ending</b>               | <u><u>\$ 4,530,012</u></u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

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 1, 2015 through December 31, 2019, adopted by LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2021 valuation

**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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

|                      | <b>Discount Rate Sensitivity</b> |  |                                |
|----------------------|----------------------------------|--|--------------------------------|
|                      | <b>1% Decrease<br/>(2.54%)</b>   | <b>Current Discount<br/>Rate<br/>(3.54%)</b> | <b>1% Increase<br/>(4.54%)</b> |
| Total OPEB liability | \$ 5,467,306                     | \$ 4,530,012                                 | \$ 3,799,229                   |

**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 | \$ 3,706,560                                   | \$ 4,530,012   | \$ 5,628,906       |

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$159,390. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 8,981                                  | \$ 1,154,717                             |
| Changes of assumptions and other inputs  | 913,838                                   | 1,516,245                                |
| Town benefit payments and plan administrative expenses made subsequent to the measurement date | -   | -  |
| Total  | <u>\$ 922,819</u>                         | <u>\$ 2,670,962</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, 2024. 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> |    |                    |
| 2024                       | \$ | (315,300)          |
| 2025                       |    | (315,300)          |
| 2026                       |    | (307,422)          |
| 2027                       |    | (249,670)          |
| 2028                       |    | (198,414)          |
| Thereafter                 |    | (362,037)          |
|                            | \$ | <u>(1,748,143)</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 enforcements 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>                               | <u><b>Amount</b></u>       |
|--|----------------------------|
| Contributions to pension plan in current fiscal year   | \$ 669,049                 |
| Benefit payments made and administrative expenses<br>for LEOSSA made subsequent to measurement date            | 27,490                     |
| Benefit payments made and administrative expenses<br>for OPEB made subsequent to measurement date              | -                          |
| Differences between expected and actual experience Pension   | 146,436                    |
| Differences between expected and actual experience OPEB  | -                          |
| Changes of assumptions   | 1,229,178                  |
| Net difference between projected and actual<br>earnings on pension plan investments                            | 820,589                    |
| Changes in proportion and difference between employer<br>contribution and proportionate share of contributions | 160,393                    |
| Total  | <u><u>\$ 3,053,135</u></u> |

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

|  | <u><b>Statement of<br/>Net Position</b></u> | <u><b>General Fund<br/>Balance Sheet</b></u> |
|--|---|--|
| Taxes receivable, net (General Fund)   | \$ -  | \$ 47,001                                    |
| Prepaid taxes  | 23,781                                      | 23,781                                       |
| Differences between expected and actual experience   | 1,199,441                                   | -  |
| Changes in assumptions and other inputs Pensions   | 66,545                                      | -  |
| Changes in assumptions and other inputs OPEB   | 1,516,245                                   | -  |
| Net difference between projected and actual earnings<br>on plan investments                                    | -   | -  |
| Changes in proportion and difference between employer<br>contribution and proportionate share of contributions | 184,867                                     | -  |
| Total  | <u><u>\$ 2,990,879</u></u>                  | <u><u>\$ 70,782</u></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 (real and personal property \$27,716,129, municipal equipment \$455,134, and computer equipment \$274,000) 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, 2023, 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. \$ 109,414

The following is an analysis of the assets recorded under capital leases at June 30, 2023:

| <u>Class of Property</u> | <u>Cost</u> | <u>Accumulated<br/>Depreciation</u> | <u>Net Book<br/>Value</u> |
|--------------------------|-------------|-------------------------------------|---------------------------|
| Vehicles                 | \$ 454,285  | \$ 152,223                          | \$ 302,062                |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|---------------------------------|-------------------|------------------|-------------------|
| 2024                            | \$ 90,857         | \$ 13,161        | \$ 104,018        |
| 2025                            | 18,557            | 2,635            | 21,192            |
| Total                           | <u>\$ 109,414</u> | <u>\$ 15,796</u> | <u>\$ 125,210</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, 2023 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%.  | \$1,975,493               |
| \$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%.  | 150,000                   |
| \$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.  | 944,444                   |
| \$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>905,869</u>            |
| Total governmental activities installment purchases  | <u><u>\$7,160,363</u></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 December 8, 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%.           | \$ 538,070                |
| 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%. | 336,342                   |
| 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>441,541</u>            |
| Total federal revolving loans  | <u><u>\$1,315,953</u></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, 2023 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. \$ 634,000

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. 408,000

Total bonds payable \$ 1,042,000

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<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|---------------------------------|---------------------|-------------------|---------------------|
| 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                            | 32,000              | 42,920            | 74,920              |
| 2029 - 2033                     | 182,000             | 191,151           | 373,151             |
| 2034 - 2038                     | 231,000             | 144,762           | 375,762             |
| 2039 - 2043                     | 287,000             | 85,979            | 372,979             |
| 2044 - 2047                     | 196,000             | 19,610            | 215,610             |
| Total                           | <u>\$ 1,042,000</u> | <u>\$ 669,654</u> | <u>\$ 1,711,654</u> |

**Governmental Activities – Notes Payable:**

| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>        |
|---------------------------------|---------------------|---------------------|---------------------|
| 2024                            | \$ 362,614          | \$ 109,319          | \$ 471,933          |
| 2025                            | 219,055             | 99,292              | 318,347             |
| 2026                            | 223,782             | 94,391              | 318,173             |
| 2027                            | 228,937             | 89,235              | 318,172             |
| 2028                            | 234,234             | 83,938              | 318,172             |
| 2029 - 2033                     | 943,699             | 342,336             | 1,286,035           |
| 2034 - 2038                     | 682,558             | 256,465             | 939,023             |
| 2039 - 2043                     | 606,555             | 162,801             | 769,356             |
| 2044 - 2047                     | 474,372             | 49,862              | 524,234             |
| Total Town                      | <u>\$ 3,975,806</u> | <u>\$ 1,287,639</u> | <u>\$ 5,263,445</u> |

**Spring Lake Property Acquisitions:**

| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>        |
|---------------------------------|---------------------|---------------------|---------------------|
| 2024                            | \$ 2,309,557        | \$ 187,325          | \$ 2,496,882        |
| 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>\$ 7,160,363</u> | <u>\$ 1,543,670</u> | <u>\$ 8,704,033</u> |

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

| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b> | <b>Total</b>      |
|---------------------------------|---------------------|-----------------|-------------------|
| 2024                            | \$ 163,453          | \$ -            | \$ 163,453        |
| 2025                            | 163,452             | -               | 163,452           |
| 2026                            | 163,453             | -               | 163,453           |
| 2027                            | 163,452             | -               | 163,452           |
| 2028                            | 163,453             | -               | 163,453           |
| 2029 - 2033                     | 458,550             | -               | -                 |
| 2034                            | 40,140              | -               | 40,140            |
| Total                           | <u>\$ 1,315,953</u> | <u>\$ -</u>     | <u>\$ 857,403</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, 2023. Compensated absences for governmental activities have typically been liquidated in the General Fund.

|  | <b>Beginning<br/>Balance</b> | <b>Increases</b>    | <b>Decreases</b>    | <b>Ending<br/>Balance</b> | <b>Current<br/>Portion of<br/>Balance</b> |
|--|------------------------------|---------------------|---------------------|---------------------------|---|
| <b>Governmental Activities:</b>                      |                              |                     |                     |                           |   |
| Direct Placement                                     |                              |                     |                     |                           |   |
| Installment purchases                                |                              |                     |                     |                           |   |
| BB&T Street Improvements                             | \$ 300,000                   | \$ -                | \$ 150,000          | \$ 150,000                | \$ 150,000                                |
| USDA Recreation Center                               | 2,023,281                    | -                   | 47,788              | 1,975,493                 | 49,760                                    |
| First Bank Fire Trucks                               | 1,011,890                    | -                   | 106,021             | 905,869                   | 107,298                                   |
| South River EMC Fire Station                         | 1,000,000                    | -                   | 55,556              | 944,444                   | 55,556                                    |
| Spring Lake Property Acquisitions, Inc.              | 3,184,557                    | -                   | -                   | 3,184,557                 | 2,309,557                                 |
| Capital leases                                       | 200,271                      | -                   | 90,857              | 109,414                   | 90,857                                    |
| Compensated absences (net)                           | 149,511                      | 13,088              | -                   | 162,599                   | 40,650                                    |
| OPEB liability                                       | 4,409,674                    | -                   | 849,537             | 3,560,137                 | -   |
| Total pension liability (LEOSSA)                     | 470,253                      | -                   | 82,753              | 387,500                   | -   |
| Net pension liability (LGERs)                        | 798,979                      | 1,170,371           | -                   | 1,969,350                 | -   |
| <b>Governmental Activities long-term liabilities</b> | <b>\$13,548,416</b>          | <b>\$ 1,183,459</b> | <b>\$ 1,382,512</b> | <b>\$ 13,349,363</b>      | <b>\$ 2,803,678</b>                       |

Per the debt agreements for the outstanding notes payable, the Town is required to make scheduled payments as outlined in the amortization schedule. For each of the outstanding notes payable, the Town has pledged the underlying asset (purchased and/or constructed) as collateral. As June 30, 2023, the Town had a legal debt limit margin of \$30,068,889.

|  | Beginning<br>Balance | Increases         | Decreases         | Ending<br>Balance   | Current<br>Portion of<br>Balance |
|--|----------------------|-------------------|-------------------|---------------------|----------------------------------|
| <b>Business-type Activities:</b>           |                      |                   |                   |                     |                                  |
| <u>Water and Sewer Fund</u>                |                      |                   |                   |                     |                                  |
| General obligation bonds                   | \$ 1,068,000         | \$ -              | \$ 26,000         | \$ 1,042,000        | \$ 26,000                        |
| Federal revolving loans                    | 1,479,406            | -                 | 163,453           | 1,315,953           | 163,453                          |
| Compensated absences (net)                 | 47,326               | 280               | -                 | 47,606              | 11,902                           |
| OPEB liability                             | 811,640              | 10,557            | -                 | 822,197             | -                                |
| Net pension liability (LGERS)              | 143,289              | 284,993           | -                 | 428,282             | -                                |
| Water and Sewer Fund long-term liabilities | 3,549,661            | 295,830           | 189,453           | 3,656,038           | 201,355                          |
| <u>Sanitation Fund</u>                     |                      |                   |                   |                     |                                  |
| OPEB liability                             | 121,665              | -                 | 30,612            | 91,053              | -                                |
| Net pension liability (LGERS)              | 22,172               | 30,463            | -                 | 52,635              | -                                |
| Sanitation Fund long-term liabilities      | 143,837              | 30,463            | 30,612            | 143,688             | -                                |
| <u>Storm Water Fund</u>                    |                      |                   |                   |                     |                                  |
| Compensated absences (net)                 | 408                  | 3                 | -                 | 411                 | 411                              |
| OPEB liability                             | 64,347               | -                 | 7,722             | 56,625              | -                                |
| Net pension liability (LGERS)              | 12,307               | 20,218            | -                 | 32,525              | -                                |
| Sanitation Fund long-term liabilities      | 77,062               | 20,221            | 7,722             | 89,561              | 411                              |
| <b>Total Business-type Activities</b>      | <b>\$ 3,770,560</b>  | <b>\$ 346,514</b> | <b>\$ 227,787</b> | <b>\$ 3,889,287</b> | <b>\$ 201,766</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 \$851,329 to the various capital and grant project funds and the special revenue funds to pay for construction expenditures and to close out these completed projects.

Transfers to/from other funds at June 30, 2023, consist of the following:

| Transfer From             | Transfer To                       | Amount             | Purpose                                |
|---------------------------|-----------------------------------|--------------------|--|
| General Fund              | Spring Lake Fire Station #2 Fund  | \$ 19,144          | Close out Capital Project Fund         |
| General Fund              | Spring Fling Fund                 | 3,951              | Close out Spring Fling Fund            |
| General Fund              | Public Safety Grants and Projects | 170,532            | Close out Grant Project Fund           |
| General Fund              | Recreation Capital Project Fund   | 114,502            | Close out Capital Project Fund         |
| General Fund              | Water and Sewer Capital Projects  | 543,200            | Close out Capital Project Fund         |
| General Fund              | Sanitation Fund                   | 57,352             |  |
| General Fund              | Sanitation Fund                   | 1,075              |  |
| General Fund              | Stormwater Fund                   | 18,426             | Indirect Cost Reimbursement            |
| Fleet Maintenance Fund    | Sanitation Fund                   | 62,389             |  |
| General Fund              | Fleet Maintenance Fund            | 158,403            | Operating expenses and vehicle repairs |
| Water and Sewer Fund      | General Fund                      | 10,457             | Retiree insurance premiums             |
| Water and Sewer Fund      | Fleet Maintenance Fund            | 38,556             | Vehicle repairs                        |
| Storm Water Fund          | Fleet Maintenance Fund            | 15,422             | Vehicle repairs                        |
| Sanitation Fund           | Fleet Maintenance Fund            | 30,844             | Vehicle repairs                        |
| American Rescue Plan Fund | General Fund                      | 3,030,823          | Salaries and benefits                  |
| American Rescue Plan Fund | Water and Sewer Fund              | 569,187            | Salaries and benefits                  |
| American Rescue Plan Fund | Sanitation Fund                   | 99,919             | Salaries and benefits                  |
| American Rescue Plan Fund | Stormwater Fund                   | 170,515            | Salaries and benefits                  |
| American Rescue Plan Fund | Fleet Maintenance Fund            | 67,446             | Salaries and benefits                  |
| Interfund Transfers       |                                   | <u>5,182,143</u>   |  |
| Water and Sewer Fund      | General Fund                      | 212,129            | Expense Reimbursement                  |
| Storm Water Fund          | General Fund                      | 11,717             | Expense Reimbursement                  |
| Sanitation Fund           | General Fund                      | 35,285             | Expense Reimbursement                  |
| Fleet Maintenance Fund    | General Fund                      | 23,568             | Expense Reimbursement                  |
| Expense Reimbursements    |                                   | <u>282,699</u>     |  |
| Total Interfund Transfers |                                   | <u>\$5,464,842</u> |  |

### 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.

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

Balances due to/from other funds at June 30, 2023, consist of the following:

| Due From  | Due To               | Amount           | Purpose                                  |
|---|----------------------|------------------|--|
| General Fund  | Water and Sewer Fund | <u>\$ 56,344</u> | Insurance premiums paid for General Fund |
| Total due to/from other funds - Exhibit 3 and Exhibit 7 |                      | <u>\$ 56,344</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.

Balance due from component unit to primary government at June 30, 2023, consist of the following:

| Due From                          | Due To       | Amount     | Purpose          |
|-----------------------------------|--------------|------------|------------------|
| Spring Lake Property Acquisitions | General Fund | \$ 336,910 | Purchase of land |

**D. 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 \$2,346 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, 2023. 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.

**E. Commitments**

**1. Contracted Services**

The Town of Spring Lake contracts with Cumberland County to provide dispatch and information technology services to the Town’s public safety departments (police and fire). The contract for dispatch services in the amount of \$135,000 per year expires June 30, 2026. The Town also contracts with Utility Service Co., Inc. to provide maintenance for the Town’s 750,000-gallon elevated water tank. GFL Environmental (formerly Waste Industries) provides trash collection and recycling services to Town residents. This contract expires on June 30, 2028 and is adjusted annually based on the consumer price index. The following is a schedule of the Town’s contractual commitments each year:

| Fiscal Year | Cumberland<br>County<br>Dispatch | Cumberland<br>County IT<br>Services * | GFL<br>Environmental<br>Trash * | Utility Service<br>Co., Inc.<br>Water Tank | Total        |
|-------------|----------------------------------|---------------------------------------|---------------------------------|--|--------------|
| 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      |
| Total       | \$ 405,000                       | \$ 227,512                            | \$ 2,005,589                    | \$ 73,371                                  | \$ 2,711,472 |

Contractual amounts for fiscal years 2027 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                          | \$ 1,225,445                   | 40%                      | (490,178)                         | 2,998,894                    |
| 2024               | 3,513,049                          | \$ 684,129                     | 100%                     | (684,129)                         | 2,828,920                    |
| 2025               | 3,288,864                          | \$ 459,944                     | 82%                      | (377,607)                         | 2,911,257                    |
| <b>Total</b>       | <b>\$ 16,449,059</b>               | <b>\$ 4,958,238</b>            |                          | <b>\$ (2,587,402)</b>             | <b>\$ 13,861,657</b>         |

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.

**F. Net Investment in Capital Assets**

The Town’s net investment in capital assets as of June 30, 2023 is shown in the table below:

|                                      | Governmental<br>Activities | Business-type Activities |                    |                     | Total               |
|--------------------------------------|----------------------------|--------------------------|--------------------|---------------------|---------------------|
|                                      |                            | Water and<br>Sewer Fund  | Sanitation<br>Fund | Storm Water<br>Fund |                     |
| Capital assets not being depreciated | \$ 2,991,821               | \$ 93,889                | \$ -               | \$ -                | \$ 93,889           |
| Capital assets being depreciated     | 18,367,791                 | 20,688,997               | 138,002            | 415,549             | 21,242,548          |
| Less accumulated depreciation        | <u>(9,619,199)</u>         | <u>(13,044,545)</u>      | <u>(115,457)</u>   | <u>(275,606)</u>    | <u>(13,435,608)</u> |
| Capital assets, net of depreciation  | 11,740,413                 | 7,738,341                | 22,545             | 139,943             | 7,900,829           |
| Less long-term debt payable          |                            |                          |                    |                     |                     |
| Installment purchases                | 7,160,363                  | -                        | -                  | -                   | -                   |
| Capital leases                       | 109,414                    | -                        | -                  | -                   | -                   |
| General obligation bonds             | -                          | 1,042,000                | -                  | -                   | 1,042,000           |
| Federal revolving loans              | -                          | 1,315,953                | -                  | -                   | 1,315,953           |
| Total long-term debt                 | <u>7,269,777</u>           | <u>2,357,953</u>         | -                  | -                   | <u>2,357,953</u>    |
| Investment in Capital assets         | <u>\$ 4,470,636</u>        | <u>\$ 5,380,388</u>      | <u>\$ 22,545</u>   | <u>\$ 139,943</u>   | <u>\$ 5,542,876</u> |

**G. Fund Balance**

At June 30, 2023, 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.

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>          | \$ 4,584,442               |
| Less:  |                            |
| Prepaid items                                      | 44,331                     |
| Stabilization by State Statute                     | 1,612,434                  |
| Streets - Powell Bill                              | 953,823                    |
| Debt service                                       | 403,693                    |
| Appropriated Fund Balance in 2024 Budget           | 414,036                    |
| Working Capital/Fund Balance Policy                | <u>-</u>                   |
| Remaining Fund Balance (Deficit):                  | <u><u>\$ 1,156,125</u></u> |
| Current Year Expenditures - General Fund Exhibit 5 | 7,378,264                  |
| Minimum Fund Balance Percentage Per Policy         | <u>0%</u>                  |
| Minimum Fund Balance Policy                        | <u><u>\$ -</u></u>         |

**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 lightening 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, 2023. 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, 2023.

## **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, 2023. 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.

## 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 Ten Fiscal Years\***

**Local Governmental Employees' Retirement System**

|  | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Spring Lake's proportion of the net pension liability (asset) (%)  | 0.04401%     | 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) (\$)   | \$ 2,482,792 | \$ 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  | \$ 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 | \$ 3,416,816 |
| Spring Lake's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 76.83%       | 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**   | 84.14%       | 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.

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

**Local Governmental Employees' Retirement System**

|   | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution                     | \$ 669,049   | \$ 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 | 669,049      | 588,886      | 713,977      | 684,019      | 575,196      | 551,332      | 505,438      | 510,313      | 486,138      | 472,604      |
| Contribution deficiency (excess)                        | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Spring Lake's covered payroll                           | \$ 3,510,902 | \$ 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        | 19.06%       | 18.22%       | 17.00%       | 15.86%       | 14.67%       | 13.10%       | 13.38%       | 14.60%       | 14.23%       | 13.83%       |

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

**Law Enforcement Officers' Special Separation Allowance**

|  | <b>2023</b>       | <b>2022</b>       | <b>2021</b>       | <b>2020</b>       | <b>2019</b>       | <b>2018</b>       | <b>2017</b>       |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning balance                                  | \$ 470,253        | \$ 491,664        | \$ 280,155        | \$ 306,294        | \$ 524,014        | \$ 505,879        | \$ 505,533        |
| Service cost                                       | 35,107            | 47,898            | 29,010            | 25,511            | 25,328            | 29,062            | 30,166            |
| Interest on the total pension liability            | 9,979             | 9,027             | 8,465             | 10,170            | 15,694            | 18,698            | 17,350            |
| Changes of benefit terms                           | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Differences between expected and actual experience | (3,494)           | (18,283)          | 68,094            | (15,864)          | (193,224)         | (15,926)          | -                 |
| Changes of assumptions or other inputs             | (70,855)          | (12,183)          | 146,944           | 7,847             | (10,770)          | 29,266            | (8,114)           |
| Benefit payments                                   | (53,490)          | (47,870)          | (41,004)          | (53,803)          | (54,748)          | (42,965)          | (39,056)          |
| Ending balance of the total pension liability      | <u>\$ 387,500</u> | <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 Seven Fiscal Years**

**Law Enforcement Officers' Special Separation Allowance**

|   | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total pension liability                                       | \$ 387,500  | \$ 470,253  | \$ 491,664  | \$ 280,155  | \$ 306,294  | \$ 524,014  | \$ 505,879  |
| Covered payroll   | 1,011,678   | 1,340,198   | 1,249,229   | 1,233,178   | 1,072,265   | 1,335,726   | 1,319,390   |
| Total pension liability as a percentage<br>of covered payroll | 38.30%      | 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 Five Fiscal Years\***

|   | <b>2023</b>         | <b>2022</b>         | <b>2021</b>         | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total OPEB Liability</b>                             |                     |                     |                     |                     |                     |
| Service Cost  | \$ 422,994          | \$ 393,336          | \$ 261,063          | \$ 295,073          | \$ 313,012          |
| Interest  | 125,146             | 124,190             | 141,032             | 181,581             | 163,361             |
| Differences between expected and actual experience      | 10,157              | (524,939)           | (21,162)            | (1,290,569)         | (44,161)            |
| Changes in assumptions or other inputs                  | (1,362,161)         | 214,524             | 1,131,100           | (31,244)            | (296,392)           |
| Benefit payments  | (73,450)            | (51,560)            | (56,856)            | (51,768)            | (61,620)            |
| Net changes in total OPEB liability                     | (877,314)           | 155,551             | 1,455,177           | (896,927)           | 74,200              |
| Total OPEB liability - beginning                        | 5,407,326           | 5,251,775           | 3,796,598           | 4,693,525           | 4,619,325           |
| Total OPEB liability - ending                           | <u>\$ 4,530,012</u> | <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        | \$ 4,057,482        | \$ 3,627,072        | \$ 3,627,072        | \$ 3,966,436        |
| Total OPEB liability as a percentage of covered payroll | 111.65%             | 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> |
|--------------------|-------------|
| 2023               | 3.54%       |
| 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, 2023

Page 1 of 7

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) |
|--|--------------------|------------------|------------------|------------------------------------|
| <b>Revenues:</b>                         |                    |                  |                  |                                    |
| Ad valorem taxes:                        |                    |                  |                  |                                    |
| Taxes                                    | \$ 2,945,323       | \$ 2,966,194     | \$ 3,049,685     | \$ 83,491                          |
| Interest                                 | 9,000              | 9,000            | 21,197           | 12,197                             |
| Total                                    | <u>2,954,323</u>   | <u>2,975,194</u> | <u>3,070,882</u> | <u>95,688</u>                      |
| Other taxes and licenses:                |                    |                  |                  |                                    |
| Motor Vehicle taxes                      | 37,000             | 37,000           | 42,080           | 5,080                              |
| Gross receipts tax rental vehicles       | 10,000             | 10,000           | 10,309           | 309                                |
| Privilege licenses                       | -                  | -                | 375              | 375                                |
| Total                                    | <u>47,000</u>      | <u>47,000</u>    | <u>52,764</u>    | <u>5,764</u>                       |
| Unrestricted Intergovernmental:          |                    |                  |                  |                                    |
| Local option sales tax                   | 3,205,000          | 3,309,000        | 3,489,072        | 180,072                            |
| Sales tax agreement reimbursement        | (509,200)          | (509,200)        | (490,178)        | 19,022                             |
| Utilities sales tax                      | 385,000            | 385,000          | 391,520          | 6,520                              |
| Utilities tax reimbursement              | 100,000            | -                | -                | -                                  |
| Telecommunications sales tax             | 37,500             | 37,500           | 35,417           | (2,083)                            |
| Video franchise fee                      | 73,000             | 73,000           | 72,249           | (751)                              |
| Video programming reimbursement          | 50,000             | 50,000           | 43,459           | (6,541)                            |
| Sales tax reimbursement                  | 70,000             | -                | -                | -                                  |
| Beer and wine tax                        | 45,000             | 45,000           | 53,187           | 8,187                              |
| Beer and wine reimbursement              | 20,000             | 20,000           | 18,082           | (1,918)                            |
| Total                                    | <u>3,476,300</u>   | <u>3,410,300</u> | <u>3,612,808</u> | <u>202,508</u>                     |
| Restricted Intergovernmental:            |                    |                  |                  |                                    |
| Powell Bill allocation                   | 304,339            | 302,341          | 302,341          | -                                  |
| Powell Bill reimbursement                | 83,500             | 83,500           | 86,529           | 3,029                              |
| Unauthorized substance tax               | -                  | -                | 3,031            | 3,031                              |
| Mid Carolina Council of Governments      | 16,737             | 5,640            | 5,640            | -                                  |
| Manchester Fire District tax             | 85,641             | 78,141           | 75,922           | (2,219)                            |
| Manchester Fire District grant           | 75,000             | 82,500           | 82,500           | -                                  |
| Recreation merger reimbursement          | -                  | 70,000           | 53,085           | (16,915)                           |
| US Department of Homeland Security SAFER | 43,752             | -                | -                | -                                  |
| NC League of Municipalities grant        | -                  | 2,500            | 2,500            | -                                  |
| Cumberland County recreation tax         | -                  | 37,349           | 37,349           | -                                  |
| Solid waste reimbursement                | 2,600              | 2,600            | 3,216            | 616                                |
| Cumberland County Arts Council grant     | -                  | 4,000            | -                | (4,000)                            |
| Total                                    | <u>611,569</u>     | <u>668,571</u>   | <u>652,113</u>   | <u>(16,458)</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, 2023

|                                 | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) |
|---------------------------------|--------------------|------------------|------------------|------------------------------------|
| <b>Permits and fees:</b>        |                    |                  |                  |                                    |
| Fees - Police Department        | 1,200              | 1,200            | 868              | (332)                              |
| Fees - Fire Department          | 23,033             | 28,533           | 17,090           | (11,443)                           |
| Inspection fees                 | 43,700             | 43,700           | 38,494           | (5,206)                            |
| Planning and zoning fees        | 4,165              | 4,165            | 4,815            | 650                                |
| Total                           | <u>72,098</u>      | <u>77,598</u>    | <u>61,267</u>    | <u>(16,331)</u>                    |
| <b>Sales and services:</b>      |                    |                  |                  |                                    |
| NCDOT road maintenance          | 8,568              | 8,568            | 11,370           | 2,802                              |
| Recreation                      | -                  | 8,999            | 8,999            | -                                  |
| Total                           | <u>8,568</u>       | <u>17,567</u>    | <u>20,369</u>    | <u>2,802</u>                       |
| Investment earnings             | <u>200</u>         | <u>107,200</u>   | <u>172,531</u>   | <u>65,331</u>                      |
| <b>Miscellaneous:</b>           |                    |                  |                  |                                    |
| Contributions and sponsorship   | -                  | -                | 4,891            | 4,891                              |
| Employee insurance contribution | 27,840             | 27,840           | 28,408           | 568                                |
| Retiree insurance contribution  | -                  | 2,388            | 2,269            | (119)                              |
| Sale of materials               | -                  | 720              | 2,323            | 1,603                              |
| Other                           | 3,000              | 8,025            | 10,688           | 2,663                              |
| Total                           | <u>30,840</u>      | <u>38,973</u>    | <u>48,579</u>    | <u>9,606</u>                       |
| Total revenues                  | <u>7,200,898</u>   | <u>7,342,403</u> | <u>7,691,313</u> | <u>348,910</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, 2023

|  | Original<br>Budget | Final<br>Budget | Actual         | Variance<br>Positive<br>(Negative) |
|--|--------------------|-----------------|----------------|------------------------------------|
| <b>Expenditures:</b>                   |                    |                 |                |                                    |
| General government:                    |                    |                 |                |                                    |
| Governing body:                        |                    |                 |                |                                    |
| Salaries and benefits                  | 62,702             | 62,702          | 60,155         |                                    |
| Repairs and maintenance                | 5,000              | 6,200           | 6,201          |                                    |
| Other operating expenditures           | 23,250             | 29,249          | 23,493         |                                    |
| Less expense reimbursement other funds | (18,892)           | (18,892)        | (18,892)       |                                    |
| Total                                  | <u>72,060</u>      | <u>79,259</u>   | <u>70,957</u>  | <u>8,302</u>                       |
| Administration:                        |                    |                 |                |                                    |
| Salaries and employee benefits         | 315,016            | 300,683         | 114,611        |                                    |
| Professional services                  | -                  | 15,251          | 15,250         |                                    |
| Equipment rental                       | 2,720              | 2,690           | 1,472          |                                    |
| Other operating expenditures           | 7,500              | 11,880          | 11,064         |                                    |
| Less expense reimbursement other funds | (66,038)           | (66,038)        | (66,038)       |                                    |
| Total                                  | <u>259,198</u>     | <u>264,466</u>  | <u>76,359</u>  | <u>188,107</u>                     |
| Finance:                               |                    |                 |                |                                    |
| Salaries and employee benefits         | 162,294            | 138,861         | 93,935         |                                    |
| Professional services                  | 227,000            | 409,610         | 361,864        |                                    |
| Other operating expenditures           | 10,900             | 14,900          | 10,792         |                                    |
| Less expense reimbursement other funds | (77,982)           | (77,982)        | (77,982)       |                                    |
| Total                                  | <u>322,212</u>     | <u>485,389</u>  | <u>388,609</u> | <u>96,780</u>                      |
| Tax Collections:                       |                    |                 |                |                                    |
| Cumberland County Tax Collection       | 64,000             | 64,000          | 65,873         |                                    |
| Total                                  | <u>64,000</u>      | <u>64,000</u>   | <u>65,873</u>  | <u>(1,873)</u>                     |
| Legal:                                 |                    |                 |                |                                    |
| Professional services                  | 59,000             | 54,301          | 39,052         |                                    |
| Other operating expenditures           | -                  | 500             | 495            |                                    |
| Less expense reimbursement other funds | (12,526)           | (12,526)        | (12,526)       |                                    |
| Total                                  | <u>46,474</u>      | <u>42,275</u>   | <u>27,021</u>  | <u>15,254</u>                      |
| Human Resources:                       |                    |                 |                |                                    |
| Professional services                  | 1,000              | 2,000           | 2,144          |                                    |
| Retiree insurance premiums             | 30,000             | 35,227          | 25,862         |                                    |
| Other operating expenditures           | 4,440              | 5,440           | 3,938          |                                    |
| Less expense reimbursement other funds | (5,274)            | (5,274)         | (5,274)        |                                    |
| Less expense reimbursement other funds | (4,246)            | (4,246)         | (4,246)        |                                    |
| Total                                  | <u>25,920</u>      | <u>33,147</u>   | <u>22,424</u>  | <u>10,723</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, 2023

|   | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) |
|---|--------------------|------------------|------------------|------------------------------------|
| <b>Information Technology / Communications:</b> |                    |                  |                  |                                    |
| Telephone and internet                          | 119,500            | 109,740          | 91,420           |                                    |
| Professional services                           | -                  | 14,100           | 14,040           |                                    |
| Repairs and maintenance                         | 500                | 500              | -                |                                    |
| Copier lease                                    | 31,800             | 27,800           | 23,765           |                                    |
| Software service contracts                      | 76,828             | 84,228           | 55,960           |                                    |
| Other operating expenditures                    | 2,740              | -                | -                |                                    |
| Less expense reimbursement other funds          | (49,119)           | (49,119)         | (49,119)         |                                    |
| Capital outlay                                  | -                  | 45,000           | 37,437           |                                    |
| Total   | <u>182,249</u>     | <u>232,249</u>   | <u>173,503</u>   | <u>58,746</u>                      |
| <b>Public Works Administration:</b>             |                    |                  |                  |                                    |
| Salaries and employee benefits                  | 92,906             | 97,116           | 62,270           |                                    |
| Other operating expenditures                    | 2,840              | 3,748            | 3,317            |                                    |
| Less expense reimbursement other funds          | (20,310)           | (20,310)         | (20,310)         |                                    |
| Total   | <u>75,436</u>      | <u>80,554</u>    | <u>45,277</u>    | <u>35,277</u>                      |
| <b>Public Buildings:</b>                        |                    |                  |                  |                                    |
| Salaries and employee benefits                  | 111,980            | 127,094          | 125,324          |                                    |
| Contracted services                             | 950                | 1,179            | -                |                                    |
| Utilities                                       | 36,000             | 36,000           | 28,439           |                                    |
| Repairs and maintenance                         | 19,816             | 18,908           | 15,478           |                                    |
| Other operating expenditures                    | 14,558             | 14,329           | 10,833           |                                    |
| Less expense reimbursement other funds          | (28,312)           | (28,312)         | (28,312)         |                                    |
| Total   | <u>154,992</u>     | <u>169,198</u>   | <u>151,762</u>   | <u>17,436</u>                      |
| Total general government                        | <u>1,202,541</u>   | <u>1,450,537</u> | <u>1,021,785</u> | <u>428,752</u>                     |
| <b>Public Safety:</b>                           |                    |                  |                  |                                    |
| <b>Police:</b>                                  |                    |                  |                  |                                    |
| Salaries and employee benefits                  | 1,870,501          | 2,003,757        | 1,887,905        |                                    |
| Law Enforcement Officers Separation Allowance   | -                  | 54,193           | 52,261           |                                    |
| Professional services                           | 5,000              | 7,100            | 4,900            |                                    |
| Contracted services                             | 248,720            | 241,620          | 221,409          |                                    |
| Motor fuel                                      | 100,800            | 100,800          | 77,432           |                                    |
| Repairs and maintenance                         | 12,000             | 23,360           | 11,704           |                                    |
| Other operating expenditures                    | 74,202             | 88,434           | 74,882           |                                    |
| GPS tracking vehicles                           | -                  | 9,366            | 563              |                                    |
| Small equipment                                 | 2,000              | 2,000            | 774              |                                    |
| Departmental supplies                           | 70,000             | 297,830          | 181,607          |                                    |
| Total   | <u>2,383,223</u>   | <u>2,828,460</u> | <u>2,513,437</u> | <u>315,023</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, 2023

|                                  | Original<br>Budget | Final<br>Budget | Actual    | Variance<br>Positive<br>(Negative) |
|----------------------------------|--------------------|-----------------|-----------|------------------------------------|
| <b>Fire:</b>                     |                    |                 |           |                                    |
| Salaries and employee benefits   | 1,551,934          | 1,495,726       | 923,707   |                                    |
| Professional services            | 8,400              | 8,400           | 300       |                                    |
| Contracted services              | 12,149             | 12,149          | 9,946     |                                    |
| Vehicle expenses                 | 20,000             | 30,000          | 32,087    |                                    |
| Maintenance and repairs          | 1,000              | 2,629           | 22,493    |                                    |
| Utilities                        | 15,500             | 15,500          | 10,535    |                                    |
| Uniforms                         | 21,636             | 71,791          | 70,972    |                                    |
| Other operating expenditures     | 41,285             | 61,270          | 53,806    |                                    |
| Small Equipment                  | -                  | -               | 7,104     |                                    |
| Capital outlay                   | -                  | 721,300         | 612,775   |                                    |
| Total                            | 1,671,904          | 2,418,765       | 1,743,725 | 675,040                            |
| <b>Manchester Fire Station:</b>  |                    |                 |           |                                    |
| Salaries and employee benefits   | -                  | 48,359          | 404,314   |                                    |
| Other operating expenditures     | -                  | 85              | 4,780     |                                    |
| Total                            | -                  | 48,444          | 409,094   | (360,650)                          |
| <b>Inspections:</b>              |                    |                 |           |                                    |
| Salaries and employee benefits   | 66,142             | 80,199          | 79,384    |                                    |
| Professional services            | 68,000             | 72,661          | 52,459    |                                    |
| Contracted services - demolition | 10,300             | 5,639           | 4,650     |                                    |
| Vehicle expenses                 | -                  | -               | (94)      |                                    |
| Other operating expenditures     | 6,302              | 6,302           | 4,064     |                                    |
| Total                            | 150,744            | 164,801         | 140,463   | 24,338                             |
| Total public safety              | 4,205,871          | 5,460,470       | 4,806,719 | 653,751                            |
| <b>Transportation:</b>           |                    |                 |           |                                    |
| <b>Streets:</b>                  |                    |                 |           |                                    |
| Salaries and employee benefits   | 222,266            | 235,281         | 209,714   |                                    |
| Professional services            | 10,152             | 5,063           | -         |                                    |
| Contracted services              | 7,418              | 7,418           | 3,500     |                                    |
| Vehicle expenses                 | 12,000             | 12,000          | 18,273    |                                    |
| Repairs and maintenance          | 32,185             | 131,236         | 10,515    |                                    |
| Tipping fees                     | 1,050              | 16,139          | 16,139    |                                    |
| Utilities                        | 161,145            | 161,145         | 105,359   |                                    |
| Other operating expenditures     | 14,773             | 18,016          | 10,089    |                                    |
| Small equipment                  | 5,395              | 47,195          | 10,001    |                                    |
| Capital outlay                   | -                  | 249,879         | 268,389   |                                    |
| Total                            | 466,384            | 883,372         | 651,979   | 231,393                            |

**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, 2023

|                                   | Original<br>Budget | Final<br>Budget      | Actual             | Variance<br>Positive<br>(Negative) |
|-----------------------------------|--------------------|----------------------|--------------------|------------------------------------|
| <b>Powell Bill:</b>               |                    |                      |                    |                                    |
| Repairs and maintenance streets   | -                  | 2,620                | 2,309              |                                    |
| Professional services             | -                  | -                    | 2,577              |                                    |
| Equipment rental                  | -                  | 11,324               | 2,260              |                                    |
| Capital outlay                    | -                  | 182,083              | 158,356            |                                    |
| Total                             | <u>-</u>           | <u>196,027</u>       | <u>165,502</u>     | <u>30,525</u>                      |
| <br>Total transportation          | <br><u>466,384</u> | <br><u>1,079,399</u> | <br><u>817,481</u> | <br><u>261,918</u>                 |
| <b>Economic Development :</b>     |                    |                      |                    |                                    |
| <b>Planning and Zoning:</b>       |                    |                      |                    |                                    |
| Contracted services               | 34,000             | 34,000               | 28,388             |                                    |
| Total economic development        | <u>34,000</u>      | <u>34,000</u>        | <u>28,388</u>      | <u>5,612</u>                       |
| <b>Cultural and Recreation:</b>   |                    |                      |                    |                                    |
| <b>Parks and Recreation:</b>      |                    |                      |                    |                                    |
| Salaries and employee benefits    | 18,541             | 79,977               | 79,974             |                                    |
| Contracted services               | 3,000              | -                    | -                  |                                    |
| Maintenance and repairs           | 47,752             | 1,259                | 819                |                                    |
| Utilities                         | 9,000              | 15,786               | 14,757             |                                    |
| Other operating expenditures      | 4,000              | 1,248                | 1,181              |                                    |
| Total parks and recreation        | <u>82,293</u>      | <u>98,270</u>        | <u>96,731</u>      | <u>1,539</u>                       |
| <b>Senior Enrichment Center:</b>  |                    |                      |                    |                                    |
| Salaries and employee benefits    | -                  | 27,410               | 27,410             |                                    |
| Other operating expenditures      | -                  | (465)                | (465)              |                                    |
| Total senior enrichment center    | <u>-</u>           | <u>26,945</u>        | <u>26,945</u>      | <u>-</u>                           |
| <br>Total cultural and recreation | <br><u>82,293</u>  | <br><u>125,215</u>   | <br><u>123,676</u> | <br><u>1,539</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, 2023

|  | Original<br>Budget | Final<br>Budget  | Actual              | Variance<br>Positive<br>(Negative) |
|--|--------------------|------------------|---------------------|------------------------------------|
| Debt service:                          |                    |                  |                     |                                    |
| Principal retirement - Fire            | 162,578            | 162,578          | 161,577             | 1,001                              |
| Principal retirement - Streets         | 150,000            | 150,000          | 150,000             | -                                  |
| Principal retirement - Recreation      | 47,730             | 47,730           | 47,788              | (58)                               |
| Principal retirement- Capital leases   | 90,857             | 90,857           | 90,857              | -                                  |
| Interest - Fire                        | 25,492             | 25,492           | 25,492              | -                                  |
| Interest - Streets                     | 7,230              | 7,230            | 7,230               | -                                  |
| Interest - Recreation                  | 83,520             | 83,520           | 83,460              | 60                                 |
| Interest - Capital leases              | 13,161             | 14,361           | 13,811              | 550                                |
| Total debt service                     | <u>580,568</u>     | <u>581,768</u>   | <u>580,215</u>      | <u>1,553</u>                       |
| Contingency                            | <u>470,838</u>     | <u>681,032</u>   | <u>-</u>            | <u>681,032</u>                     |
| Total expenditures                     | <u>7,042,495</u>   | <u>9,412,421</u> | <u>7,378,264</u>    | <u>2,034,157</u>                   |
| Revenues over (under) expenditures     | 158,403            | (2,070,018)      | 313,049             | 2,383,067                          |
| <b>Other financing sources (uses):</b> |                    |                  |                     |                                    |
| Transfers from other funds:            |                    |                  |                     |                                    |
| American Resuce Plan Fund              | -                  | 3,035,933        | 3,030,823           |                                    |
| Water and Sewer Fund                   | -                  | 10,457           | 10,457              | -                                  |
| Transfers to other funds:              |                    |                  |                     |                                    |
| Fleet Maintenance Fund                 | (158,403)          | (158,403)        | (158,403)           | -                                  |
| Stormwater Fund                        | -                  | (18,426)         | (18,426)            | -                                  |
| Sanitation Fund                        | -                  | (57,352)         | (57,352)            | -                                  |
| Sanitation Fund                        | -                  | (1,075)          | (1,075)             | -                                  |
| Public Safety Grants and Projects Fund | -                  | (333,091)        | (170,532)           | 162,559                            |
| Spring Fling Fund                      | -                  | (4,077)          | (3,951)             | 126                                |
| Spring Lake Fire Station #2 Project    | -                  | (19,144)         | (19,144)            | -                                  |
| Recreation Capital Project Fund        | -                  | (114,503)        | (114,502)           | 1                                  |
| Water and Sewer Capital Project Fund   | -                  | (543,200)        | (543,200)           | -                                  |
| Sale of capital assets                 | -                  | 81,316           | 106,291             | 24,975                             |
| Total other financing sources (uses)   | <u>(158,403)</u>   | <u>1,878,435</u> | <u>2,060,986</u>    | <u>182,551</u>                     |
| <b>Fund balance appropriated</b>       | <u>-</u>           | <u>191,583</u>   | <u>-</u>            | <u>(191,583)</u>                   |
| Net change in fund balance             | <u>\$ -</u>        | <u>\$ -</u>      | 2,374,035           | <u>\$ 2,374,035</u>                |
| Fund balances, beginning               |                    |                  | <u>2,210,407</u>    |                                    |
| Fund balances, ending                  |                    |                  | <u>\$ 4,584,442</u> |                                    |

**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, 2023**

|  | Project<br>Authorization | Prior<br>Years  | Actual<br>Current<br>Year | Total to<br>Date   | Variance<br>Positive<br>(Negative) |
|--|--------------------------|-----------------|---------------------------|--------------------|------------------------------------|
| <b>Revenues:</b>                       |                          |                 |                           |                    |                                    |
| Restricted Intergovernmental:          |                          |                 |                           |                    |                                    |
| American Rescue Plan Funds             | \$ 3,825,963             | \$ -            | \$ 3,825,963              | \$ 3,825,963       | \$ -                               |
| Investment Earnings                    | 117,037                  | 3,059           | 108,868                   | 111,927            | (5,110)                            |
| Total revenues                         | <u>3,943,000</u>         | <u>3,059</u>    | <u>3,934,831</u>          | <u>3,937,890</u>   | <u>(5,110)</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)<br>expenditures  | <u>3,943,000</u>         | <u>3,059</u>    | <u>3,934,831</u>          | <u>3,937,890</u>   | <u>(5,110)</u>                     |
| <b>Other financing sources (uses):</b> |                          |                 |                           |                    |                                    |
| Transfers to other funds:              |                          |                 |                           |                    |                                    |
| Transfer to General Fund               | (3,035,933)              | -               | (3,030,823)               | (3,030,823)        | 5,110                              |
| Transfer to Water and Sewer Fund       | (569,187)                | -               | (569,187)                 | (569,187)          | -                                  |
| Transfer to Storm Water Fund           | (170,515)                | -               | (170,515)                 | (170,515)          | -                                  |
| Transfer to Sanitation Fund            | (99,919)                 | -               | (99,919)                  | (99,919)           | -                                  |
| Transfer to Fleet Maintenance Fund     | (67,446)                 | -               | (67,446)                  | (67,446)           | -                                  |
| Total other financing sources (uses)   | <u>(3,943,000)</u>       | <u>-</u>        | <u>(3,937,890)</u>        | <u>(3,937,890)</u> | <u>5,110</u>                       |
| <b>Fund balance appropriated</b>       | <u>-</u>                 | <u>-</u>        | <u>-</u>                  | <u>-</u>           | <u>-</u>                           |
| Net change in fund balance             | <u>\$ -</u>              | <u>\$ 3,059</u> | <u>(3,059)</u>            | <u>\$ -</u>        | <u>\$ -</u>                        |
| Fund balance, beginning                |                          |                 | 3,059                     |                    |                                    |
| Fund balance, ending                   |                          |                 | <u>\$ -</u>               |                    |                                    |

Town of Spring Lake, North Carolina  
Non-Major Governmental Funds  
Combining Balance Sheet  
As of June 30, 2023

|                                      | Special Revenue Funds   |  | Capital Project Funds                     |                              |                                  |                                     | Total             |                                    |
|--------------------------------------|-------------------------|--|---|------------------------------|----------------------------------|-------------------------------------|-------------------|------------------------------------|
|                                      | Spring<br>Fling<br>Fund | Public Safety<br>Grants and<br>Projects Fund | Spring Lake<br>Fire Station<br>#2 Project | Street<br>Capital<br>Project | Recreation<br>Capital<br>Project | Veterans Park<br>Capital<br>Project |                   | Mendoza Park<br>Capital<br>Project |
| <b>Assets</b>                        |                         |  |   |                              |                                  |                                     |                   |                                    |
| Cash and cash equivalents            | \$ -                    | \$ -   | \$ -                                      | \$ 7,288                     | \$ -                             | \$ -                                | \$ -              | \$ 7,288                           |
| Restricted cash and investments      | -                       | -  | -   | -                            | -                                | 114,212                             | 207,659           | 321,871                            |
| Total assets                         | <u>\$ -</u>             | <u>\$ -</u>                                  | <u>\$ -</u>                               | <u>\$ 7,288</u>              | <u>\$ -</u>                      | <u>\$ 114,212</u>                   | <u>\$ 207,659</u> | <u>\$ 329,159</u>                  |
| <b>Liabilities and Fund Balances</b> |                         |  |   |                              |                                  |                                     |                   |                                    |
| Liabilities:                         |                         |  |   |                              |                                  |                                     |                   |                                    |
| Unearned revenues                    | \$ -                    | \$ -   | \$ -                                      | \$ -                         | \$ -                             | \$ 110,000                          | \$ 200,000        | \$ 310,000                         |
| Total liabilities                    | <u>-</u>                | <u>-</u>                                     | <u>-</u>                                  | <u>-</u>                     | <u>-</u>                         | <u>110,000</u>                      | <u>200,000</u>    | <u>310,000</u>                     |
| Fund balances:                       |                         |  |   |                              |                                  |                                     |                   |                                    |
| Restricted:                          |                         |  |   |                              |                                  |                                     |                   |                                    |
| Restricted for recreation            | -                       | -  | -   | -                            | -                                | 4,212                               | 7,659             | 11,871                             |
| Assigned:                            |                         |  |   |                              |                                  |                                     |                   |                                    |
| Transportation - streets             | -                       | -  | -   | 7,288                        | -                                | -                                   | -                 | 7,288                              |
| Total fund balances                  | <u>-</u>                | <u>-</u>                                     | <u>-</u>                                  | <u>7,288</u>                 | <u>-</u>                         | <u>4,212</u>                        | <u>7,659</u>      | <u>19,159</u>                      |
| Total liabilities and fund balances  | <u>\$ -</u>             | <u>\$ -</u>                                  | <u>\$ -</u>                               | <u>\$ 7,288</u>              | <u>\$ -</u>                      | <u>\$ 114,212</u>                   | <u>\$ 207,659</u> | <u>\$ 329,159</u>                  |

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, 2023

|  | 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           | \$ -                  | \$ 63,043                              | \$ -                                | \$ -                   | \$ -                       | \$ -                          | \$ -                         | \$ 63,043 |
| Investment earnings                    | -                     | -                                      | -                                   | -                      | -                          | 4,037                         | 7,341                        | 11,378    |
| Total revenues                         | -                     | 63,043                                 | -                                   | -                      | -                          | 4,037                         | 7,341                        | 74,421    |
| <b>Expenditures:</b>                   |                       |  |                                     |                        |                            |                               |                              |           |
| Public safety                          | -                     | 104,514                                | -                                   | -                      | -                          | -                             | -                            | 104,514   |
| Total expenditures                     | -                     | 104,514                                | -                                   | -                      | -                          | -                             | -                            | 104,514   |
| Revenues over (under) expenditures     | -                     | (41,471)                               | -                                   | -                      | -                          | 4,037                         | 7,341                        | (30,093)  |
| <b>Other Financing Sources (Uses):</b> |                       |  |                                     |                        |                            |                               |                              |           |
| Transfers from Other Funds             | 3,951                 | 170,532                                | 19,144                              | -                      | 114,502                    | -                             | -                            | 308,129   |
| Total other financing sources (uses)   | 3,951                 | 170,532                                | 19,144                              | -                      | 114,502                    | -                             | -                            | 308,129   |
| Net change in fund balance             | 3,951                 | 129,061                                | 19,144                              | -                      | 114,502                    | 4,037                         | 7,341                        | 278,036   |
| Fund balance, beginning                | (3,951)               | (129,061)                              | (19,144)                            | 7,288                  | (114,502)                  | 175                           | 318                          | (258,877) |
| Fund balance, ending                   | \$ -                  | \$ -                                   | \$ -                                | \$ 7,288               | \$ -                       | \$ 4,212                      | \$ 7,659                     | \$ 19,159 |

**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, 2023**

|  | Original<br>Budget | Final<br>Budget | Actual         | Variance<br>Positive<br>(Negative) |
|--|--------------------|-----------------|----------------|------------------------------------|
| <b>Revenues:</b>                       |                    |                 |                |                                    |
| Permits and fees:                      |                    |                 |                |                                    |
| Vendor fees                            | \$ -               | \$ -            | \$ -           | \$ -                               |
| Total revenues                         | <u>-</u>           | <u>-</u>        | <u>-</u>       | <u>-</u>                           |
| <b>Expenditures:</b>                   |                    |                 |                |                                    |
| Cultural and Recreation:               |                    |                 |                |                                    |
| Contingency                            | -                  | 4,007           | -              | 4,007                              |
| Total expenditures                     | <u>-</u>           | <u>4,007</u>    | <u>-</u>       | <u>4,007</u>                       |
| Revenues over (under) expenditures     | <u>-</u>           | <u>(4,007)</u>  | <u>-</u>       | <u>4,007</u>                       |
| <b>Other financing sources (uses):</b> |                    |                 |                |                                    |
| Transfers from other funds:            |                    |                 |                |                                    |
| General Fund                           | -                  | 4,007           | 3,951          | (56)                               |
| Total other financing sources (uses)   | <u>-</u>           | <u>4,007</u>    | <u>3,951</u>   | <u>(56)</u>                        |
| Net change in fund balance             | <u>\$ -</u>        | <u>\$ -</u>     | 3,951          | <u>3,951</u>                       |
| Fund balance, beginning                |                    |                 | <u>(3,951)</u> |                                    |
| Fund balance, ending                   |                    |                 | <u>\$ -</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, 2023**

|   | Project Authorization |                |                  | Prior<br>Years   | Actual          | Total to<br>Date | Variance<br>Positive<br>(Negative) |
|---|-----------------------|----------------|------------------|------------------|-----------------|------------------|------------------------------------|
|   | June 30, 2022         | Amendments     | June 30, 2023    |                  | Current<br>Year |                  |                                    |
| <b>Revenues:</b>                        |                       |                |                  |                  |                 |                  |                                    |
| Restricted Intergovernmental:           |                       |                |                  |                  |                 |                  |                                    |
| Governor's Highway Safety Program       | \$ 197,133            | \$ -           | \$ 197,133       | \$ 272,565       | \$ -            | \$ 272,565       | \$ 75,432                          |
| Safer Grant                             | 308,960               | 539,499        | 848,459          | 841,864          | 63,043          | 904,907          | 56,448                             |
| 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>539,499</u> | <u>1,078,493</u> | <u>1,118,455</u> | <u>63,043</u>   | <u>1,181,498</u> | <u>103,005</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               | 872,590        | 1,181,550        | 861,121          | 104,514         | 965,635          | 215,915                            |
| Other operating expenses                | -                     | -              | -                | 143,517          | -               | 143,517          | (143,517)                          |
| Total Fire Rescue Vehicle Project       | <u>308,960</u>        | <u>872,590</u> | <u>1,181,550</u> | <u>1,004,638</u> | <u>104,514</u>  | <u>1,109,152</u> | <u>72,398</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, 2023**

|  | Project Authorization |            |               | Prior<br>Years | Actual<br>Current<br>Year | Total to<br>Date | Variance<br>Positive<br>(Negative) |
|--|-----------------------|------------|---------------|----------------|---------------------------|------------------|------------------------------------|
|  | June 30, 2022         | Amendments | June 30, 2023 |                |                           |                  |                                    |
| 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         | 175,000               | -          | 175,000       | -              | -                         | -                | 175,000                            |
| <br>                                   |                       |            |               |                |                           |                  |                                    |
| Total expenditures                     | 945,173               | 872,590    | 1,817,763     | 1,634,884      | 104,514                   | 1,739,398        | 78,365                             |
| <br>                                   |                       |            |               |                |                           |                  |                                    |
| Revenues over (under)<br>expenditures  | (406,179)             | (333,091)  | (739,270)     | (516,429)      | (41,471)                  | (557,900)        | 181,370                            |
| <br>                                   |                       |            |               |                |                           |                  |                                    |
| <b>Other financing sources (uses):</b> |                       |            |               |                |                           |                  |                                    |
| Transfers from other funds:            |                       |            |               |                |                           |                  |                                    |
| Transfer from General Fund             | 133,330               | 333,091    | 466,421       | 289,329        | 170,532                   | 459,861          | (6,560)                            |
| 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)   | 231,179               | 333,091    | 564,270       | 387,368        | 170,532                   | 557,900          | (6,370)                            |
| <br>                                   |                       |            |               |                |                           |                  |                                    |
| <b>Fund balance appropriated</b>       | 175,000               | -          | 175,000       | -              | -                         | -                | (175,000)                          |
| <br>                                   |                       |            |               |                |                           |                  |                                    |
| Net change in fund balance             | \$ -                  | \$ -       | \$ -          | \$ (129,061)   | 129,061                   | \$ -             | \$ -                               |
| <br>                                   |                       |            |               |                |                           |                  |                                    |
| Fund balance, beginning                |                       |            |               |                | (129,061)                 |                  |                                    |
| Fund balance, ending                   |                       |            |               |                | \$ -                      |                  |                                    |

**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, 2023**

|                                    | Project Authorization |                 |                    | Prior<br>Years     | Actual          | Total to<br>Date   | Variance<br>Positive<br>(Negative) |
|------------------------------------|-----------------------|-----------------|--------------------|--------------------|-----------------|--------------------|------------------------------------|
|                                    | June 30, 2022         | Amendments      | June 30, 2023      |                    | Current<br>Year |                    |                                    |
| <b>Revenues:</b>                   |                       |                 |                    |                    |                 |                    |                                    |
| Restricted Intergovernmental:      |                       |                 |                    |                    |                 |                    |                                    |
| NC Department of Transportation    | \$ 19,144             | \$ (19,144)     | \$ -               | \$ -               | \$ -            | \$ -               | \$ -                               |
| Total revenues                     | <u>19,144</u>         | <u>(19,144)</u> | <u>-</u>           | <u>-</u>           | <u>-</u>        | <u>-</u>           | <u>-</u>                           |
| <b>Expenditures:</b>               |                       |                 |                    |                    |                 |                    |                                    |
| Public Safety                      |                       |                 |                    |                    |                 |                    |                                    |
| Manchester Fire Station #2         |                       |                 |                    |                    |                 |                    |                                    |
| Capital outlay - buildings         | 1,249,905             | -               | 1,249,905          | 1,249,905          | -               | 1,249,905          | -                                  |
| Total expenditures                 | <u>1,249,905</u>      | <u>-</u>        | <u>1,249,905</u>   | <u>1,249,905</u>   | <u>-</u>        | <u>1,249,905</u>   | <u>-</u>                           |
| Revenues over (under) expenditures | <u>(1,230,761)</u>    | <u>(19,144)</u> | <u>(1,249,905)</u> | <u>(1,249,905)</u> | <u>-</u>        | <u>(1,249,905)</u> | <u>-</u>                           |
| <b>Other financing sources:</b>    |                       |                 |                    |                    |                 |                    |                                    |
| Transfers from other funds:        |                       |                 |                    |                    |                 |                    |                                    |
| Transfer from General Fund         | 230,761               | 19,144          | 249,905            | 230,761            | 19,144          | 249,905            | -                                  |
| Installment loan proceeds          | 1,000,000             | -               | 1,000,000          | 1,000,000          | -               | 1,000,000          | -                                  |
| Total other financing sources      | <u>1,230,761</u>      | <u>19,144</u>   | <u>1,249,905</u>   | <u>1,230,761</u>   | <u>19,144</u>   | <u>1,249,905</u>   | <u>-</u>                           |
| Net change in fund balance         | <u>\$ -</u>           | <u>\$ -</u>     | <u>\$ -</u>        | <u>\$ (19,144)</u> | 19,144          | <u>\$ -</u>        | <u>\$ -</u>                        |
| Fund balance, beginning            |                       |                 |                    |                    | (19,144)        |                    |                                    |
| Fund balance, ending               |                       |                 |                    |                    | <u>\$ -</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, 2023**

|  | Project Authorization |            |               | Prior<br>Years | Actual<br>Current<br>Year | Total to<br>Date | Variance<br>Positive<br>(Negative) |
|--|-----------------------|------------|---------------|----------------|---------------------------|------------------|------------------------------------|
|  | June 30, 2022         | Amendments | June 30, 2023 |                |                           |                  |                                    |
| <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                |                       |            |               |                | 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, 2023**

|                                    | Project Authorization |                  |                  | Prior<br>Years      | Actual          | Total to<br>Date | Variance<br>Positive<br>(Negative) |
|------------------------------------|-----------------------|------------------|------------------|---------------------|-----------------|------------------|------------------------------------|
|                                    | June 30, 2022         | Amendments       | June 30, 2023    |                     | Current<br>Year |                  |                                    |
| <b>Revenues:</b>                   |                       |                  |                  |                     |                 |                  |                                    |
| Restricted Intergovernmental:      |                       |                  |                  |                     |                 |                  |                                    |
| PARFT Grant                        | \$ 426,400            | \$ (63,018)      | \$ 363,382       | \$ 363,148          | \$ -            | \$ 363,148       | \$ (234)                           |
| FIT Community Grant                | 63,250                | (51,485)         | 11,765           | -                   | -               | -                | (11,765)                           |
| Miscellaneous income               | -                     | -                | -                | 66                  | -               | 66               | 66                                 |
| Total revenues                     | <u>489,650</u>        | <u>(114,503)</u> | <u>375,147</u>   | <u>363,214</u>      | <u>-</u>        | <u>363,214</u>   | <u>(11,933)</u>                    |
| <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                             |
| Total expenditures                 | <u>903,100</u>        | <u>-</u>         | <u>903,100</u>   | <u>898,801</u>      | <u>-</u>        | <u>898,801</u>   | <u>4,299</u>                       |
| Revenues over (under) expenditures | <u>(413,450)</u>      | <u>(114,503)</u> | <u>(527,953)</u> | <u>(535,587)</u>    | <u>-</u>        | <u>(535,587)</u> | <u>(7,634)</u>                     |
| <b>Other financing sources:</b>    |                       |                  |                  |                     |                 |                  |                                    |
| Transfers from other funds:        |                       |                  |                  |                     |                 |                  |                                    |
| Transfer from General Fund         | 26,040                | 114,503          | 140,543          | 37,135              | 114,502         | 151,637          | 11,094                             |
| Transfer from Water and Sewer Fund | 18,960                | -                | 18,960           | 15,500              | -               | 15,500           | (3,460)                            |
| Installment loan proceeds          | 368,450               | -                | 368,450          | 368,450             | -               | 368,450          | -                                  |
| Total other financing sources      | <u>413,450</u>        | <u>114,503</u>   | <u>527,953</u>   | <u>421,085</u>      | <u>114,502</u>  | <u>535,587</u>   | <u>7,634</u>                       |
| Net change in fund balance         | <u>\$ -</u>           | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ (114,502)</u> | <u>114,502</u>  | <u>\$ -</u>      | <u>\$ -</u>                        |
| Fund balance, beginning            |                       |                  |                  |                     | (114,502)       |                  |                                    |
| Fund balance, ending               |                       |                  |                  |                     | <u>\$ -</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, 2023**

|  | Project<br>Authorization<br>June 30, 2023 | Prior<br>Years | Actual<br>Current<br>Year | Total to<br>Date | Variance<br>Positive<br>(Negative) |
|--|---|----------------|---------------------------|------------------|------------------------------------|
| <b>Revenues:</b>                         |   |                |                           |                  |                                    |
| Restricted Intergovernmental:            |   |                |                           |                  |                                    |
| NC Office of State Budget and Management | \$ 110,000                                | \$ -           | \$ -                      | \$ -             | \$ (110,000)                       |
| Investment Earnings                      | 8,937                                     | 175            | 4,037                     | 4,212            | (4,725)                            |
| Total revenues                           | <u>118,937</u>                            | <u>175</u>     | <u>4,037</u>              | <u>4,212</u>     | <u>(114,725)</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>175</u>     | <u>4,037</u>              | <u>4,212</u>     | <u>4,212</u>                       |
| Net change in fund balance               | <u>\$ -</u>                               | <u>\$ 175</u>  | <u>4,037</u>              | <u>\$ 4,212</u>  | <u>\$ 4,212</u>                    |
| Fund balance, beginning                  |   |                | 175                       |                  |                                    |
| Fund balance, ending                     |   |                | <u>\$ 4,212</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, 2023**

|  | Project<br>Authorization<br>June 30, 2023 | Prior<br>Years | Actual<br>Current<br>Year | Total to<br>Date | Variance<br>Positive<br>(Negative) |
|--|---|----------------|---------------------------|------------------|------------------------------------|
| <b>Revenues:</b>                         |   |                |                           |                  |                                    |
| Restricted Intergovernmental:            |   |                |                           |                  |                                    |
| NC Office of State Budget and Management | \$ 200,000                                | \$ -           | \$ -                      | \$ -             | \$ (200,000)                       |
| Investment Earnings                      | 15,840                                    | 318            | 7,341                     | 7,659            | (8,181)                            |
| Total revenues                           | <u>215,840</u>                            | <u>318</u>     | <u>7,341</u>              | <u>7,659</u>     | <u>(208,181)</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>318</u>     | <u>7,341</u>              | <u>7,659</u>     | <u>7,659</u>                       |
| Net change in fund balance               | <u>\$ -</u>                               | <u>\$ 318</u>  | <u>7,341</u>              | <u>\$ 7,659</u>  | <u>\$ 7,659</u>                    |
| Fund balance, beginning                  |   |                | 318                       |                  |                                    |
| Fund balance, ending                     |   |                | <u>\$ 7,659</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, 2023

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|                                    | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>Positive<br>(Negative) |
|------------------------------------|--------------------|------------------|------------------|------------------------------------|
| <b>Revenues:</b>                   |                    |                  |                  |                                    |
| Operating revenues:                |                    |                  |                  |                                    |
| Water sales                        | \$ 2,020,000       | \$ 2,020,000     | \$ 1,986,675     | \$ (33,325)                        |
| Sewer charges                      | 1,833,000          | 1,833,000        | 1,875,302        | 42,302                             |
| Credit card convenience fees       | 30,000             | 30,000           | 31,734           | 1,734                              |
| New account and transfer fees      | 25,000             | 25,000           | 25,289           | 289                                |
| Penalties and late fees            | 175,000            | 175,000          | 217,452          | 42,452                             |
| Tap and connection fees            | -                  | -                | -                | -                                  |
| Other operating revenues           | 750                | 750              | 1,586            | 836                                |
| Total operating revenues           | <u>4,083,750</u>   | <u>4,083,750</u> | <u>4,138,038</u> | <u>54,288</u>                      |
| Non-operating revenues:            |                    |                  |                  |                                    |
| Investment earnings                | 100                | 61,815           | 92,275           | 30,460                             |
| Insurance settlements              | -                  | 4,329            | 4,329            | -                                  |
| Rental income                      | 24,000             | 24,000           | 24,274           | 274                                |
| Sale of materials                  | -                  | 188              | 188              | -                                  |
| Total non-operating revenues       | <u>24,100</u>      | <u>90,332</u>    | <u>121,066</u>   | <u>30,734</u>                      |
| Total revenues                     | <u>4,107,850</u>   | <u>4,174,082</u> | <u>4,259,104</u> | <u>85,022</u>                      |
| <b>Expenditures:</b>               |                    |                  |                  |                                    |
| Revenue collections:               |                    |                  |                  |                                    |
| Salaries and employee benefits     | 274,846            | 220,708          | 216,116          | 4,592                              |
| Bank service charges               | 21,600             | 21,600           | 39,606           | (18,006)                           |
| Professional services              | 86,000             | 195,000          | 188,806          | 6,194                              |
| Service and maintenance            | 18,000             | 18,800           | 83               | 18,717                             |
| Expense reimbursement General Fund | 212,109            | 212,129          | 212,129          | -                                  |
| Other operating expenses           | 15,330             | 24,930           | 7,883            | 17,047                             |
| Total                              | <u>627,885</u>     | <u>693,167</u>   | <u>664,623</u>   | <u>28,544</u>                      |
| Revenue billing:                   |                    |                  |                  |                                    |
| Salaries and employee benefits     | 107,892            | 166,850          | 157,388          | 9,462                              |
| Purchases of water for resale      | 1,592,000          | 1,592,000        | 1,098,270        | 493,730                            |
| Contracted billing services        | 29,127             | 29,127           | 25,110           | 4,017                              |
| Professional services              | -                  | -                | 25               | (25)                               |
| Service and maintenance            | 47,843             | 47,728           | 41,004           | 6,724                              |
| Vehicle expenses                   | 13,500             | 13,500           | 10,023           | 3,477                              |
| Other operating expenses           | 7,190              | 7,305            | 14,567           | (7,262)                            |
| Capital outlay                     | -                  | 246,000          | -                | 246,000                            |
| Total                              | <u>1,797,552</u>   | <u>2,102,510</u> | <u>1,346,387</u> | <u>756,123</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, 2023

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|                                    |                  |                     |                  |                  |
|------------------------------------|------------------|---------------------|------------------|------------------|
| Water and Sewer Operations:        |                  |                     |                  |                  |
| Salaries and employee benefits     | 278,068          | 349,561             | 359,830          | (10,269)         |
| Contracted services                | 65,280           | 65,280              | 28,600           | 36,680           |
| Professional services              | 10,000           | 10,000              | -                | 10,000           |
| Repairs and maintenance            | 253,505          | 253,505             | 189,916          | 63,589           |
| Utilities                          | 16,560           | 16,560              | 13,961           | 2,599            |
| Vehicle expenses                   | 12,600           | 12,600              | 10,795           | 1,805            |
| Other operating expenses           | 27,313           | 27,313              | 32,148           | (4,835)          |
| Capital outlay                     | 152,000          | 398,000             | 54,293           | 343,707          |
| Total                              | <u>815,326</u>   | <u>1,132,819</u>    | <u>689,543</u>   | <u>443,276</u>   |
| Waste Water Treatment Plant:       |                  |                     |                  |                  |
| Salaries and employee benefits     | 209,931          | 228,731             | 229,695          | (964)            |
| Professional services              | 6,240            | 6,240               | 2,750            | 3,490            |
| Utilities                          | 87,600           | 87,600              | 66,656           | 20,944           |
| Chemicals                          | 36,575           | 54,575              | 46,417           | 8,158            |
| Vehicle expenses                   | 4,000            | 4,000               | 504              | 3,496            |
| Contracted services                | 104,350          | 92,350              | 73,764           | 18,586           |
| Repairs and maintenance            | 76,140           | 66,640              | 41,725           | 24,915           |
| Other operating expenses           | 30,844           | 30,844              | 23,304           | 7,540            |
| Capital outlay                     | 34,000           | 37,500              | 47,201           | (9,701)          |
| Total                              | <u>589,680</u>   | <u>608,480</u>      | <u>532,016</u>   | <u>76,464</u>    |
| Debt service:                      |                  |                     |                  |                  |
| Principal retirement               | 189,455          | 189,455             | 189,453          | 2                |
| Interest                           | 49,396           | 49,396              | 49,395           | 1                |
| Total debt service                 | <u>238,851</u>   | <u>238,851</u>      | <u>238,848</u>   | <u>3</u>         |
| Contingency                        | <u>-</u>         | <u>19,415</u>       | <u>-</u>         | <u>19,415</u>    |
| Total expenditures                 | <u>4,069,294</u> | <u>4,795,242</u>    | <u>3,471,417</u> | <u>1,323,825</u> |
| Revenues over (under) expenditures | <u>\$ 38,556</u> | <u>\$ (621,160)</u> | <u>787,687</u>   | <u>1,408,847</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, 2023

Page 3 of 3

|  | Original<br>Budget | Final<br>Budget | Actual       | Variance<br>Positive<br>(Negative) |
|--|--------------------|-----------------|--------------|------------------------------------|
| <b>Other financing sources (uses):</b>   |                    |                 |              |                                    |
| Transfers from other funds:  |                    |                 |              |                                    |
| American Rescue Plan Fund  | -                  | 569,187         | 569,187      |                                    |
| Transfers to other funds:  |                    |                 |              |                                    |
| Post Retirement Fund   | -                  | (10,457)        | (10,457)     | -                                  |
| Fleet Maintenance Fund   | (38,556)           | (38,556)        | (38,556)     | -                                  |
| Sale of capital assets   | -                  | 4,826           | 4,826        | -                                  |
| Total other financing sources (uses)   | (38,556)           | 525,000         | 525,000      | -                                  |
| Fund balance appropriated  | -                  | 96,160          | -            | (96,160)                           |
| Revenues, other financing sources and<br>fund balance appropriated over (under)<br>expenditures and other uses | \$ -               | \$ -            | 1,312,687    | \$ 1,312,687                       |
| <br><b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b>                         |                    |                 |              |                                    |
| Reconciling items:   |                    |                 |              |                                    |
| Principal retirement   |                    |                 | 189,453      |                                    |
| Capital outlay   |                    |                 | 101,494      |                                    |
| Depreciation   |                    |                 | (532,167)    |                                    |
| (Increase) decrease in accrued interest  |                    |                 | 95           |                                    |
| Increase (decrease) in deferred outflows of resources - pensions   |                    |                 | 79,426       |                                    |
| (Increase) decrease in deferred inflows of resources - pensions  |                    |                 | 171,018      |                                    |
| (Increase) decrease in net pension liability   |                    |                 | (284,993)    |                                    |
| Increase (decrease) in deferred outflows of resources - OPEB   |                    |                 | 7,479        |                                    |
| (Increase) decrease in deferred inflows of resources - OPEB  |                    |                 | (217,980)    |                                    |
| (Increase) decrease in OPEB liability  |                    |                 | (10,557)     |                                    |
| (Increase) decrease in accrued vacation pay  |                    |                 | (280)        |                                    |
| Capital Project Funds  |                    |                 |              |                                    |
| Transfer from General Fund   |                    |                 | 543,200      |                                    |
| Total  |                    |                 | 46,188       |                                    |
| Change in net position   |                    |                 | \$ 1,358,875 |                                    |

**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, 2023

|   | Project Authorization |            |               | Actual         |                 |                  | Variance<br>Positive<br>(Negative) |
|---|-----------------------|------------|---------------|----------------|-----------------|------------------|------------------------------------|
|   | June 30, 2022         | Amendments | June 30, 2023 | Prior<br>Years | Current<br>Year | Total to<br>Date |                                    |
| <b>Revenues:</b>                              |                       |            |               |                |                 |                  |                                    |
| Restricted Intergovernmental:                 |                       |            |               |                |                 |                  |                                    |
| Community Development Block Grant             | \$ 87,389             | \$ (4,786) | \$ 82,603     | \$ 82,603      | \$ -            | \$ 82,603        | \$ -                               |
| Clean Water Management Trust Fund Grant       | 37,000                | -          | 37,000        | 37,000         | -               | 37,000           | -                                  |
| DWSRF grant                                   | 681,146               | (8,461)    | 672,685       | 672,684        | -               | 672,684          | (1)                                |
| Total   | 805,535               | (13,247)   | 792,288       | 792,287        | -               | 792,287          | (1)                                |
| Non-Operating Revenues                        |                       |            |               |                |                 |                  |                                    |
| Impact fees                                   | -                     | 46,521     | 46,521        | 46,521         | -               | 46,521           | -                                  |
| Total revenues                                | 805,535               | 33,274     | 838,809       | 838,808        | -               | 838,808          | (1)                                |
| <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               | (1,563)    | 123,341       | 123,341        | -               | 123,341          | -                                  |
| Closing cost                                  | 27,246                | -          | 27,246        | 27,246         | -               | 27,246           | -                                  |
| Capital outlay                                | 1,275,910             | (29,370)   | 1,246,540     | 1,246,540      | -               | 1,246,540        | -                                  |
| Waste Water Treatment Plant Modifications     |                       |            |               |                |                 |                  |                                    |
| Professional services                         | 2,500                 | (2,500)    | -             | -              | -               | -                | -                                  |
| Professional services                         | 183,500               | 3,888      | 187,388       | 187,388        | -               | 187,388          | -                                  |
| Advertising                                   | 2,500                 | (2,500)    | -             | -              | -               | -                | -                                  |
| Closing cost                                  | 27,760                | -          | 27,760        | 27,760         | -               | 27,760           | -                                  |
| Capital outlay                                | 1,214,270             | (56,827)   | 1,157,443     | 1,157,443      | -               | 1,157,443        | -                                  |
| Lillington Highway Water Line Upgrade         |                       |            |               |                |                 |                  |                                    |
| Professional services                         | 164,378               | (16,282)   | 148,096       | 148,096        | -               | 148,096          | -                                  |
| Closing cost                                  | 26,294                | (7,251)    | 19,043        | 19,043         | -               | 19,043           | -                                  |
| Capital outlay                                | 1,022,100             | (367,395)  | 654,705       | 654,705        | -               | 654,705          | -                                  |
| Chapel Hill Road Sewer Main Extension         |                       |            |               |                |                 |                  |                                    |
| Professional services                         | 20,193                | (254)      | 19,939        | 19,939         | -               | 19,939           | -                                  |
| Capital outlay                                | 67,196                | 7,408      | 74,604        | 74,604         | -               | 74,604           | -                                  |

**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, 2023

|  | Project Authorization |                  | Prior<br>Years     | Actual              | Total to<br>Date | Variance<br>Positive<br>(Negative) |
|--|-----------------------|------------------|--------------------|---------------------|------------------|------------------------------------|
|  | June 30, 2022         | Amendments       |                    | June 30, 2023       |                  |                                    |
| <b>Expenditures (continued):</b>                     |                       |                  |                    |                     |                  |                                    |
| Waste Water Treatment Plant Influent Pump            |                       |                  |                    |                     |                  |                                    |
| Professional services                                | 39,500                | (1,000)          | 38,500             | 38,500              | -                | 38,500                             |
| Capital outlay                                       | 535,500               | (50,229)         | 485,271            | 485,271             | -                | 485,271                            |
| Downtown Area Sewer Rehabilitation                   |                       |                  |                    |                     |                  |                                    |
| Professional services                                | -                     | 1,345            | 1,345              | 1,345               | -                | 1,345                              |
| Total expenditures                                   | <u>4,807,251</u>      | <u>(522,530)</u> | <u>4,284,721</u>   | <u>4,284,721</u>    | <u>-</u>         | <u>4,284,721</u>                   |
| Revenues over (under) expenditures                   | <u>(4,001,716)</u>    | <u>555,804</u>   | <u>(3,445,912)</u> | <u>(3,445,913)</u>  | <u>-</u>         | <u>(3,445,913)</u>                 |
| <b>Other Financing Sources:</b>                      |                       |                  |                    |                     |                  |                                    |
| Transfers from other funds:                          |                       |                  |                    |                     |                  |                                    |
| Transfer from Water and Sewer Fund                   | 156,322               | (74,270)         | 82,052             | 82,052              | -                | 82,052                             |
| Transfer from General Fund                           | -                     | 543,200          | 543,200            | -                   | 543,200          | 543,200                            |
| Installment loan proceeds                            | 575,000               | (575,000)        | -                  | -                   | -                | -                                  |
| DWSRF WWTP loan                                      | 1,402,770             | (730,086)        | 672,684            | 672,685             | -                | 672,685                            |
| DWSRF revolving loan                                 | 681,146               | 664,029          | 1,345,175          | 1,345,175           | -                | 1,345,175                          |
| PWS loan   | 1,186,478             | (383,677)        | 802,801            | 802,801             | -                | 802,801                            |
| Total other financing sources                        | <u>4,001,716</u>      | <u>(555,804)</u> | <u>3,445,912</u>   | <u>2,902,713</u>    | <u>543,200</u>   | <u>3,445,913</u>                   |
| Revenues and other sources over (under) expenditures | <u>\$ -</u>           | <u>\$ -</u>      | <u>\$ -</u>        | <u>\$ (543,200)</u> | <u>543,200</u>   | <u>\$ -</u>                        |
| Fund balance, beginning                              |                       |                  |                    |                     | <u>(543,200)</u> |                                    |
| Fund balance, ending                                 |                       |                  |                    |                     | <u>\$ -</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, 2023

Page 1 of 2

|                                      | Original<br>Budget | Final<br>Budget  | Actual         | Variance<br>Positive<br>(Negative) |
|--------------------------------------|--------------------|------------------|----------------|------------------------------------|
| <b>Revenues:</b>                     |                    |                  |                |                                    |
| Operating revenues:                  |                    |                  |                |                                    |
| Solid waste fees - County            | \$ 607,822         | \$ 621,362       | \$ 616,187     | \$ (5,175)                         |
| Solid waste fees - Town              | 9,600              | 104,073          | 103,536        | (537)                              |
| Solid waste disposal tax             | 9,000              | 9,000            | 7,107          | (1,893)                            |
| Total operating revenues             | <u>626,422</u>     | <u>734,435</u>   | <u>726,830</u> | <u>(7,605)</u>                     |
| Non-operating revenues:              |                    |                  |                |                                    |
| Investment earnings                  | 100                | 7,600            | 15,444         | 7,844                              |
| Miscellaneous revenue                | -                  | -                | 3              | 3                                  |
| Total non-operating revenues         | <u>100</u>         | <u>7,600</u>     | <u>15,447</u>  | <u>7,847</u>                       |
| Total revenues                       | 626,522            | 742,035          | 742,277        | 242                                |
| <b>Expenditures:</b>                 |                    |                  |                |                                    |
| Sanitation:                          |                    |                  |                |                                    |
| Salaries and employee benefits       | 116,330            | 123,920          | 118,771        | 5,149                              |
| Contracted services trash collection | 350,000            | 350,000          | 346,296        | 3,704                              |
| Professional services                | 16,809             | 30,857           | 31,043         | (186)                              |
| Repairs and maintenance              | 7,350              | 14,020           | 12,479         | 1,541                              |
| Tipping fees                         | 29,320             | 29,320           | 22,450         | 6,870                              |
| Expense reimbursement General Fund   | 35,285             | 35,285           | 35,285         | -                                  |
| Other operating expenses             | 40,584             | 36,606           | 19,960         | 16,646                             |
| Contingency                          | -                  | 102,372          | -              | 102,372                            |
| Total operating expenditures         | <u>595,678</u>     | <u>722,380</u>   | <u>586,284</u> | <u>136,096</u>                     |
| Total operating expenditures         | <u>595,678</u>     | <u>722,380</u>   | <u>586,284</u> | <u>136,096</u>                     |
| Capital outlay:                      |                    |                  |                |                                    |
| Capital outlay                       | -                  | 209,546          | -              | 209,546                            |
| Total capital outlay                 | <u>-</u>           | <u>209,546</u>   | <u>-</u>       | <u>209,546</u>                     |
| Total expenditures                   | <u>595,678</u>     | <u>931,926</u>   | <u>586,284</u> | <u>345,642</u>                     |
| Revenues over (under) expenditures   | <u>30,844</u>      | <u>(189,891)</u> | <u>155,993</u> | <u>345,884</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, 2023

Page 2 of 2

|  | Original<br>Budget | Final<br>Budget | Actual            | Variance<br>Positive<br>(Negative) |
|--|--------------------|-----------------|-------------------|------------------------------------|
| Revenues over (under) expenditures   | \$ 30,844          | \$ (189,891)    | \$ 155,993        | \$ 345,884                         |
| Other financing sources (uses):  |                    |                 |                   |                                    |
| Transfers from other funds:  |                    |                 |                   |                                    |
| General Fund   | -                  | 57,352          | 57,352            | -                                  |
| American Rescue Plan Fund  | -                  | 99,919          | 99,919            | -                                  |
| Post Retirement Fund   | -                  | 1,075           | 1,075             | -                                  |
| Fleet Maintenance Fund   | -                  | 62,389          | 62,389            | -                                  |
| Transfers to other funds:  |                    |                 |                   |                                    |
| Fleet Maintenance Fund   | (30,844)           | (30,844)        | (30,844)          | -                                  |
| Total other financing sources (uses)   | <u>(30,844)</u>    | <u>189,891</u>  | <u>189,891</u>    | <u>-</u>                           |
| Revenues, other sources and appropriated<br>fund balance over (under) expenditures<br>and other uses | <u>\$ -</u>        | <u>\$ -</u>     | 345,884           | <u>\$ 345,884</u>                  |
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b>                   |                    |                 |                   |                                    |
| Reconciling items:   |                    |                 |                   |                                    |
| Depreciation   |                    |                 | (14,808)          |                                    |
| Increase (decrease) in deferred outflows of resources - pensions                                     |                    |                 | 1,280             |                                    |
| (Increase) decrease in deferred inflows of resources - pensions                                      |                    |                 | 27,535            |                                    |
| (Increase) decrease in net pension liability   |                    |                 | (30,463)          |                                    |
| Increase (decrease) in deferred outflows of resources - OPEB   |                    |                 | (5,437)           |                                    |
| (Increase) decrease in deferred inflows of resources - OPEB  |                    |                 | (13,693)          |                                    |
| (Increase) decrease in OPEB liability  |                    |                 | 30,612            |                                    |
| Total  |                    |                 | <u>(4,974)</u>    |                                    |
| Change in net position   |                    |                 | <u>\$ 340,910</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, 2023

|                                    | Original<br>Budget | Final<br>Budget  | Actual         | Variance<br>Positive<br>(Negative) |
|------------------------------------|--------------------|------------------|----------------|------------------------------------|
| <b>Revenues:</b>                   |                    |                  |                |                                    |
| Operating revenues:                |                    |                  |                |                                    |
| Stormwater fees                    | \$ 260,077         | \$ 273,692       | \$ 295,165     | \$ 21,473                          |
| Stormwater permit fees             | -                  | 250              | 250            | -                                  |
| Total operating revenues           | <u>260,077</u>     | <u>273,942</u>   | <u>295,415</u> | <u>21,473</u>                      |
| Non-operating revenues:            |                    |                  |                |                                    |
| Investment earnings                | 15                 | 5,478            | 6,607          | 1,129                              |
| Total non-operating revenues       | <u>15</u>          | <u>5,478</u>     | <u>6,607</u>   | <u>1,129</u>                       |
| Total revenues                     | 260,092            | 279,420          | 302,022        | 22,602                             |
| <b>Expenditures:</b>               |                    |                  |                |                                    |
| Storm Water:                       |                    |                  |                |                                    |
| Salaries and employee benefits     | 54,637             | 59,694           | 60,410         | (716)                              |
| Storm water fees                   | -                  | 7,020            | 7,020          | -                                  |
| Tipping fees                       | 1,040              | 1,040            | -              | 1,040                              |
| Repairs and maintenance            | 32,700             | 32,700           | 1,154          | 31,546                             |
| Professional services              | 10,000             | 22,308           | 13,108         | 9,200                              |
| Expense reimbursement General Fund | 11,717             | 11,717           | 11,717         | -                                  |
| Other operating expenses           | 34,576             | 34,576           | 10,239         | 24,337                             |
| Contingency                        | -                  | 183,884          | -              | 183,884                            |
| Total operating expenditures       | <u>144,670</u>     | <u>352,939</u>   | <u>103,648</u> | <u>249,291</u>                     |
| Total operating expenditures       | <u>144,670</u>     | <u>352,939</u>   | <u>103,648</u> | <u>249,291</u>                     |
| Capital outlay:                    |                    |                  |                |                                    |
| Capital outlay                     | 100,000            | 100,000          | 42,000         | 58,000                             |
| Total capital outlay               | <u>100,000</u>     | <u>100,000</u>   | <u>42,000</u>  | <u>58,000</u>                      |
| Total expenditures                 | <u>244,670</u>     | <u>452,939</u>   | <u>145,648</u> | <u>307,291</u>                     |
| Revenues over (under) expenditures | <u>15,422</u>      | <u>(173,519)</u> | <u>156,374</u> | <u>329,893</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, 2023

Page 2 of 2

|  | Original<br>Budget | Final<br>Budget | Actual     | Variance<br>Positive<br>(Negative) |
|--|--------------------|-----------------|------------|------------------------------------|
| Revenues over (under) expenditures   | \$ 15,422          | \$ (173,519)    | \$ 156,374 | \$ 329,893                         |
| Other financing sources (uses):  |                    |                 |            |                                    |
| Transfers from other funds:  |                    |                 |            |                                    |
| American Rescue Plan Fund  | -                  | 170,515         | 170,515    | -                                  |
| Post Retirement Fund   | -                  | 18,426          | 18,426     | -                                  |
| Transfers to other funds:  |                    |                 |            |                                    |
| Fleet Maintenance Fund   | (15,422)           | (15,422)        | (15,422)   | -                                  |
| Total other financing sources (uses)   | (15,422)           | 173,519         | 173,519    | -                                  |
| Revenues, other sources and appropriated<br>fund balance over (under) expenditures<br>and other uses | \$ -               | \$ -            | 329,893    | \$ 329,893                         |
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b>                   |                    |                 |            |                                    |
| Reconciling items:   |                    |                 |            |                                    |
| Capital outlay   |                    |                 | 42,000     |                                    |
| Depreciation   |                    |                 | (7,951)    |                                    |
| Increase (decrease) in deferred outflows of resources - pensions                                     |                    |                 | 3,383      |                                    |
| (Increase) decrease in deferred inflows of resources - pensions                                      |                    |                 | 15,024     |                                    |
| (Increase) decrease in net pension liability   |                    |                 | (20,218)   |                                    |
| Increase (decrease) in deferred outflows of resources - OPEB   |                    |                 | (1,151)    |                                    |
| (Increase) decrease in deferred inflows of resources - OPEB  |                    |                 | (12,235)   |                                    |
| (Increase) decrease in OPEB liability  |                    |                 | 7,722      |                                    |
| (Increase) decrease in accrued vacation pay  |                    |                 | (3)        |                                    |
| Total  |                    |                 | 26,571     |                                    |
| Change in net position   |                    |                 | \$ 356,464 |                                    |

**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, 2023

|                                    | Original<br>Financial<br>Plan | Final<br>Financial<br>Plan | Actual            | Variance<br>Positive<br>(Negative) |
|------------------------------------|-------------------------------|----------------------------|-------------------|------------------------------------|
| <b>Expenditures:</b>               |                               |                            |                   |                                    |
| Transportation:                    |                               |                            |                   |                                    |
| Salaries and benefits              | \$ 66,555                     | \$ 69,279                  | \$ 71,442         | \$ (2,163)                         |
| Expense reimbursement General Fund | 23,568                        | 23,568                     | 23,568            | -                                  |
| Repairs and maintenance vehicles   | 143,756                       | 143,656                    | 125,446           | 18,210                             |
| Other operating expenditures       | 9,346                         | 11,779                     | 14,782            | (3,003)                            |
| Total expenditures                 | <u>243,225</u>                | <u>248,282</u>             | <u>235,238</u>    | <u>13,044</u>                      |
| Revenues over (under) expenditures | <u>(243,225)</u>              | <u>(248,282)</u>           | <u>(235,238)</u>  | <u>13,044</u>                      |
| <b>Other financing sources:</b>    |                               |                            |                   |                                    |
| Transfers from other funds:        |                               |                            |                   |                                    |
| Transfer from General Fund         | 158,403                       | 158,403                    | 158,403           | -                                  |
| Transfer from American Rescue Plan | -                             | 67,446                     | 67,446            | -                                  |
| Transfer from Water and Sewer Fund | 38,556                        | 38,556                     | 38,556            | -                                  |
| Transfer from Storm Water Fund     | 15,422                        | 15,422                     | 15,422            | -                                  |
| Transfer from Sanitation Fund      | 30,844                        | 30,844                     | 30,844            | -                                  |
| Transfers to other funds:          |                               |                            |                   |                                    |
| Transfer to Sanitation Fund        | -                             | (62,389)                   | (62,389)          | -                                  |
| Total other financing sources      | <u>243,225</u>                | <u>248,282</u>             | <u>248,282</u>    | <u>-</u>                           |
| Net change in fund balance         | <u>\$ -</u>                   | <u>\$ -</u>                | 13,044            | <u>\$ 13,044</u>                   |
| Fund balance, beginning            |                               |                            | 125,487           |                                    |
| Fund balance, ending               |                               |                            | <u>\$ 138,531</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, 2023**

| Fiscal Year                                      | Uncollected<br>Balance<br>June 30, 2022 | Additions           | Collections<br>And Credits | Uncollected<br>Balance<br>June 30, 2023 |
|--|---|---------------------|----------------------------|---|
| 2022-2023  | \$ -                                    | \$ 3,043,405        | \$ 3,019,898               | \$ 23,507                               |
| 2021-2022  | 39,130                                  | -                   | 23,173                     | 15,957                                  |
| 2020-2021  | 11,081                                  | -                   | 3,544                      | 7,537                                   |
| 2019-2020  | 9,713                                   | -                   | 1,096                      | 8,617                                   |
| 2018-2019  | 10,311                                  | -                   | 860                        | 9,451                                   |
| 2017-2018  | 6,471                                   | -                   | 704                        | 5,767                                   |
| 2016-2017  | 4,407                                   | -                   | 346                        | 4,061                                   |
| 2015-2016  | 4,133                                   | -                   | 23                         | 4,110                                   |
| 2014-2015  | 2,872                                   | -                   | 3                          | 2,869                                   |
| 2013-2014  | 13,107                                  | -                   | 39                         | 13,068                                  |
| 2012-2013  | 26,938                                  | -                   | 26,938                     | -                                       |
| Total  | <u>\$ 128,163</u>                       | <u>\$ 3,043,405</u> | <u>\$ 3,076,624</u>        | <u>\$ 94,944</u>                        |
| Less: allowance for uncollectible accounts:      |   |                     |                            |   |
| General fund                                     |   |                     |                            | <u>(47,943)</u>                         |
| Ad valorem taxes receivable - net                |   |                     |                            | <u>\$ 47,001</u>                        |
| <br><u>Reconciliation with Revenues:</u>         |   |                     |                            |   |
| Ad valorem taxes - General Fund                  |   |                     |                            | \$ 3,070,882                            |
| Reconciling items:                               |   |                     |                            |   |
| Interest collected                               |   |                     |                            | (21,197)                                |
| Taxes written off 10 year statute of limitations |   |                     |                            | 26,938                                  |
| Releases (prior years) and other adjustments     |   |                     |                            | 1                                       |
| Subtotal   |   |                     |                            | <u>5,742</u>                            |
| Total collections and credits                    |   |                     |                            | <u>\$ 3,076,624</u>                     |

**Town of Spring Lake, North Carolina**  
**ANALYSIS OF CURRENT TAX LEVY**  
**TOWN-WIDE LEVY**  
**For the Fiscal Year Ended June 30, 2023**

|   | 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       | \$ 448,842,769        | \$ 0.65 | \$ 2,917,478        | \$ 2,686,562                                 | \$ 230,916                |
| Prior year's rate                           | 12,238,857            | 0.70    | 85,672              | -  | 85,672                    |
| Discoveries                                 | 7,338,308             | 0.65    | 47,699              | 47,699                                       | -                         |
| Releases                                    | (1,686,615)           | 0.65    | (10,963)            | (5,378)                                      | (5,585)                   |
| Late listing penalties                      |                       |         | 3,519               | 3,519  | -                         |
| Total property valuation                    | <u>\$ 466,733,319</u> |         |                     |  |                           |
| Net levy                                    |                       |         | 3,043,405           | 2,732,402                                    | 311,003                   |
| Unpaid (by taxpayer) taxes at June 30, 2023 |                       |         | (23,507)            | (23,507)                                     | -                         |
| Current year's taxes collected              |                       |         | <u>\$ 3,019,898</u> | <u>\$ 2,708,895</u>                          | <u>\$ 311,003</u>         |
| Current levy collection percentage          |                       |         | <u>99.23%</u>       | <u>99.14%</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, 2023**

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

Auditee qualified as low-risk auditee? No

Identification of major federal programs

Federal Assistance

Listing Number

Name of Federal Program

21.027

COVID -19 Coronavirus State and Local Fiscal Recovery Fund

**Town of Spring Lake, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2023**

**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/ 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 2020-007 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, 2023**

### **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  
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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, 2023**

### **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.

### **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, 2023**

### **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, 2023**

Finding: 2020-001  
Status: Not corrected.

Finding: 2020-002  
Status: Not corrected.

Finding: 2020-003  
Status: Corrected.

Finding: 2020-004  
Status: Not corrected.

Finding: 2020-005  
Status: Corrected.

Finding: 2020-006  
Status: Corrected.

Finding: 2020-007  
Status: Not corrected.

Finding: 2020-008  
Status: Not corrected.

Finding: 2021-009  
Status: Not corrected.

**Town of Spring Lake, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2023**

|   | Federal<br>CFDA<br>Number | State / Pass-<br>Through Grantor's<br>Number | Federal (Direct &<br>Pass-Through)<br>Expenditures | State<br>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                    |  | \$ 104,514   | \$ -                  |
| United States Department of the Treasury                  |                           |  |  |                       |
| Coronavirus State and Local Fiscal Recovery Fund          | 21.027                    |  | 3,937,890  | -                     |
| <b>State Grants:</b>                                      |                           |  |  |                       |
| <b>Cash Assistance:</b>                                   |                           |  |  |                       |
| NC Department of Transportation:                          |                           |  |  |                       |
| Powell Bill   |                           | 38570  | -  | 162,925               |
| Total Federal and State Awards                            |                           |  | \$ 4,042,404                                       | \$ 162,925            |

**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**