

**TOWN OF LAKE LURE
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2012

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TOWN OF LAKE LURE, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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TOWN OF LAKE LURE, NC

FISCAL PERFORMANCE AND ANALYSIS

2011-2012

I. PURPOSE OF REPORT

Local governments exist to provide critical services to their citizens. Typically in economic downturns, local government resources decline while there is a higher demand for the services that it provides. Given the current nationwide economic situation, it is important, now more than ever, to monitor the overall financial health of local governments. While financial statements report summarized financial data, financial statements are just one tool available to analyze fiscal health. A deeper analysis including financial ratios, comparisons to peers and trend analysis allows for a better evaluation of the fiscal health of a local government.

This analysis will begin with an overview of the accounting and fund structure of the Town. It will then address the fiscal performance of the general governmental and enterprise functions which will include illustrations of historical trend analysis and comparison to benchmark peers in areas such as property tax rates, fund balances and debt management. Trend analysis helps to evaluate if conditions are improving or deteriorating and if trends are consistent or erratic. Comparisons to benchmark peers will provide insight to the Town's financial environment as compared to other municipalities that we have chosen for comparative purposes. The selection of meaningful benchmark peers is very important to the usefulness of peer comparison in financial analysis including the analysis of ratios. Some items to consider in this selection process can include services provided, population, geography, tax base, and total budget. In addition, one set of data being evaluated may require a different peer group than another set of data due to the subject of the evaluation.

In selecting the Town's peers to use for an overall fiscal analysis, it is important to consider population, property tax values, total revenues and comparable services. Using these criteria, the following municipalities are recommended to be used as peers for this particular type of analysis:

<u>Municipality</u>	<u>Population</u>	<u>January 1, 2011 Property Tax Value</u>	<u>FY 11 General Fund Revenues</u>
Lake Lure	1,196	\$1,020,811,896	\$4,149,240
Biltmore Forest	1,348	\$761,159,865	\$3,406,379
Blowing Rock	1,247	\$1,108,565,649	\$4,765,972
Kure Beach	2,220	\$1,185,650,035	\$3,321,954
Manteo	1,433	\$696,431,456	\$3,222,857
Shallotte	3,699	\$698,787,695	\$3,972,247
Surf City	1,861	\$1,287,390,945	\$4,572,134
Average	1,858	\$965,542,506	\$3,915,826

In addition to the information above, it is important to note that these benchmarks do have a water and/or sewer fund and are not “electric” municipalities in the sense that they do not sell electricity to consumers.

II. ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

The Town's accounting and financial systems have been designed to provide adequate internal accounting controls and to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or dispositions and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits to be derived, and the evaluation of costs and benefits requires estimates and judgment by management. The Town believes that the internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The operations of the Town for FY 2011-2012 are accounted for in eight funds:

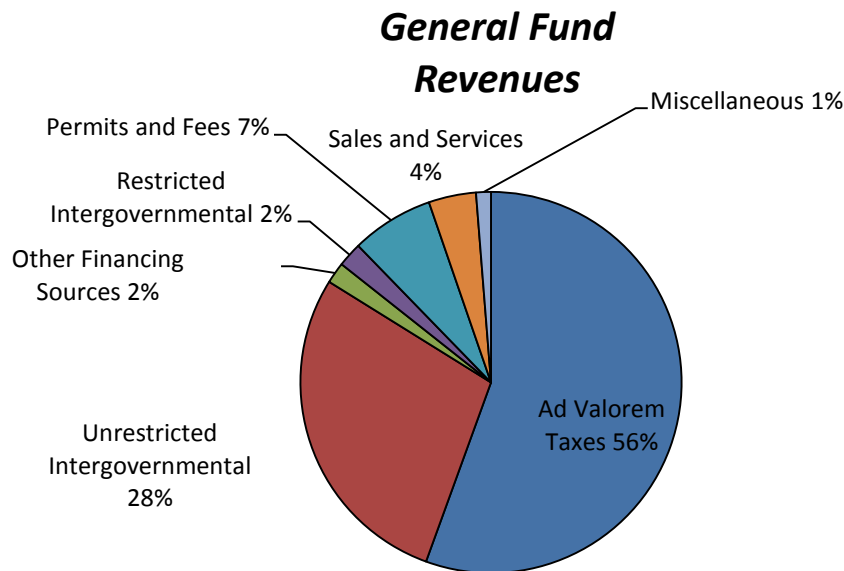
<u>Governmental Funds</u> – includes most town operations (other than utilities)	
1. General Fund	<i>Police, fire, administration, public works, parks, lake operations, etc.</i>
2. Capital Reserve & Silt Removal Capital Project Fund	<i>Savings account for anticipated future expenditures</i>
3. Reserve for Fire Equipment Capital Project Fund	<i>Savings account for anticipated future expenditures</i>
4. Marina Capital Project Fund	<i>Revenues and expenditures associated with Marina Capital Improvement Project</i>
5. Bridge Preservation Reserve Fund	<i>To be used for maintenance expenditures related to bridge transferred to Town by the State</i>
<u>Enterprise Funds</u> – Business-type activities (utilities)	
6. Electric Power Facility (Hydroelectric) Fund	<i>All revenues and expenses related to the dam and hydroelectric plant</i>
7. Water and Sewer Fund	<i>All revenues and expenses related to the water and sewer utilities</i>
8. Sewer Pipe Joint Wrapping-Sealing Capital Project Fund	<i>ARRA stimulus-funded project</i>

III. GENERAL GOVERNMENTAL FUNCTIONS

Most of the revenues and services in a municipality are budgeted in the General Fund, which provides an accounting of how general taxes and other revenues are appropriated to provide a broad range of public services. Revenues for annual general governmental functions come primarily from local ad valorem taxes and the local share of various state taxes. Additionally, there are fee-generating activities within the General Fund. Revenues in the General Fund are

used to carry out the general operations of the Town including Police, Fire, Administration, Community Development, Streets and Public Works and Sanitation.

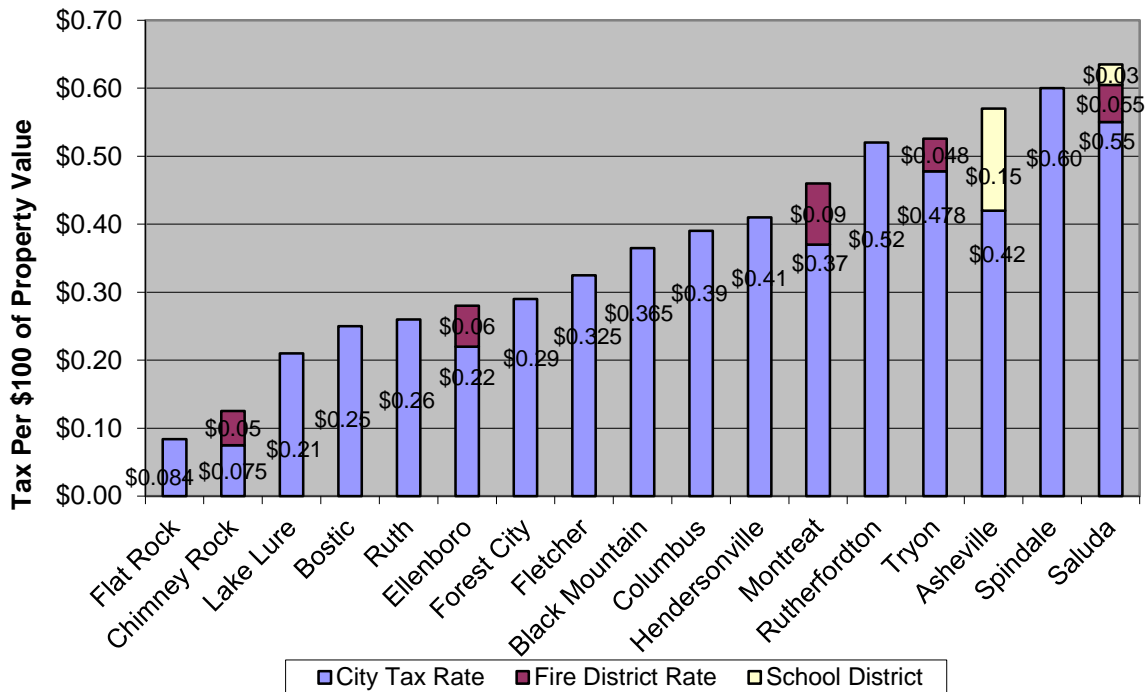
The following graph illustrates the Town's general governmental sources of revenue for the General Fund only for FY 2011-2012:



Ad valorem taxes provided over one-half (56%) of the general source of revenues in FY 2011-2012. The Town's appraised value as of January 1, 2011 on which the FY 2011-2012 ad valorem levy was based was approximately \$1.021 billion. The Town's tax rate for FY 2011-2012 was 21 cents per \$100 of value, which has remained unchanged since the last revaluation in FY 2007-2008. (It should be noted that, in 2012, Rutherford County re-assessed properties in Lake Lure which reduced tax values by an average of 14%. In order to maintain essentially the same amount of municipal revenue in FY 2012-2013, a tax rate of \$0.246 per \$100 of value was adopted. This was the calculated revenue-neutral rate.)

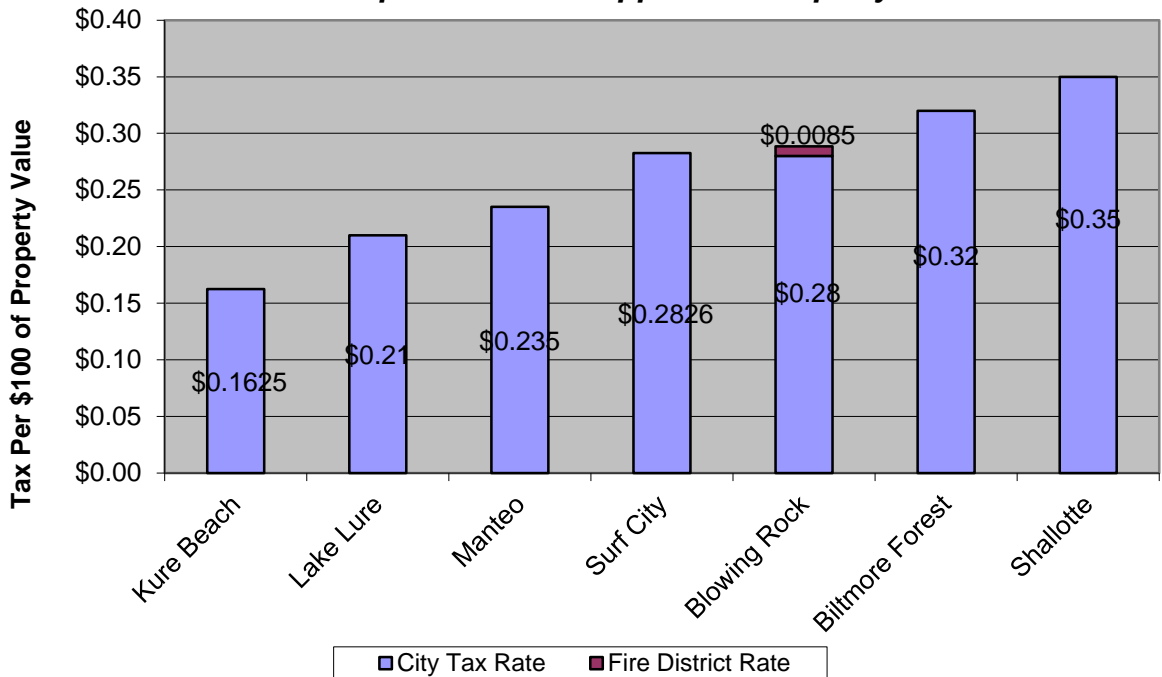
The two charts on the following page illustrate FY 2011-2012 tax rates for municipalities in our region as well as benchmarking municipalities in North Carolina that are similar to the Town in population and appraised property value. As the charts depict, the Town's tax rate is low relative to the municipalities used in this comparison.

FY 2011-2012 Municipal Tax Rates Within Our Region



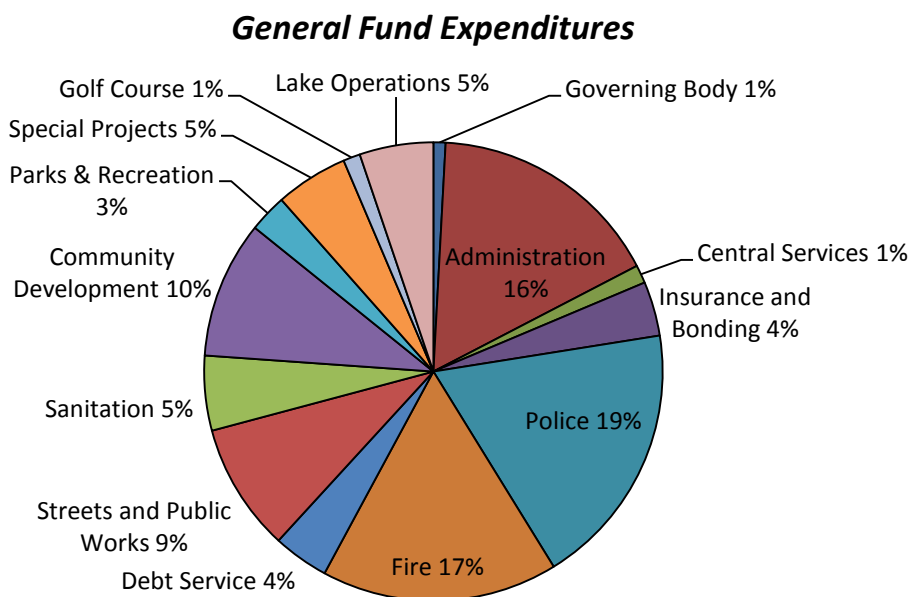
Source: http://www.dorn.com/publications/2011-12_taxrates_final.pdf

FY 2011-2012 Municipal Tax Rates for Municipalities with Similar Populations and Appraised Property Values



Source: http://www.dorn.com/publications/2011-12_taxrates_final.pdf

Management recognizes that local sources of revenue must be used to provide basic services instead of relying on the uncertainty of federal and state funding. Police, fire and administration continue to be the largest of the Town's general governmental expenditures representing 52% of General Fund expenditures. The following graph illustrates the Town's expenditures by department in the General Fund:



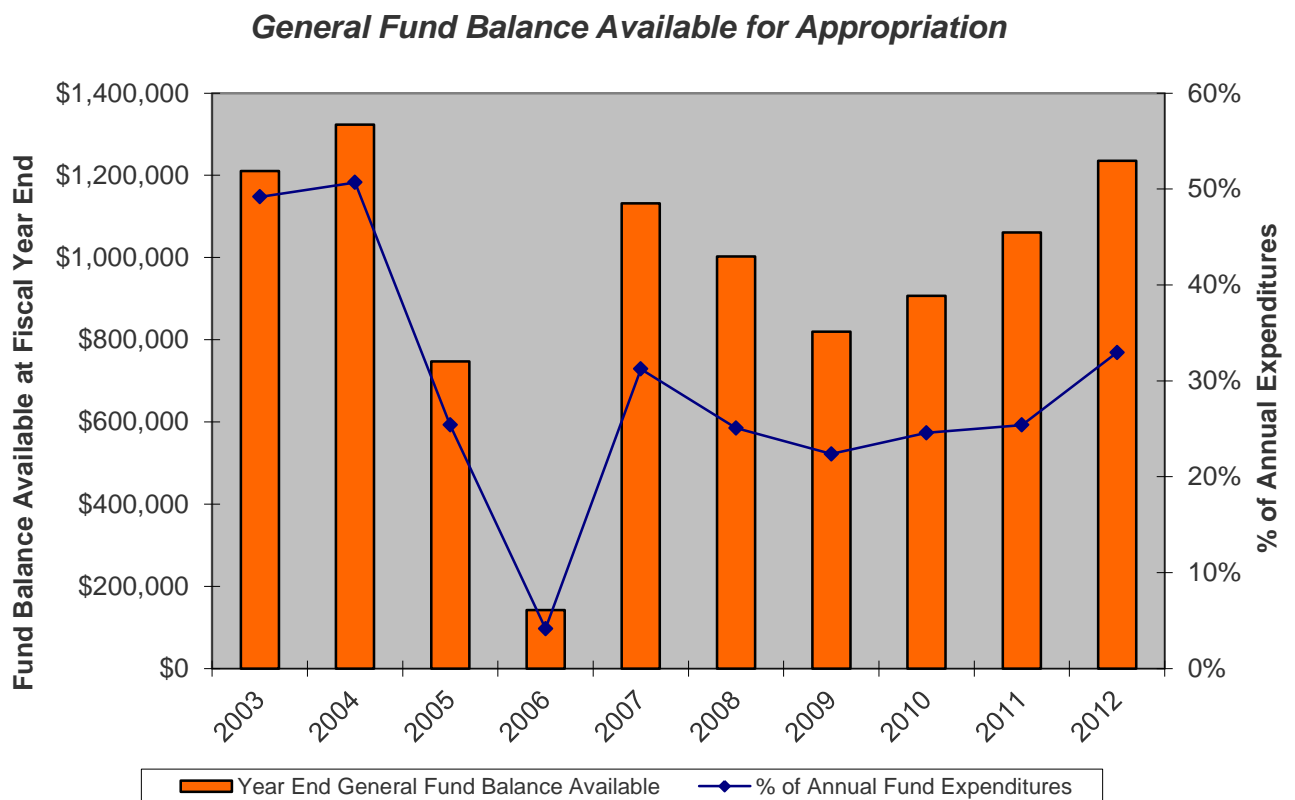
The Town's FY 2011-2012 amended General Fund expenditure budget, including transfers, was \$3,926,812. Despite a tight budget year, due to the diligence of Town staff actual expenditures and transfers totaled \$3,748,773 resulting in a positive variance of \$178,039. ***Even though the Town appropriated \$138,736 in fund balance during the year, this positive variance of \$123,542 in expenditures coupled with higher than anticipated revenues resulted in an addition of \$139,361 to the General Fund Balance in FY 2011-2012.*** The Town also completed the following significant capital and special projects which are reflected in the percentages above:

- Enhancements to the Morse Park wetlands including the resolution of storm water drainage issues and a healthy and thriving outdoor education opportunity in wetland ecology - \$121,189
- Street paving funded with Powell Bill funds- \$65,178
- Phase one of the Town Center master plan - \$31,179

In addition to the above, improvements to and the expansion of the Marina were completed in FY 2011-2012 for approximately \$650,000. These expenditures were accounted for in a Capital Projects Fund as opposed to the General Fund and are therefore not included in the percentages in the pie chart above.

General Fund Balance Available for Appropriation

After each year's revenues and appropriated expenditures are accounted for in each fund, the assets that remain in the fund serve as a rainy-day savings account for Town operations. Note that some of these funds may be restricted for special purposes. Within each fund, the fund balance available for appropriation is used extensively by the North Carolina Local Government Commission (LGC) to measure the solvency of local governments in North Carolina. The LGC is a State agency that monitors the fiscal health of local government entities in the state. The fund balance that is available for appropriation in any given budget year includes only those assets that are readily available as opposed to those that are kept in a required reserve for specific use. The calculation is based on figures as of June 30 for the preceding budget year and is the maximum amount that is available to fund expenditures for the budget year in question. The Town's general fund balance available for expenditures as of June 30, 2012 was approximately \$1,235,000, or 32.95% of expenditures. The Town's trend information for fund balance available for appropriation as a percent of expenditures from 2003 to 2012 is shown below:

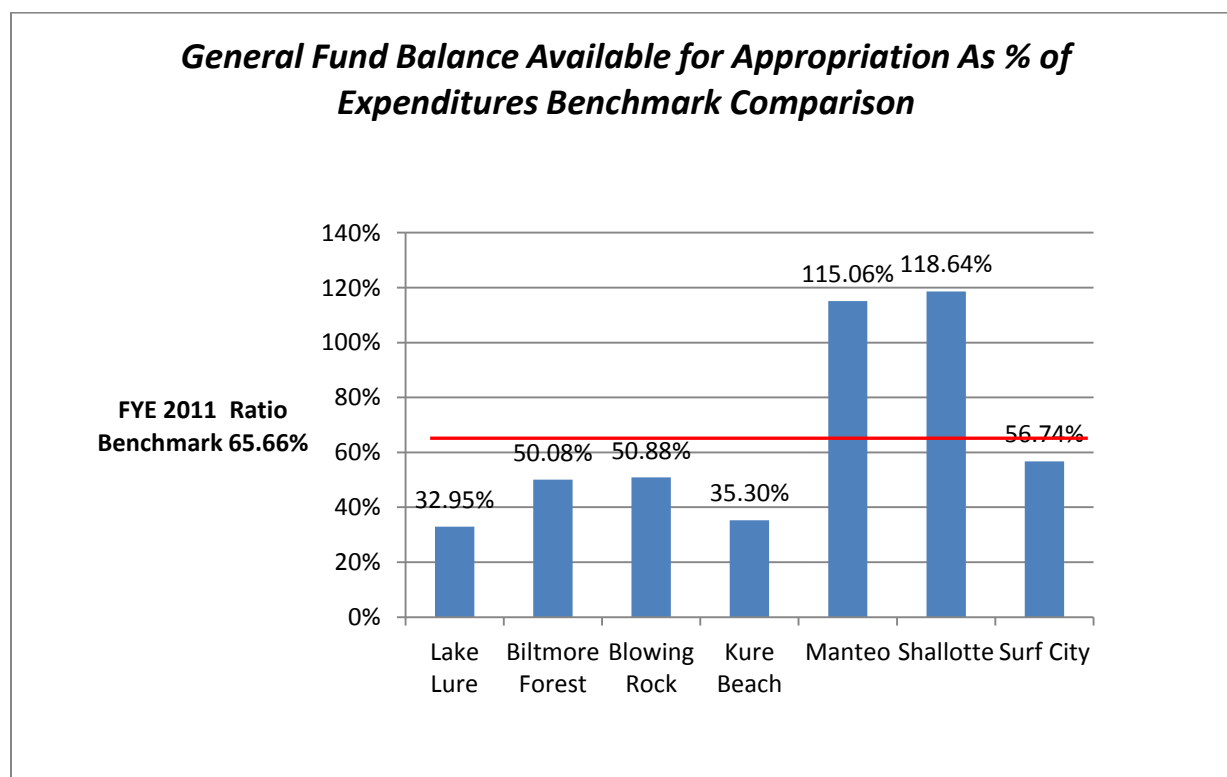


As the chart above shows, while the Town's General Fund Balance Available for Appropriation fell significantly in 2005 and 2006, the Town has been able to restore it to a

level comparable to the 2003 amount and the trend in the past three years has been an increase in fund balance available for appropriation.

The LGC has published a memo stating that for all units in the state, regardless of size, "The staff (of the LGC) sends letters to units (in our case municipalities) if the amount of fund balance available for appropriation as a percentage of prior year expenditures in the General Fund falls below 8%." This 8% is a minimum threshold and one should not interpret the amount above this 8% as a surplus. In addition, "The staff also compares the percentage of fund balance available for appropriation to the prior year expenditures for similar units. If that percentage is materially below the average of similar units, the staff will send a letter to the unit of this fact." While the Town's June 30, 2012 fund balance available for appropriation as a percent of expenditures was above the minimum 8% at 32.95%, it is lower than the State-wide average (41.07%) and that of other North Carolina municipalities in our population group (64.14%).

The chart below compares the Town's General Fund Balance Available as a Percent of Expenditures as of June 30, 2012 to specific benchmarking peers with similar populations and appraised property value as of January 1, 2011 (the latest information available).



As shown on the previous chart, our ratio is much less than the 65.66% average of our selected peer group. Lake Lure's ratio is the lowest of the group at 32.95% while Shallotte is at the high of 118.64%.

Fund balance available for appropriation is critical to the sound financial management of

local government for several reasons. First, having adequate fund balance is extremely important for local governments due to the fact that the large majority of revenues - ad valorem property taxes - are collected for the most part once a year (December/January). Having adequate reserves is necessary to support cash flow during the year. Second, having an adequate reserve is a critical component that lending institutions look for when the Town goes into the market to issue debt. Adequate reserves result in lower interest expense on debt issuances. Third, the interest earned on these reserves provides revenue to fund Town operations. Even though interest rates are currently low, when they do begin to rise, having fund balance will allow the Town to earn more interest on these funds to support services relying less on property taxes. Finally, having adequate reserves is essential when faced with emergencies, unforeseen events and unexpected opportunities. For example, while recessions do occur cyclically, the "Great Recession" that our country has experienced over the past couple of years is unprecedented with the exception of the "Great Depression". Having adequate reserves to help fund operations in years such as these enables the Town to weather recessions without having to raise taxes or cut services. Another example of needing adequate reserves for emergencies would be the potential for flooding that our Town faces. While expenditures that occur due to recovery efforts have historically been reimbursed by FEMA, it can take several months for this reimbursement to occur. In addition, many granting agencies now require that the grantee "upfront" the project cost and then get reimbursed as the Town experienced in FY 2005-2006. Having adequate reserves is beneficial when the Town receives grants such as this.

ANALYSIS: Fund balances will increase when towns plan and budget for a contribution of excess revenues into the fund. Also, when an unanticipated surplus is achieved, this amount will increase the fund balance. In Lake Lure, the combination of a low general fund balance and low tax rate (compared to our peer municipalities) reveals that our strategy for some time has been to forego building up fund balances in order to keep tax rates low and service levels constant. Over the last few years, we have balanced budgets mainly by eliminating or deferring capital improvements.

Other Governmental Funds

As of June 30, 2012, the other four governmental funds had these fund balances:

Capital Reserve and Silt Removal Fund	\$177,645
Fire Equipment Fund	\$10,000
Bridge Preservation Fund	\$100,000
Marina Capital Project Fund	\$16,922

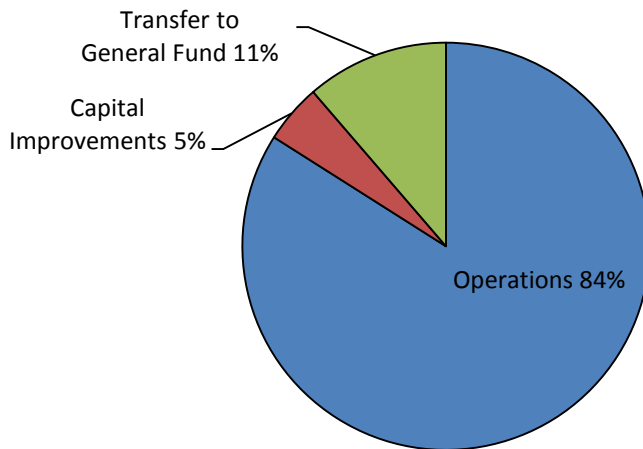
IV. ENTERPRISE FUNCTIONS

In addition to the General Fund, communities may also utilize one or more enterprise funds. An enterprise fund gives them the flexibility to account separately for all financial activities associated with a specific service. It establishes a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Revenues and expenses of the service are segregated into a fund with financial statements separate from all other governmental activities. Using enterprise funds provides useful management information about the costs of operations and can help to align those costs with revenues from only those that utilize the services. As stated earlier, the Town has two major Enterprise Funds – the Electric Power Facility (Hydroelectric) Fund and the Water and Sewer Fund. The enterprise funds utilize a slightly different accounting method and terminology; the term Net Assets is, for the purpose of our analysis, comparable to the Fund Balance discussed in the General Fund.

Electric Power Facility (Hydroelectric) Fund

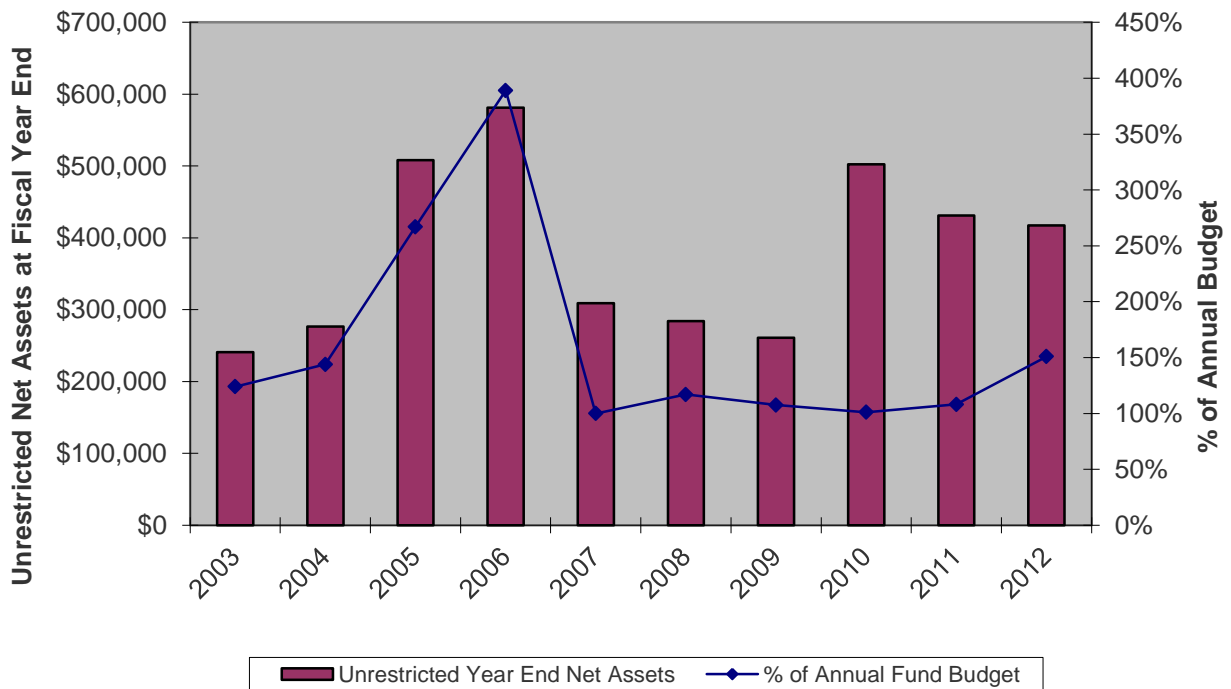
The Electric Power Facility (Hydroelectric) Fund accounts for the revenue produced by the Town's hydroelectric operations and the expenses associated with its operations. With sufficient rainfall, the Town generates electric power at the dam and sells the electricity to Duke Energy (at rates they set). This fund is designed to be self-supporting. Any surplus revenues are contributed to the fund balance to provide a cushion against future shortfalls and/or are contributed to emergency dredging. Electricity sales and interest earnings are the only revenues of this fund. Revenues for FY 2011-2012 were \$68,869 (25%) lower than budgeted. This mainly resulted from the lake levels being lower than normal for approximately three months due to the Marina renovation project. Actual operating expenditures for the fund in FY 2011-2012 on a Budget to Actual (Non-GAAP) basis were \$185,601 compared to a budget of \$191,682. Capital improvements to the facility totaled \$10,380 and a transfer of \$25,000 was made to the General Fund. The transfer to the General Fund was to compensate for the general administration of hydroelectric operations. The budget also included the use of \$326 in fund balance. Results for the year actually resulted in the use of \$13,874 of fund balance. A graph depicting the expenditures of the fund is shown on the following page.

Electric Power Facility (Hydroelectric) Fund Expenditures



The unrestricted net assets for the past few years have been healthy, as illustrated in the graph below:

Electric Power Facility (Hydroelectric) Fund

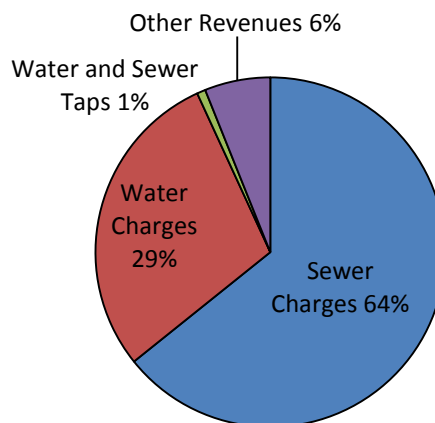


Water and Sewer Fund

In the Water and Sewer Fund, fees from customers of these utilities are used to offset operational costs of these systems. The Town has a very limited customer base. The Town has approximately 980 sewer customers and 460 water customers on the two systems. The Town's water system supports portions of Lake Lure and the Village of Chimney Rock, with some infrastructure dating from the 1920's. Although the sewer system supports only a minority of homes in town, it is considered an essential service that also has quality-of-life implications. Maintaining our unique in-lake system (we're aware of only one other of its kind in the nation) is critical to the health of our lake. Without sewer facilities, most homes around the lake would have limited ability to convert to septic systems. This would have a devastating impact on home values and the local economy. Our treatment plant operates under a state permit to discharge treated water back into the Broad River. Maintaining high standards of quality at this plant is essential to the health, safety and welfare of people and the environment downstream.

The following graph illustrates the Town's Water and Sewer sources of revenue, excluding the sewer joint repair project revenues which will be discussed separately:

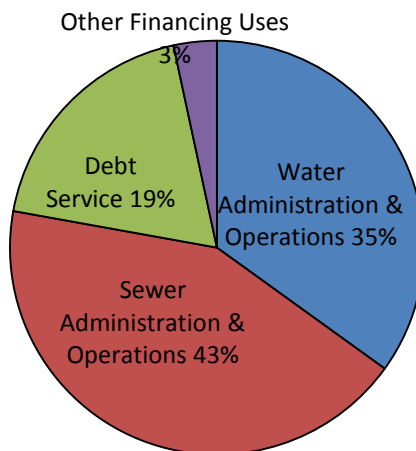
Water and Sewer Fund Revenues



The majority of the water and sewer sources of revenue come from user service charges. The Town's water and sewer rates are in the 15th percentile of the most-expensive among all municipalities in the state. Lake Lure's highly seasonal population means that demands are greater during about six months of the year, but high fixed operating costs exist year round.

The graph on the following page illustrates the Town's expenditures in the Water and Sewer Fund, excluding the sewer joint repair project which will be discussed separately:

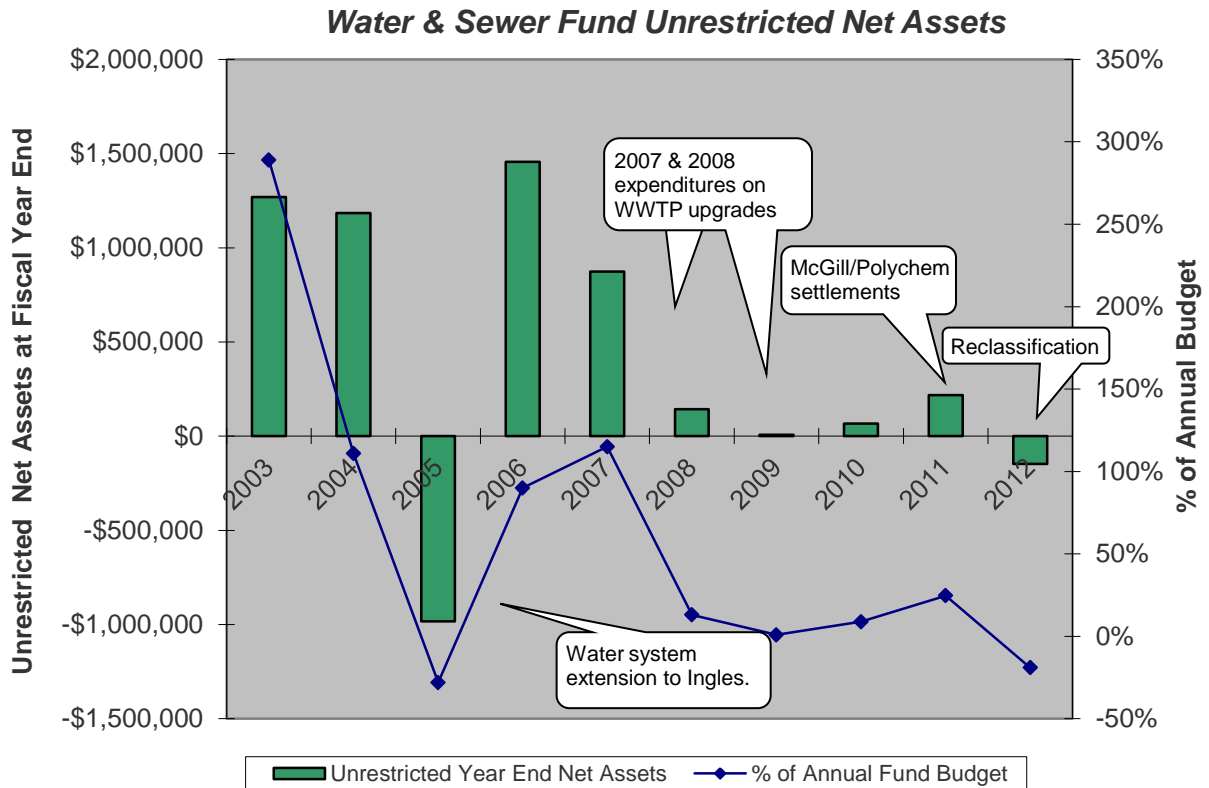
Water and Sewer Fund Expenditures



As shown above, sewer administration and operations comprise 43% of the overall Water and Sewer Fund expenditures. Water administration and operations made up 35% of overall expenditures. Fifty-four percent (\$75,300) of the debt service for FY 2011-2012 was related to the state revolving loan received in 2006 for the water storage tank and water line expansion to Ingles. The remaining forty-six percent (\$63,990) of debt service was related to the ARRA no-interest loan which financed the sewer joint repair project.

*For FY 2011-2012, the Town used \$52,859 of the Water and Sewer fund balance. Rates were increased by 3% in FY 2012-2013 in an effort to cover costs of the fund. Enterprise funds should strive to break even with fees covering the cost of provision plus any maintenance and renewal and replacement costs. Where this is possible, only the users of these services share in their costs—rather than using general taxpayer revenues. As a matter of public policy, a community may elect to provide a subsidy to an enterprise fund when revenues are insufficient to meet costs and the enterprise serves a needed public good such as water and sewer service. During the last five years, several conditions have combined to deplete the Water and Sewer fund balance and require subsidies from the General Fund. A chart of the fund's unrestricted equity from 2003 to 2012 is below. It should be noted that, in 2012, there was a reclassification change in the categories of Net Assets related to the \$342,500 interfund loan from the General Fund to the Water and Sewer Fund. While total net assets of the Water and Sewer Fund increased in FY 2011-2012, the unrestricted net assets decreased to a *negative* \$147,682 due to this change. Based on reporting requirements, it is necessary that net assets be separated into 3 categories: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. If the calculation of invested in capital assets, net of related debt, exceeds net assets the value of unrestricted will be a negative. Invested in capital assets, net of related debt equals capital assets net of accumulated depreciation less the *external debt* outstanding related to those assets. For purposes of this calculation, internal debt would not be included and would therefore result in a higher figure for invested in capital assets, net of related debt and a lower unrestricted amount.*

If the interfund loan did not exist, unrestricted net assets would be a positive \$194,818.



A comprehensive sewer joint repair program was completed in the Fall of 2011 at a cost of \$3,412,784. The majority of the funding was provided through an ARRA loan totaling \$2,559,588 of which 50% was forgiven. Therefore, a total of \$1,279,794 (50%) in ARRA funds will be paid back over a period of 20 years with no interest. This loan is discussed further in the Water and Sewer Fund section of Debt Management on page 15. The remainder of the funding for this project was in the form of a Rural Center grant which totaled \$853,196. The benefits of this project have been significant: by combating the inflow of lake water into the sewer system, we have reduced the flow into the sewer system by 60%. Where high flow was a major concern for Lake Lure's plant and limited our ability to add customers, flow is no longer the central issue with our treatment plant.

V. DEBT MANAGEMENT

Governmental Fund

The Town of Lake Lure has efficiently managed its debt. The Governmental Fund Long-Term Debt outstanding as of June 30, 2012 is comprised of the following, excluding accrued vacation, pension and other post-employment benefits:

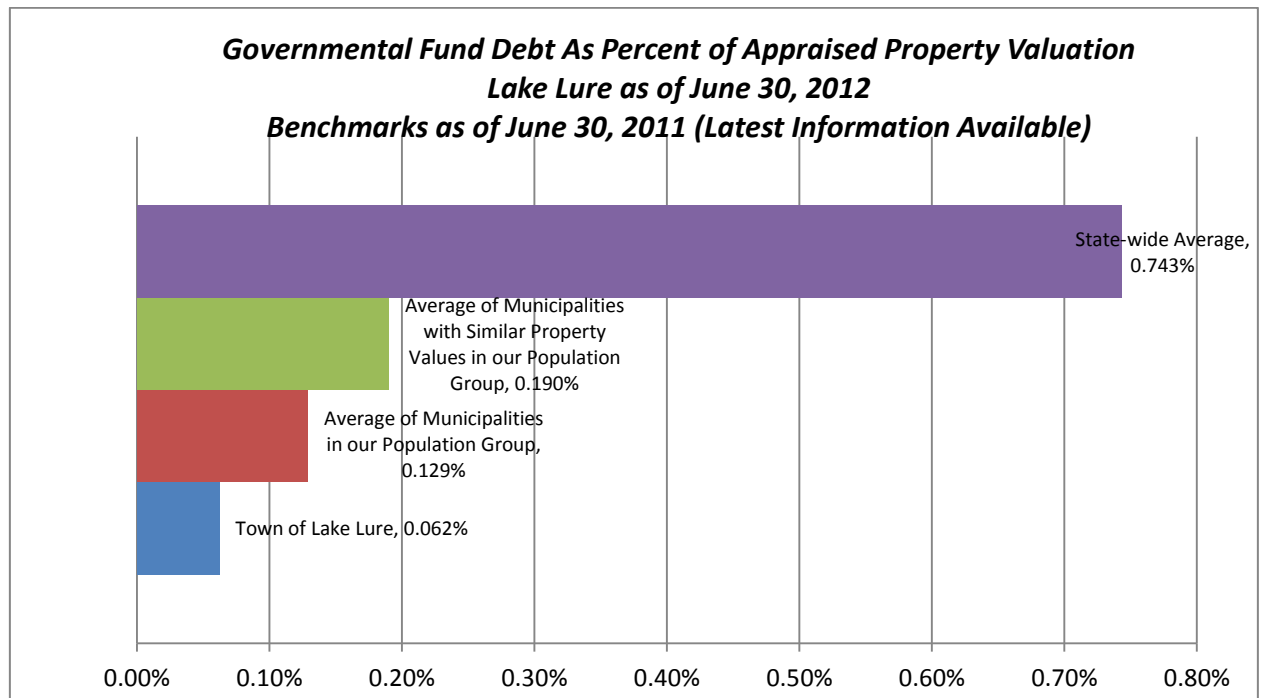
Description	Outstanding June 30, 2012
2003 Improvements to the Fire Station Issued \$136,700 for 10 years at 3.19%	\$20,505
2011 Phone System Original Amount of \$22,029 for 4 years at 8%	15,451
2011 Marina Improvements and Expansion Issued \$650,000 for 10 years at 2.31%	617,500
Total	\$653,456

The General Fund Long-Term Debt is being funded by general fund revenues as commitments come due.

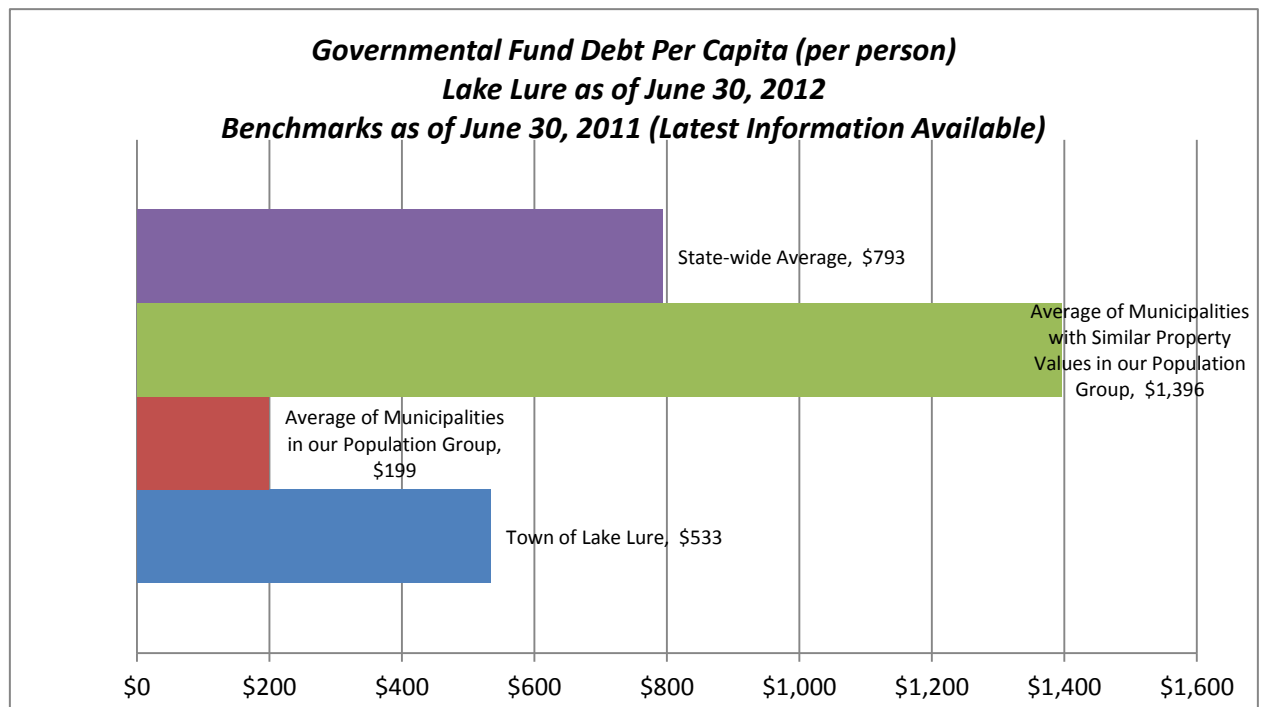
All local government General Obligation debt must be approved and sold by the LGC. The LGC must also approve lease-purchase or installment purchase agreements if the agreement extends 5 or more years, if the agreement obligates the unit to pay money to another entity, if the agreement obligates the unit to pay at least \$500,000 over the term of the agreement, *and* if the agreement obligates the unit, either expressly or implicitly, to levy taxes to meet payments under the agreement.

Several financial factors should be considered when analyzing a unit's "Governmental Fund" debt capacity. Three important factors are debt as a percent of appraised property value, debt per capita, and debt service as a percentage of total expenditures. The Town's ratios in two of these areas - debt as a percent of appraised property value and debt per capita - as compared to other groups similar to our Town are detailed in the two graphs on the following page. These two ratios are tracked by the LGC and provided annually when they are available.

As a percent of appraised property value in all of the three comparisons made in the chart on the following page, Lake Lure's governmental fund debt ratio as of June 30, 2012 (.062%) is lower than the June 30, 2011 average of municipalities in our population group (.129%), the average of municipalities with similar property values in our population group (.19%) and the state wide average (.743%).

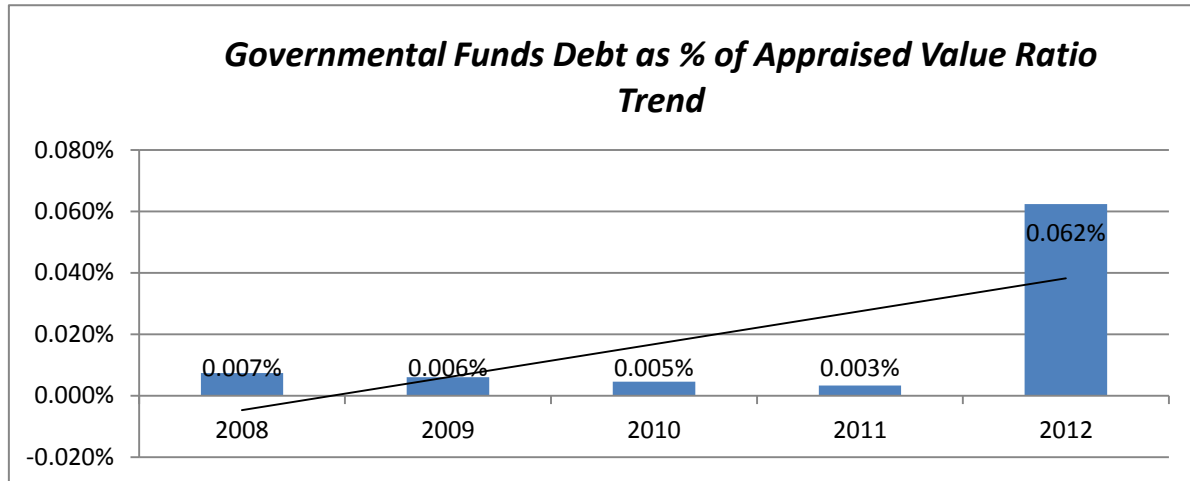


The chart below depicts peer comparisons of governmental fund debt on a per capita basis. While, on a debt per capita (per person) basis, the Town of Lake Lure's debt ratio as of June 30, 2012 (\$533) is above the June 30, 2011 average of municipalities in our population group (\$199), it is below the average of municipalities with similar property values in our population group (\$1,396) and the state wide average (\$793).

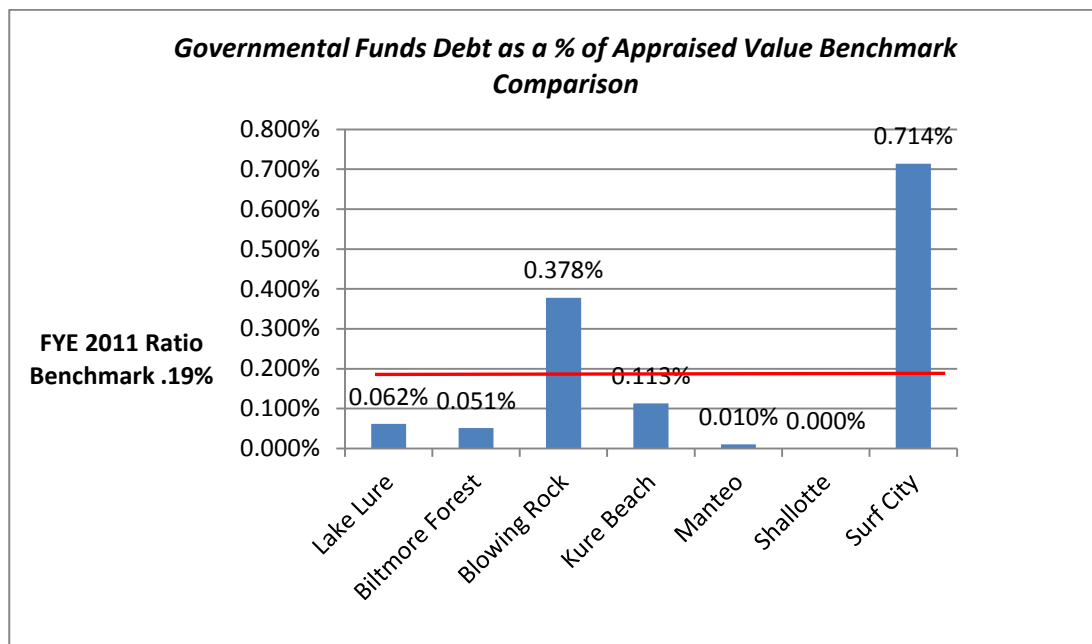


The following graphs provide information regarding recent historical trends for the Town on Governmental Fund debt as a percent of appraised property value as well as a ratio comparison to specific benchmark peers. In selecting the Town's peers to use in this analysis, we considered population, property tax values, total revenues and comparable services.

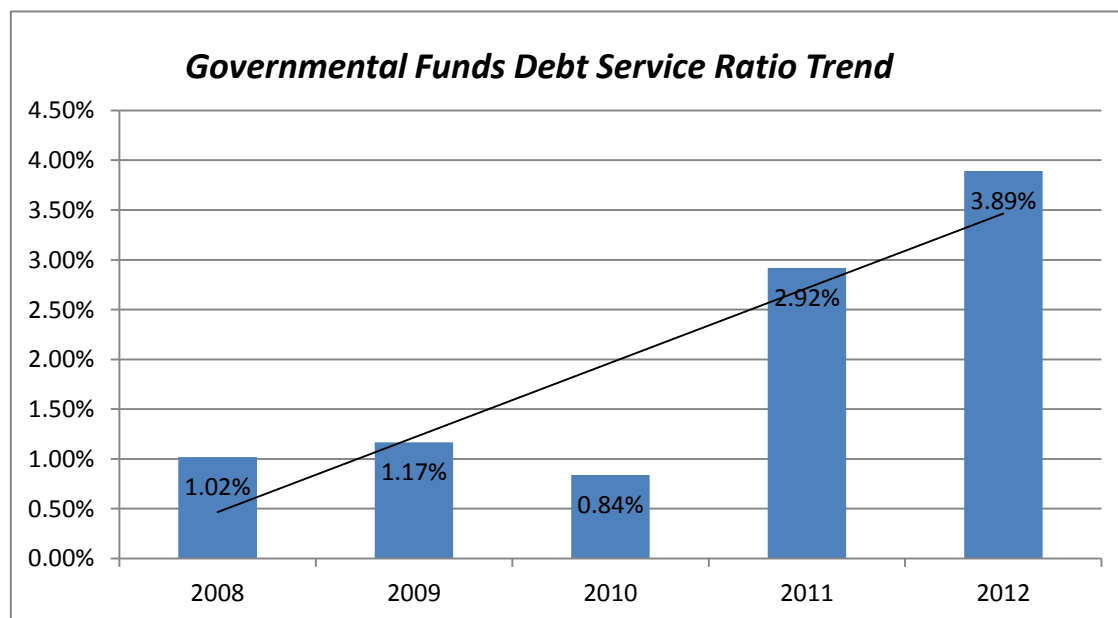
The Town's trend for this ratio from 2008 to 2012 is shown on the following page. As depicted in the graph, Lake Lure's governmental-type debt as a percent of appraised value declined in 2009, 2010 and 2011. The increase in 2012 is due to the \$650,000 installment purchase financing of improvements to and the expansion of the Town's Marina.



The chart on the following page compares the Town's debt as a percent of appraised value as of June 30, 2012 to selected benchmarking peers as of June 30, 2011 (the latest information available). The Town's ratio as of June 30, 2012 (.062%) as compared to benchmark peers is the fourth lowest. The Town's ratio is well below the average (.19%) of the peer group selected. This indicates that, as of June 30, 2012, the Town has more governmental fund debt capacity than that of its peers on average.

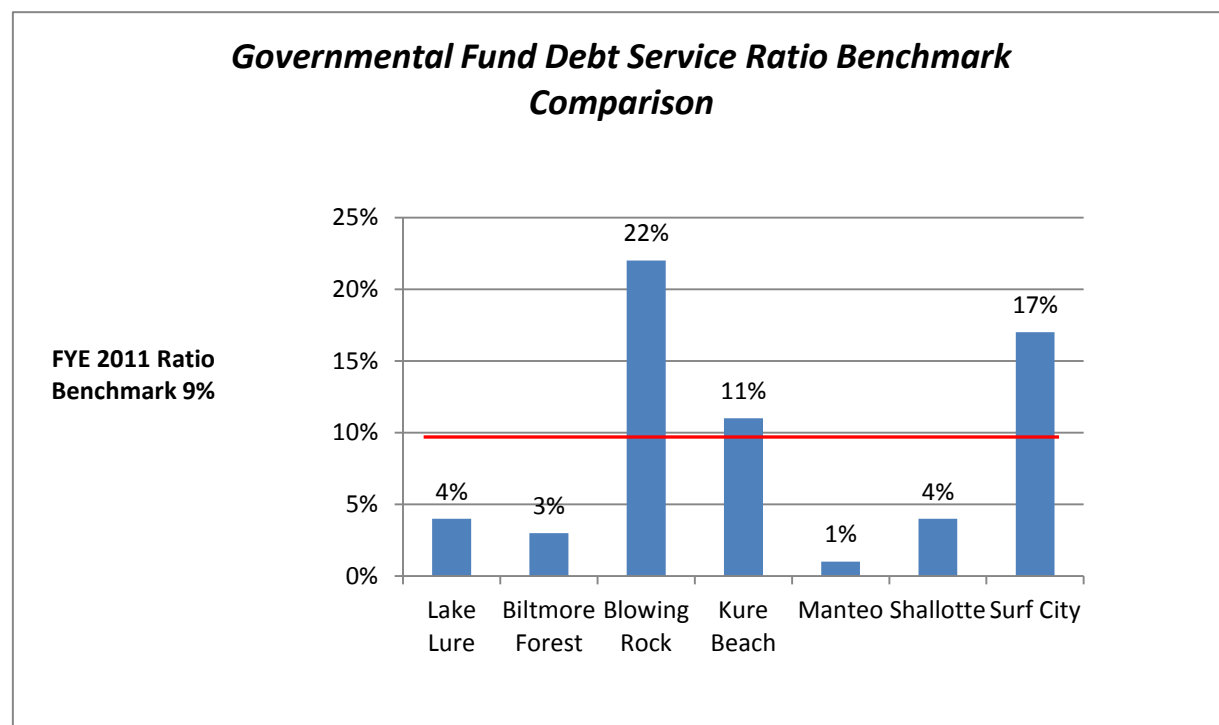


Debt service as a percentage of total expenditures is another ratio to consider when analyzing debt capacity. The **debt service ratio** measures service flexibility or the amount of expenditures committed to annual debt service. With this ratio, a lower number is preferred as a lower number means less of the annual expenditures are committed to debt service. The LGC has stated that “a heavy debt burden may be evidenced by a ratio...exceeding 15%.” The Town’s trend information for the Governmental Funds debt service ratio from 2008 to 2012 is shown below:



As shown on the chart above, Lake Lure’s debt service ratio hovered around 1% from 2008 to 2010.

It then increased to 2.92%, or approximately 3%, in 2011 as a result of the financing of the golf course improvements and then to 3.89%, or approximately 4%, in 2012 as a result of the financing of the Marina project. The Town is well below the 15% that the LGC would consider a “heavy” debt burden. The chart below compares the Town’s debt service ratio as of June 30, 2012 to selected benchmarking peers as of June 30, 2011 (the latest information available). Even with the financing of the Marina project, the Town is the third lowest ratio in the peer group. The high ratio of the peer group is Blowing Rock with 22%.



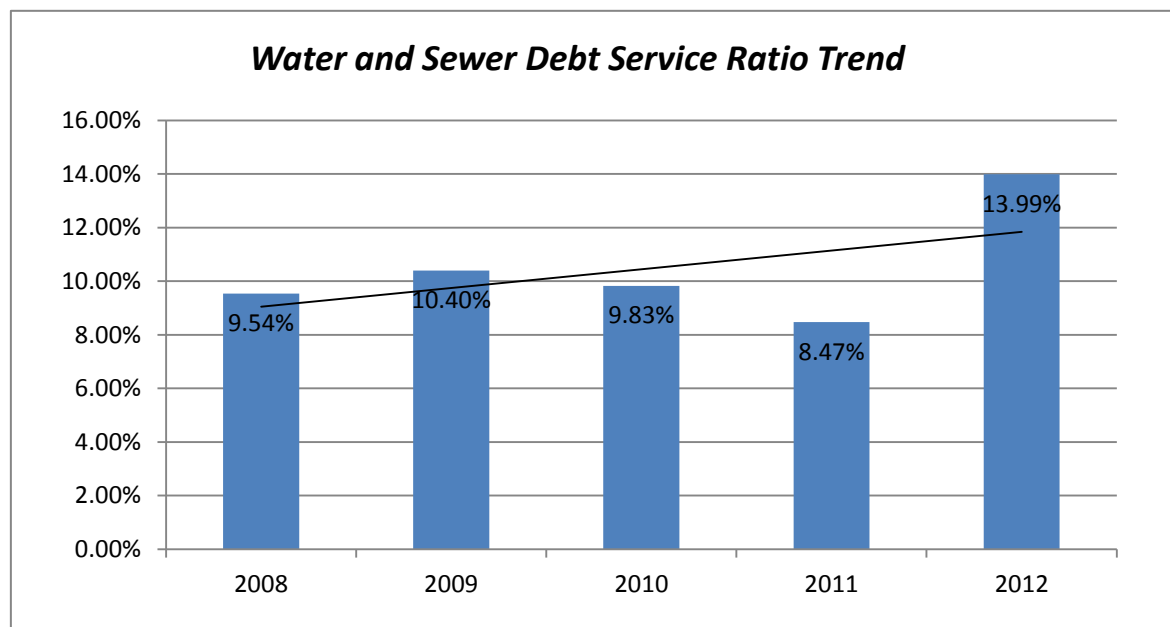
ANALYSIS: While low debt is a laudable and fiscally conservative strategy, we should continue to evaluate our effective use of debt as a tool to meet current needs. Debt allows a municipality (or a business) to make investments today without having to incur the full cash outlay in one year’s budget. Debt enables you to spread the costs out over a period of time and align them with the expected benefits from the investment over time. By keeping Lake Lure’s debt very low, are we foregoing strategic investments or deferring needed work on infrastructure because of an inability to pay for the entire project today and a reluctance to add debt? As can be seen by the peer group comparisons, most other municipalities are utilizing debt to a greater degree to fund long-term capital improvements, particularly in strategic areas like town center planning and upgrades. Like a business that won’t (or can’t) borrow to make strategic investments, are we missing opportunities to make improvements in areas that would pay dividends and help us achieve our strategic goals? Since the lending market today offers historically low interest rates, it’s an ideal time to fund projects with long-term debt at low fixed rates. One thing to keep in mind, though, is that debt is directly related to the level of fund balance. Even if the town desired to take on more debt, the LGC ultimately has to approve it for amounts over \$500,000. And, if the LGC feels that the town has not contributed enough to their fund balance, they may not support new debt. So, we may have to find ways to budget for increased fund contributions concurrent with funding projects with new debt.

Water and Sewer Fund

The Water and Sewer Fund Long-Term Debt outstanding as of June 30, 2012 is comprised of the following, excluding accrued vacation, pension and other post-employment benefits:

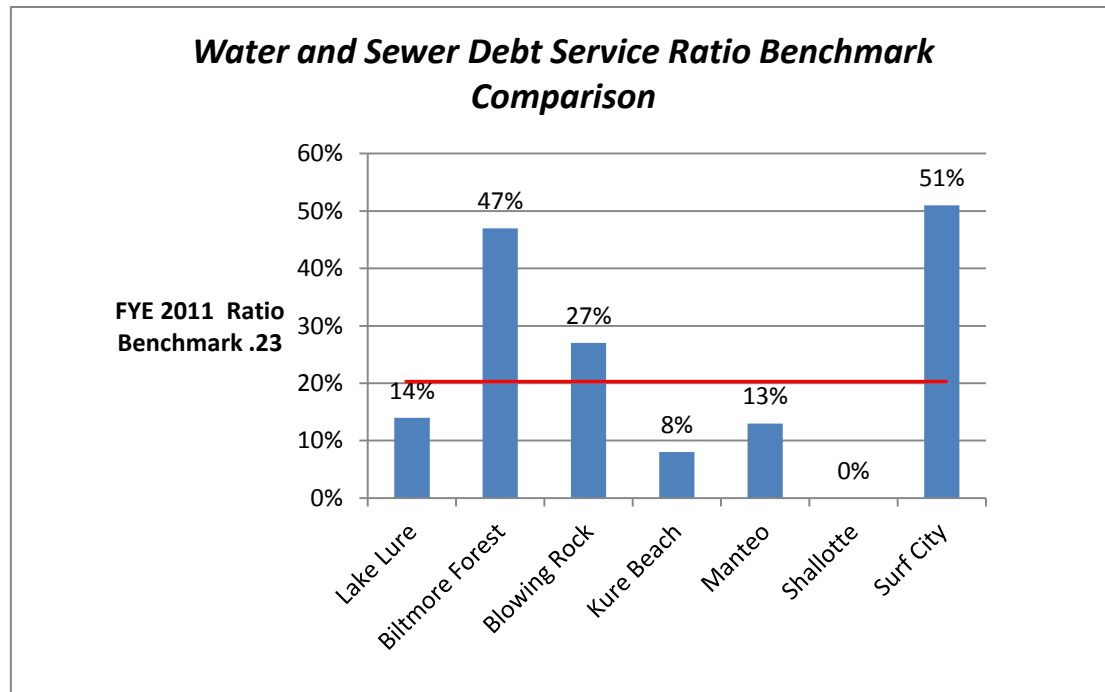
Description	Outstanding June 30, 2012
2006 State Revolving Loan for Storage Tank and Water Line – Issued \$1,119,085 for 20 years at 2.305%	\$783,360
DENR ARRA Pipe Wrapping Sewer Project – Drew down \$2,559,588 from line of credit with 50% “Principal Forgiveness”. Remaining 50% to be repaid at 0% interest for 20 years in annual equal installments through May 1, 2031.	\$1,215,804
Total	\$1,999,164

The Water and Sewer Fund Debt is being funded by Water and Sewer Fund revenues as commitments come due. As discussed previously in the Governmental Fund debt section, debt service as a percentage of total expenditures is another ratio to consider when analyzing debt capacity. The **debt service ratio** measures service flexibility or the amount of expenses committed to annual debt service. With this ratio, a lower number is preferred as a lower number means less of the annual expenditures are committed to debt service.

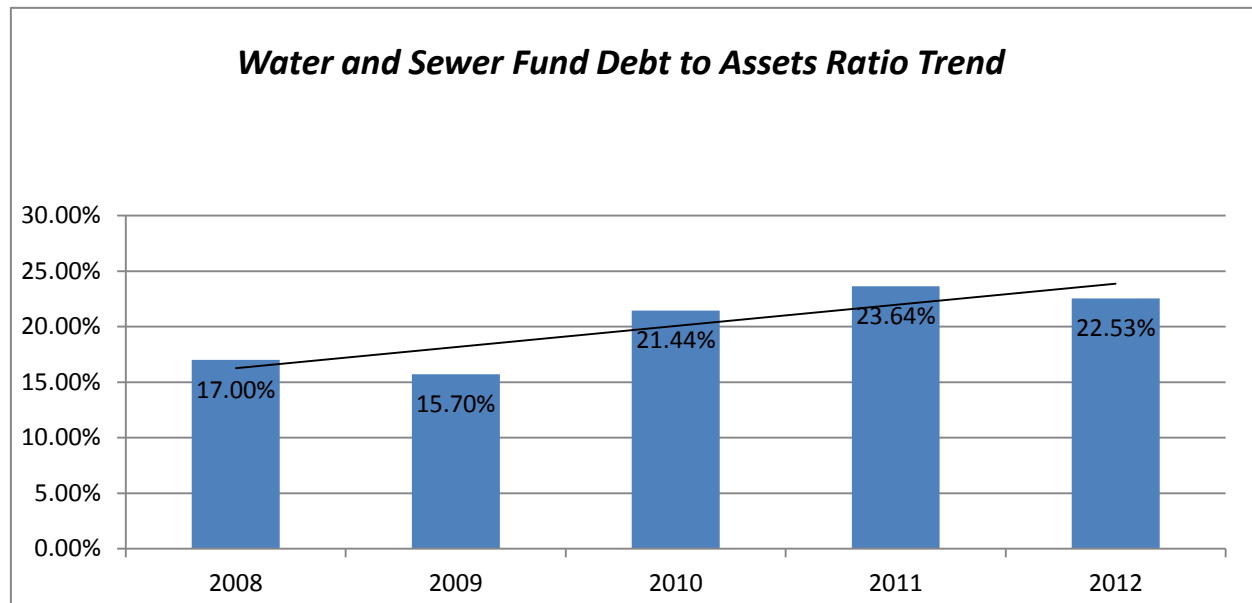


As the chart above indicates, the Water and Sewer Fund debt ratio hovered around 10% from 2008 to 2011 as the only debt outstanding at that time was related to the financing of the Storage Tank and Water Line expansion to Ingles in 2006. In Fiscal Year 2012, the sewer pipe wrapping project was completed and the Town began paying back the \$1.2 million ARRA loan which is now reflected in the debt service ratio.

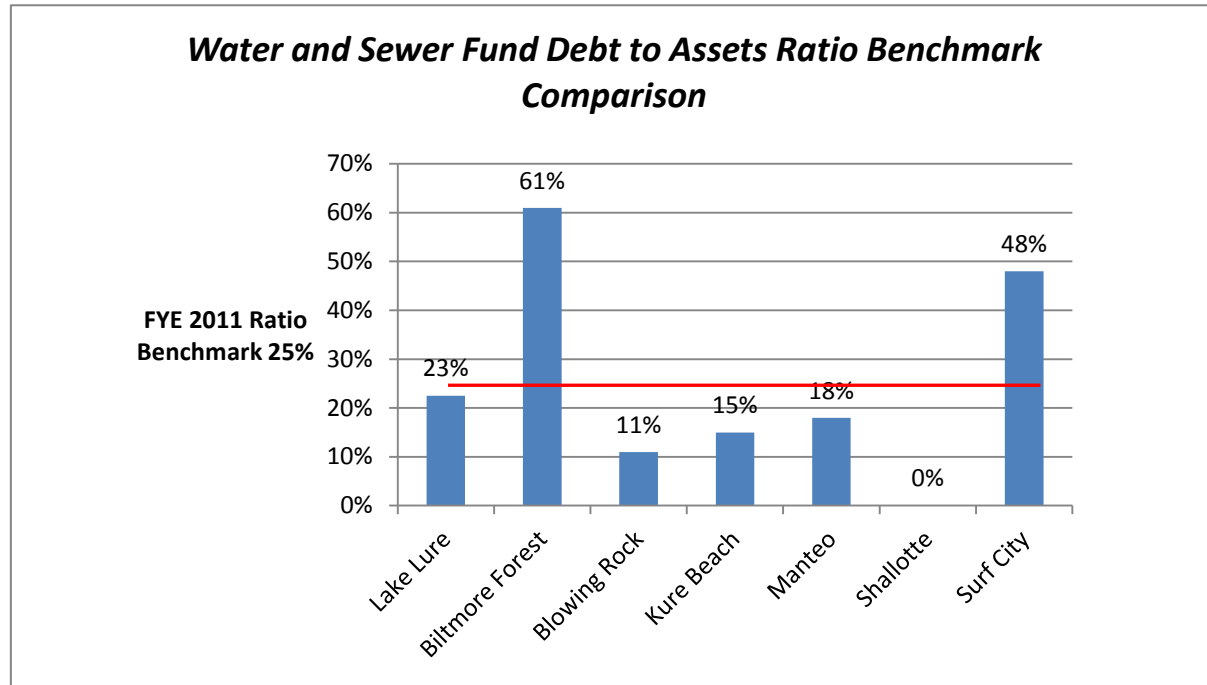
The chart below compares the Town's Water and Sewer Fund debt service ratio as of June 30, 2012 to selected benchmarking peers as of June 30, 2011 (the latest information available). There are three peers with higher ratios and three peers with lower ratios. The Town's ratio of 14% is lower than the average of 23%. The high ratio of the peer group is Surf City with 51%.



Another ratio that is useful when evaluating a Water and Sewer Fund's debt capacity is the Debt to Assets ratio. This ratio is calculated as long-term debt divided by total assets and measures the extent to which total assets are financed with long-term debt. The chart below illustrates the Town's debt to assets ratio from 2008 to 2012.



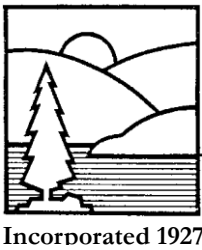
The chart below compares the Town's Water and Sewer Fund debt to assets ratio as of June 30, 2012 to selected benchmarking peers as of June 30, 2011 (the latest information available). There are two peers with higher ratios and three peers with lower ratios. While the trend for the Town in recent years has been an increase in the percent of assets financed with long-term debt due to the sewer joint repair program, the Town's ratio of 23% is lower than the average of 25%. The high ratio of the peer group is Biltmore Forest with 61%.



ANALYSIS: The debt in the water-sewer fund has a similar analysis to the general fund, although the comparative debt level is higher in this fund. There is still room for Lake Lure to comfortably utilize more long-term debt, at low rates, to address needs in the water and sewer systems. Compared to town in our peer group, our systems serve a relatively small customer group, are quite old and have unique challenges. These include: our sewer system is largely in the lake and difficult to access; our wastewater treatment plant is undersized and lacks the real estate to add needed equipment; we're maintaining water systems that were purchased to support large subdivisions that haven't yet provided the anticipated customers.

INTRODUCTORY SECTION

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Town of Lake Lure

P. O. Box 255 • Lake Lure, NC 28746-0255 • 828/625-9983 • FAX 828/625-8371

October 18, 2012

Town of Lake Lure Council
Town of Lake Lure
2948 Memorial Highway
Lake Lure, North Carolina 28746

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report (CAFR) of the Town of Lake Lure for the fiscal year ended June 30, 2012 is presented for your review and use. It is the comprehensive publication of the Town's financial position and results of operations. Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The financial statements and supplemental schedules contained herein have been audited by the independent, certified public accounting firm Martin Starnes & Associates, CPS, P.A. and that firm's unqualified opinion is included in the Financial Section of this report.

As a comprehensive annual financial report, this document provides financial detail and historical trends beyond the basic financial statements. Management of the Town of Lake Lure assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the data presented is accurate in all material respects; that it is presented in a manner to fairly represent the financial position and the results of operations of the Town of Lake Lure as measured by the financial activities of its various funds. All disclosures necessary to

enable the reader to gain the maximum understanding of the Town's financial activity have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of independent auditors.

Profile of Lake Lure

The Town of Lake Lure, incorporated in 1927, is a full-service community located in Rutherford County in the western portion of North Carolina. The Town encompasses approximately 15 square miles and has 24 miles of lake shore line. With a permanent population of 1,196 and a median age of 62.4 according to the 2010 US Census, the population climbs to approximately 10,000 during tourist season.

The Town operates under the council-manager form of government. The governing body of the Town of Lake Lure is the Board of Commissioners, also known as the Town Council. It has four members and the mayor. Members of the Town Council are elected to four-year staggered terms with two members elected in each odd-numbered year. The Mayor is elected with a two-year term and presides at Town Council meetings. The Town Council holds policy-making and legislative authority. They are also responsible for adopting the budget and appointing the Town Manager. The manager is responsible for implementing policies and managing daily operations.

The Town provides a complete range of traditional municipal functions. These include police and fire protection, water and sewer service, solid waste, garbage and recycling collection, planning and zoning services, and recreational opportunities. In addition, the Town generates electric power at its dam and sells the electricity to Duke Energy. This report includes all of the Town's activities in delivering and administering these traditional and non-traditional services. These financial statements are presented for the financial reporting entity of the Town, which includes all the funds and account groups of the Town of Lake Lure, as well as all of its component units. The Town (as legally defined) is considered to be a primary government. Component units are legally separate entities for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the primary government and to distinguish their financial positions, results of operations, and cash flows from those of the Town. The Town of Lake Lure's Alcoholic Beverage Control ("ABC") Board is reported as a discretely presented component unit.

In government, the budget is an integral part of the unit's accounting system and daily operations. The North Carolina General Statutes require all governmental units to adopt

a balanced budget by July 1 of each year. The Town's budget ordinance, passed by the Board, established a legal limit on spending authorizations. The Town of Lake Lure is empowered to levy a property tax on both real and personal property located within its boundaries to fund the budget. In general, the Town's operating budget remains in effect for one year. However, capital projects funds and grant funds are budgeted, as permitted by statute, for the life of the project. The budget is prepared by fund and department. Appropriations are made at the functional level for the General and Enterprise Funds and at the project level for the Capital Projects Funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by \$2,500. All amendments must be approved by the governing board. Both the original and the amended budget through June 30, 2012 are disclosed in the statements. The Town's budget ordinance is prepared on a modified accrual basis for all governmental fund types.

Local Economy

The economy of Lake Lure is driven primarily by tourism and second/vacation home sales. Rutherford County was the 26th most-visited county among the state's 100 counties in 2011. Approximately 75% of the County's occupancy tax revenues are generated in the Lake Lure area. The County tourism industry employs more than 1,120 people and generated \$142 million in revenues in 2011 according to data released by the state and U.S. Travel Association. This was a growth of 9.65% as compared to the \$129 million generated in 2010. In addition, The Town is a popular choice for retirees and second home buyers. There are no major industrial operations located within the Town limits. The Town has a relatively large tax base when compared to the size of the permanent population.

In 2010, the Lake Lure Classical Academy opened. It is a free, public, charter school that is drawing students from five surrounding counties. In the first year of operation, the school served 197 children in grades K-7. In the 2011-2012 school year, it served 267 children in grades K-8. The school will add a grade each year (through 12th grade) and will be building permanent facilities in town. From 1961 to 2009, the lack of a local school in Lake Lure in the Hickory Nut Gorge discouraged families from moving to or remaining in the area, although we continued to be an attractive destination for retirement and vacation homes. The few children that were raised in the area were subjected to lengthy rides to schools in the surrounding counties. Now that the Classical Academy has been established, it has energized the community and we are once again seeing families attracted to living full time in Lake Lure.

Long Term Financial Planning

Town management recognizes the importance of not only providing quality services to today's citizens, but also developing strategies in order to provide even better services to future generations. In addition to the accomplishments listed in the "Major Initiatives" section below, at the end of Fiscal Year 2011-2012 the Town was notified that it had received a grant from the Rural Center to assist in the development of an Asset

Management Plan. This plan will enhance the Town's current Capital Improvement Plan as it will provide an outline of maintenance and eventual replacement of all town assets.

As shown in the "Fiscal Performance and Analysis" section of this CAFR, the Town's tax rate is lower than most municipalities that we benchmark ourselves against, the Town's General Fund balance has increased over the past few years, and the Town has efficiently and effectively managed its overall debt. While the Water and Sewer Fund continue to have challenges associated with some infrastructure dating from the 1920's and our unique in-lake sewer system, these operations have stabilized somewhat over the last two years. Of most concern is sewer operations, where compliance issues and challenges with our old and undersized plant have dramatically increased our annual operating costs. In recent years, revenues have barely covered operating costs. Any capital improvements have had to be financed or fund balance has been used. With a 3% increase in utility rates in FY 2012-2013, it is estimated that utility revenues will cover the majority of operations costs and one small capital improvement, although fund balance must be utilized to cover the added costs of engineering. The Board discussed the need to begin to set funds aside for future capital investments during its FY 2012-2013 budget deliberations. This will need to be focus of our FY 2013-2014 budget discussions.

Major Initiatives

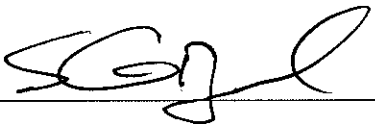
During the year, the Town of Lake Lure was involved in a number of major projects.

- A comprehensive sewer joint repair program was completed in the Fall of 2011 at a cost of \$3,412,784. The majority of the funding was provided through an ARRA loan totaling \$2,559,588 of which 50% will be forgiven. Therefore, at the end of the project, \$1,279,794 in ARRA funds will begin to be paid back over a period of 20 years with no interest. The remainder of the funding for this project was in the form of a Rural Center grant which totaled \$853,196. The benefits of this project have been significant: by combating the inflow of lake water into the sewer system, the Town has reduced the flow into the sewer system by 60%. Where high flow was a major concern for Lake Lure's plant and limited the Town's ability to add customers, flow is no longer the central issue with the treatment plant.
- The Town invested approximately \$650,000 in a newly expanded marina which was completed in the Spring of 2012 and features 88 boat slips and a covered waiting area for tour boat rides. Revenues from slip rentals will recoup the cost of this project in ten years.
- The Town completed phase one of the Town Center master plan. The finalized comprehensive plan will define the vision, coordinate the design and launch the development of a true economic engine to revitalize our local and regional economy. A comprehensive market assessment and branding development initiative, conducted in partnership with Chimney Rock Village, marks the next phase in this project.
- The Town completed enhancements to the Morse Park wetlands in the Spring of 2012. Not only did the project resolve storm water drainage issues in Morse Park,

it has also resulted in what is today a healthy and thriving outdoor education opportunity in wetland ecology. The wetlands not only look more beautiful, but they now function as they should in a true riverine wetland, as evidenced by the return of a wide array of waterfowl and aquatic life.

A copy of this report will be made available to various departments of the Town, the Local Government Commission, state and federal grant agencies and such other institutions expressing an interest in the Town's financial affairs. We would like to thank the employees of the Town for their service and dedication. We also express sincere appreciation to the Town Council for their leadership in providing responsible government.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "CB", is written over a horizontal line.

Chris Braund
Town Manager

A handwritten signature in black ink, appearing to read "Sam Karr", is written over a horizontal line.

Sam Karr
Finance Director

TOWN OF LAKE LURE, NORTH CAROLINA

PRINCIPAL OFFICERS

JUNE 30, 2012

ELECTED OFFICIALS

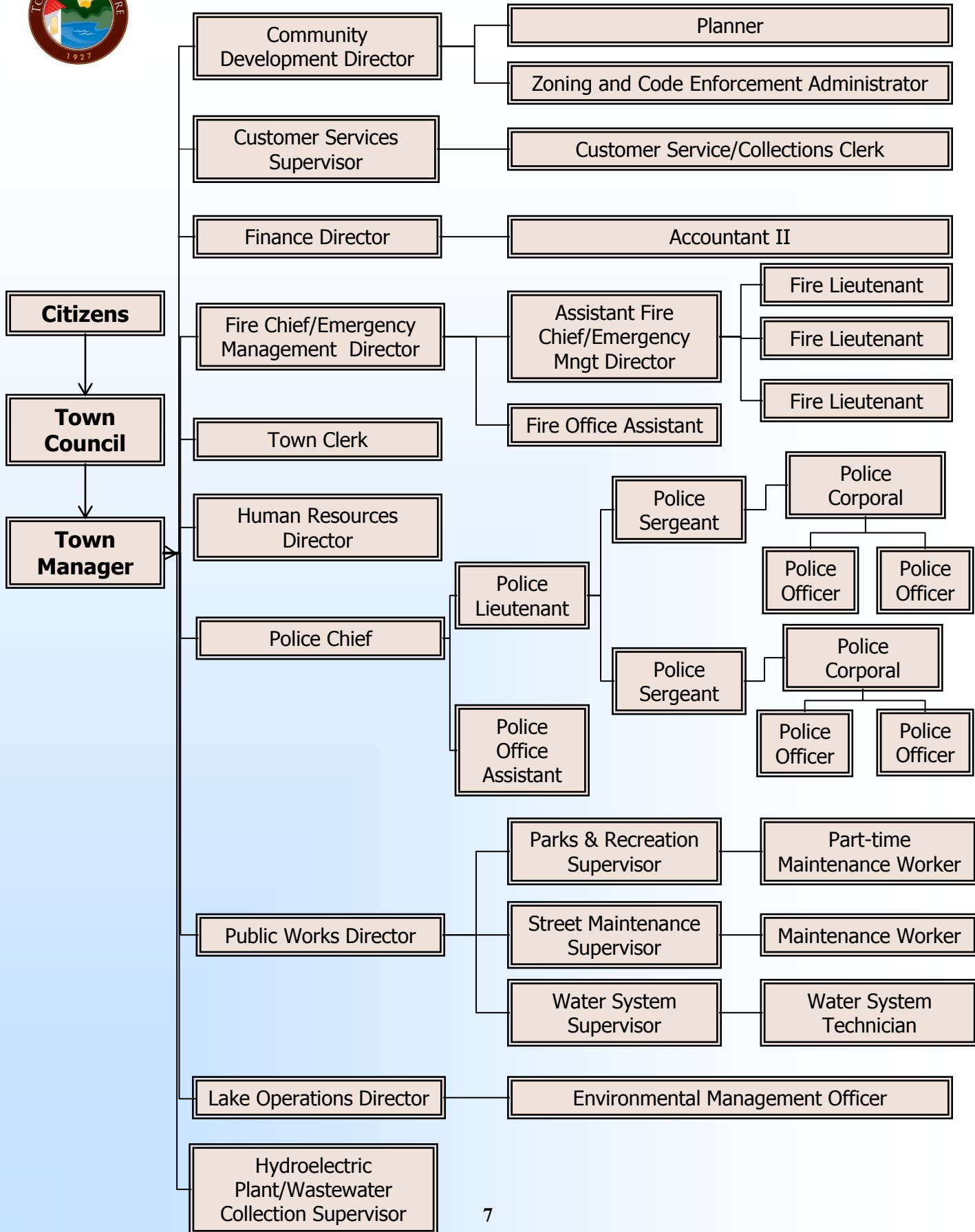
Title	Name	Total Length Of Service	Term Expires
Mayor	Bob Keith	2 years	November 2013
Mayor Pro Tem	John Moore	4 years	November 2013
Councilperson	Mary Ann Silvey	4 years	November 2013
Councilperson	Diane Barrett	4 years	November 2015
Councilperson	Bob Cameron	4 years	November 2015

ADMINISTRATIVE OFFICIALS

Chris Braund	Town Manager
Sam Karr	Finance Officer
Andi Calvert	Clerk to the Board



Town of Lake Lure Organizational Chart



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FINANCIAL SECTION

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and
Members of the Town Council
Town of Lake Lure, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Lake Lure, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Lake Lure's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Town of Lake Lure ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to us; and our opinion on the financial statement, insofar as it relates to the amounts included for the Town of Lake Lure ABC Board, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. The financial statements of the Town of Lake Lure ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Lure, North Carolina, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2012 on our consideration of the Town of Lake Lure's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Lake Lure, North Carolina as a whole. The introductory section, combining and individual nonmajor fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 18, 2012

Management's Discussion and Analysis

As management of the Town of Lake Lure, we offer the reader of the Town of Lake Lure's financial statements this narrative overview and analysis of the financial activities of the Town of Lake Lure for the fiscal year ended June 30, 2012. 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.

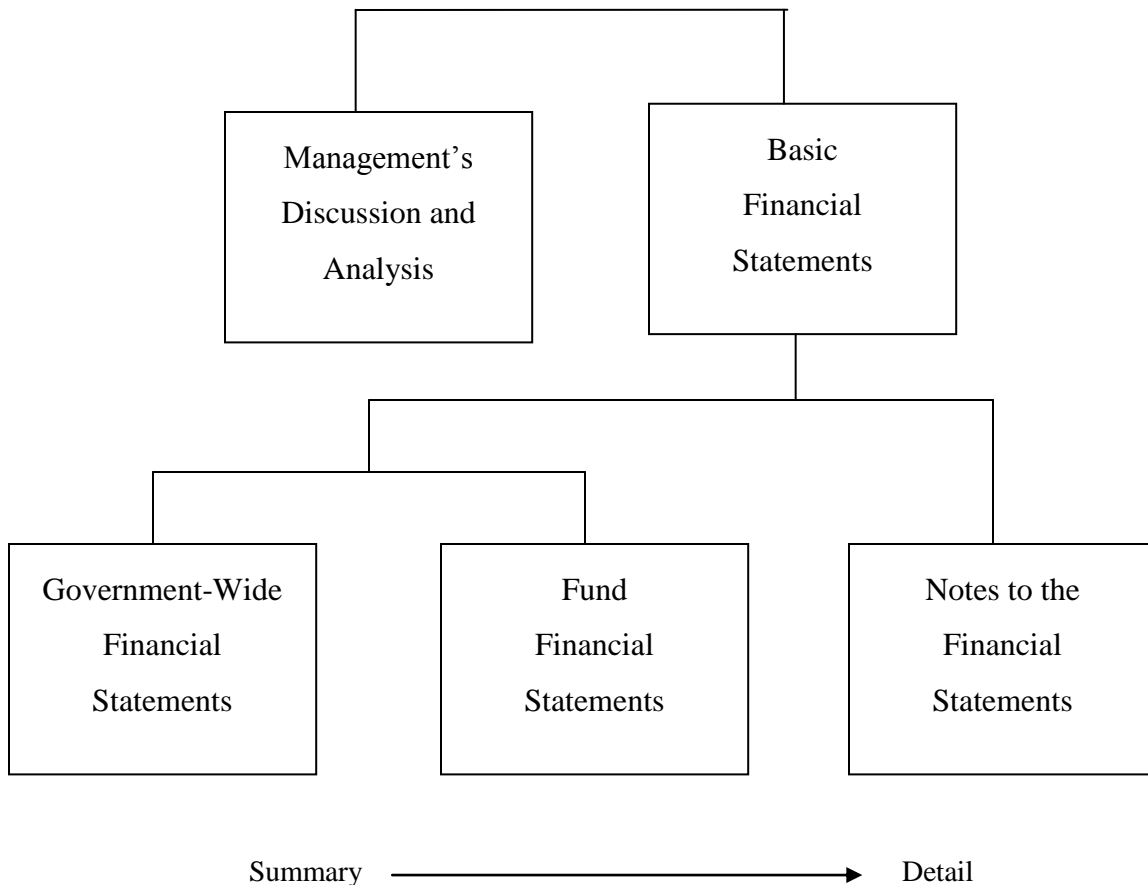
Financial Highlights

- The assets of the Town of Lake Lure exceed its liabilities at the close of the fiscal year by \$14,672,957.
- The government's total net assets increased by \$451,259.
- At the close of the current fiscal year, the Town of Lake Lure's governmental funds reported combined ending fund balances of \$1,883,218, an increase of \$260,283 from the prior year. 25.05 percent of this total amount, or \$471,691, is classified as non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,173,882, or 31.3 percent of total General Fund expenditures for the fiscal year.
- In August 2011, the town received a council credit rating of 75 from the North Carolina Municipal Council (NCMC). The rating of 75 is considered "investment grade", which is well received. The North Carolina Municipal Council is a not-for-profit, non-stock group organized in 1932. Its members consist of banks, investment dealers, bond attorneys and other financial institutions, all of which are interested in ownership or distribution of bonds and notes of counties, municipalities and districts of North Carolina. The Council staff periodically visits the local governmental units and issues to its members detailed reports on their financial condition.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Lake Lure'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 government-wide statement and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Lake Lure.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through J) 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 statement; 2) the budgetary comparison statement; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements are usually divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services, such as public safety, parks and recreation, and general administration. Property and other taxes, licenses, and federal and State grant funds finance most of these activities. The business-type activities are those that the Town charges customers for services provided. The Town of Lake Lure has two business-type activities: electric and telephone services. The final category, the component unit category, is for activities that are legally separate from the Town. The Town of Lake Lure has no such activities.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Lake Lure, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements; legal requirements that include the General Statutes and the Town's budget ordinance. All of the funds of the Town of Lake Lure 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 a detailed short-term view to help determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Lake Lure 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities, is shown at the end of the budgetary statement.

Proprietary Funds. The Town of Lake Lure has one kind of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Lake Lure uses enterprise funds to account for its electric operations and for its telephone services. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements directly follow the basic financial statements 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 of Lake Lure's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found directly following the notes to the financial statements.

Government-Wide Financial Analysis

The Town of Lake Lure's Net Assets Figure 2

	Governmental Governmental Activities		Business-Type Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 2,103,331	\$ 1,860,651	\$ 685,100	\$ 899,844	\$ 2,788,431	\$ 2,760,495
Internal balances	342,500	342,500	(342,500)	(342,500)	-	-
Capital assets	5,745,623	5,076,871	9,275,417	9,149,939	15,021,040	14,226,810
Total assets	<u>8,191,454</u>	<u>7,280,022</u>	<u>9,618,017</u>	<u>9,707,283</u>	<u>17,809,471</u>	<u>16,987,305</u>
Liabilities:						
Current liabilities	248,735	227,387	175,718	352,141	424,453	579,528
Other liabilities	815,826	210,520	1,896,235	2,005,656	2,712,061	2,216,176
Total liabilities	<u>1,064,561</u>	<u>437,907</u>	<u>2,071,953</u>	<u>2,357,797</u>	<u>3,136,514</u>	<u>2,795,704</u>
Net Assets:						
Invested in capital assets, net of related debt	5,109,089	4,889,543	7,276,253	6,700,538	12,385,342	11,590,081
Restricted	454,017	383,580	-	-	454,017	383,580
Unrestricted	1,563,787	1,568,992	269,811	648,948	1,833,598	2,217,940
Total net assets	<u>\$ 7,126,893</u>	<u>\$ 6,842,115</u>	<u>\$ 7,546,064</u>	<u>\$ 7,349,486</u>	<u>\$ 14,672,957</u>	<u>\$ 14,191,601</u>

As noted earlier, net assets may serve, over time, as one useful indicator of a government's financial condition. The assets of the Town of Lake Lure exceeded liabilities by \$14,672,957 as of June 30, 2012. The Town's net assets increased by \$451,259 for the fiscal year ended June 30, 2012. However, \$12,385,342 (84.4%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Lake Lure uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Lake Lure's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Lake Lure's net assets equaling \$454,017, or 3.1%, represents resources that are subject to external restrictions. The remaining balance of \$1,833,598, or 12.5%, is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net assets:

- The Town continues to diligently collect property taxes, the Town's collection percentage increased from 96.58% to 97.93%. Ad valorem tax revenue increased by \$16,000.
- The Town's electric power facility was non-operational during a large part of the year for repairs and reported an operating loss of \$13,874.
- The Town experienced a significant gain from a Rural Center Grant in the amount of \$427,101 relating to a construction line and water system improvements.

Town of Lake Lure's Changes in Net Assets
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 577,722	\$ 377,046	\$ 848,274	\$ 983,013	\$ 1,425,996	\$ 1,360,059
Operating grants and contributions	89,147	69,170	-	50,000	89,147	119,170
Capital grants and contributions	250,000	968,421	478,328	426,095	728,328	1,394,516
General revenues:						
Property taxes	2,129,999	2,168,202	-	-	2,129,999	2,168,202
Grants and contributions not restricted to specific programs	1,100,505	1,007,711	-	-	1,100,505	1,007,711
Other	1,633	38,277	725	1,129	2,358	39,406
Total revenues	<u>4,149,006</u>	<u>4,628,827</u>	<u>1,327,327</u>	<u>1,460,237</u>	<u>5,476,333</u>	<u>6,089,064</u>
Expenses:						
General government	1,179,454	977,301	-	-	1,179,454	977,301
Public safety	1,446,320	1,441,353	-	-	1,446,320	1,441,353
Transportation and physical development	372,122	465,524	-	-	372,122	465,524
Environmental protection	140,329	181,886	-	-	140,329	181,886
Cultural and recreation	765,580	680,843	-	-	765,580	680,843
Interest on long-term debt	10,423	11,597	-	-	10,423	11,597
Water and Sewer	-	-	875,902	847,902	875,902	847,902
Electric	-	-	234,944	196,980	234,944	196,980
Total expenses	<u>3,914,228</u>	<u>3,758,504</u>	<u>1,110,846</u>	<u>1,044,882</u>	<u>5,025,074</u>	<u>4,803,386</u>
Increase in net assets before transfers, forgiveness of debt, sale of capital assets, and law suit settlement	234,778	870,323	216,481	415,355	451,259	1,285,678
Transfers	50,000	146,433	(50,000)	(146,433)	-	-
Forgiveness of debt	-	-	-	559,657	-	559,657
Sale of capital assets	-	36,674	-	-	-	36,674
Lawsuit settlement	-	-	-	190,128	-	190,128
Change in net assets	<u>284,778</u>	<u>1,053,430</u>	<u>166,481</u>	<u>1,018,707</u>	<u>451,259</u>	<u>2,072,137</u>
Net Assets:						
Beginning of year - July 1	6,842,115	5,788,685	7,349,486	6,330,779	14,191,601	12,119,464
Prior period adjustment	-	-	30,097	-	30,097	-
Beginning of year, as restated	<u>6,842,115</u>	<u>5,788,685</u>	<u>7,379,583</u>	<u>6,330,779</u>	<u>14,221,698</u>	<u>12,119,464</u>
End of year - June 30	<u>\$ 7,126,893</u>	<u>\$ 6,842,115</u>	<u>\$ 7,546,064</u>	<u>\$ 7,349,486</u>	<u>\$ 14,672,957</u>	<u>\$ 14,191,601</u>

Governmental Activities. Governmental activities increased the Town's net assets by \$284,778, thereby accounting for 63% of the total growth in the net assets of the Town of Lake Lure. Key elements of this increase are as follows:

- More than expected intergovernmental revenues were received. The Town collected more in State sales tax and utility tax distributions than expected.
- Ad valorem taxes exceeded budgeted amounts
- Other capitalized expenditures exceeded current year depreciation expense.
- The Town has made major budget cuts to capital expenditures not involving the issuance of new debt while holding other operational expenses in check.

Business-Type Activities. Business-type activities increased the Town of Lake Lure's net assets by \$166,481, accounting for 37% of the total growth in the government's net assets. The modest growth reflects strong financial practices in the face of increased costs. Among the issues facing the Town are:

- A Rural Center Grant in the amount of \$427,101 for sewer improvements.
- The sewer operational cost continued to run high due to efforts to bring the system into compliance with environmental regulations.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Lake Lure'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 Lake Lure's financing requirements. Specifically, fund balance available for appropriation 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 of Lake Lure. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,173,882, while total fund balance reached \$1,578,651. 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 General Fund expenditures, excluding transfers out. Unassigned fund balance represents 31.3% of the total General Fund expenditures, while total fund balance represents 42.1% of the same amount.

At June 30, 2012, the governmental funds of the Town of Lake Lure reported a combined fund balance of \$1,883,218, a \$260,283 or 16.04% increase over last year. Included in this change in fund balance are increases in fund balance in both the General Fund and the Capital Reserve and Silt Removal Fund.

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.

Revenues were more than budgeted amounts primarily because the sales tax collections were higher than management had anticipated. Expenditures were held in check to comply with its budgetary requirements.

Proprietary Funds. The Town of Lake Lure's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets of the enterprise funds at the end of the fiscal year amounted to \$269,811. Factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Lake Lure's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Lake Lure's investment in capital assets for its governmental and business-type activities as of June 30, 2012 totals \$15,021,040, (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Town of Lake Lure's Capital Assets
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,038,057	\$ 1,909,868	\$ 90,189	\$ 90,189	\$ 2,128,246	\$ 2,000,057
CIP	-	-	-	1,545,408	-	-
Buildings and system	2,600,544	2,600,544	3,832,694	3,835,694	6,433,238	6,436,238
Other improvements	1,611,794	962,813	60,517	58,517	1,672,311	1,021,330
Equipment and furniture	143,271	143,271	1,927,974	1,919,586	2,071,245	2,062,857
Infrastructure	880,437	760,437	6,349,885	4,352,960	7,230,322	5,113,397
Vehicles and motorized equipment	1,337,741	1,323,781	151,567	151,567	1,489,308	1,475,348
Accumulated depreciation	<u>(2,866,221)</u>	<u>(2,623,843)</u>	<u>(3,137,409)</u>	<u>(2,803,982)</u>	<u>(6,003,630)</u>	<u>-</u>
Total	<u>\$ 5,745,623</u>	<u>\$ 5,076,871</u>	<u>\$ 9,275,417</u>	<u>\$ 9,149,939</u>	<u>\$ 15,021,040</u>	<u>\$ 18,109,227</u>

Additional information on the Town's capital assets can be found in note 2 of the notes to the financial statements.

Long-Term Debt. As of June 30, 2012, the Town of Lake Lure had total long-term obligations outstanding of \$2,652,620.

**Town of Lake Lure's Long-Term Obligations
Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Installment obligations	\$ 653,456	\$ 187,328	\$ -	\$ -	\$ 653,456	\$ 187,328
General obligation indebtedness	-	-	1,999,164	2,106,901	1,999,164	2,106,901
Total	<u>\$ 653,456</u>	<u>\$ 187,328</u>	<u>\$ 1,999,164</u>	<u>\$ 2,106,901</u>	<u>\$ 2,652,620</u>	<u>\$ 2,294,229</u>

Additional information regarding long-term debt is as follows:

<u>Long-Term Obligations</u>	<u>Original Issuance Amount</u>	<u>Loan Balances 6/30/2011</u>	<u>2011 Principal Payments</u>	<u>Issuance Date</u>	<u>Maturity Date</u>
Dock improvements	\$ 57,305	\$ -	\$ 12,305	2008	2012
Golf course improvements	200,000	-	72,000	2010	2013
Fire station improvements	136,700	20,505	13,670	2003	2014
Telephone system	22,029	15,451	5,397	2011	2015
Marina project	650,000	617,500	32,500		
Water line extension and tank	1,119,085	783,360	55,954	2007	2026
Sewer pipe wrapping project*	2,535,172	1,215,804	63,990	2012	2032
Total	<u>\$ 4,720,291</u>	<u>\$ 2,652,620</u>	<u>\$ 255,816</u>		

**NOTE: The current year sewer pipe wrapping project is a State award utilizing ARRA funding. The award is a \$2.56 million, zero interest, construction line of credit, which will convert to an amortizing loan with 20 fixed annual repayments at zero interest. The award forgives one half of the amount utilized.*

Town of Lake Lure's Outstanding Debt

The Town of Lake Lure's total debt increased by \$406,392 during the current fiscal year. This increase was the result of the \$650,000 debt issuance for the Marina capital project.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government 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 Lake Lure is \$81,664,952. The Town has no bonds authorized, but unissued, at June 30, 2012.

Additional information regarding the Town of Lake Lure's long-term debt can be found in note 2 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth of the Town:

- The Town's charter school, which is expected to create both short-term construction opportunities and provide long-term employment from staffing school, is also expected to lead to additional residential development. The Town is anticipating the construction of a permanent school in two to three years.
- A county-wide real property revaluation is being planned for Spring 2012. The revaluation may significantly affect the current property values being reported.

Budget Highlights for the Fiscal Year Ending June 30, 2013

The Town of Lake Lure's 2013 budget is just under \$5,321,070 for the General Fund, and the two enterprise funds: Hydro-Electric Fund and Water/Sewer Fund. The FY 2013 budget was prepared with the current economic conditions in mind, in an effort to minimize the financial impact on the citizens of Lake Lure, while still providing the high level of service that the Town has strived to accomplish in years past. This budget is based on maintaining the current tax rate of \$0.246 per \$100 valuation.

In comparison to last year, overall revenues and expenditures are projected to increase by \$400,424 (8.2%). This is mainly due to the addition of a \$425,000 fire engine and a 10-year installment loan to finance it. Both revenues and expenditures were increased with this loan, offsetting each other. A closer look at the daily operating expenses of the Town (removing capital costs) shows a budget that has little increase in anticipated costs, the result of continued attention to sound fiscal practices.

General Fund

Governmental Activities: Property tax collections are expected to increase. Increased fees for Town rentals have been established that are more in line with the market. Additionally, a 3% increase in all fees has been set. Most budgeted expenditures in the General Fund are expected to remain constant.

Over the last several years, it has been the Council's goal to provide the highest level of service to our citizens, while continuing to be good stewards of the Town's finances. During the last two years, the Town has been able to provide many of the daily services necessary to keep Lake Lure a safe, clean, and healthy community despite the increasing costs and declining revenues experienced during these tight economic times. This has been done through changes in practice and policy that have allowed staff to function more efficiently and cost effectively without a decline in services provided. In addition, sound financial practices in the past allowed the Town to complete several significant capital projects, such as the improvements to Morse Park drainage project, a new Marina, and the Bridge Preservation Fund, just to name a few. In addition, the Town completed phase one of the Town Center Master plan and is working on a comprehensive market assessment and branding development initiative. These improvements provide an impetus for economic investment that will help provide greater value to our Town and our citizens.

In preparing the budget for FY 2013, the staff was mindful of the current economic issues that we face as a community, state, and nation. Although there are signs of slight growth in our economy and reason to believe a slow recovery is in sight, this budget takes a very conservative approach on revenue estimates. Since 2008, many of our revenue sources have seen little or no growth, and several major revenue sources have actually declined. This decrease, coupled with rising expenses puts a strain on the overall operating budget.

In 2012, Rutherford County re-assessed properties in Lake Lure and reduced their tax values by an average of 14%. In order to maintain essentially the same amount of municipal revenue in 2013, a rate of \$0.246 was needed. The council evaluated whether to keep the tax rate at the \$0.21 level, which would

reduce the average local tax bill by 14% . Ultimately, the council determine that it could be not justify the reduction in town services or expenditures in order to accommodate the loss of over \$300,000 in tax revenues. A revenue tax rate means that the town's overall tax revenues will stay about the same as in the prior year. State law requires that units of local government calculate and publish a revenue-neutral rate as part of the new budget. The revenue-neutral rate, as defined by NCGS 159-11(e) is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue for the current fiscal year if no reappraisal had occurred. That rate is then adjusted by the average annual growth rate since the last reappraisal. This does not mean that tax bills will remain the same, though. Property owners may see their local tax bill increase, decrease, or stay the same depending on whether their tax valuation changed by more or less than the 14% average decrease. For the Lake Lure taxpayer, 29% of their property tax bill supports their lake Lure budget and 71% supports Rutherford County's budget. The Town has no involvement in the setting of the county rates, the collection of the taxes or the spending priorities within the county budget. The budget includes proposed capital items for FY 2012. The budget calls for nearly \$370,000 in proposed capital in the General Fund and approximately \$240,000 in restricted funds (Powell Bill, Storm Water, and Cultural and Tourism). Most of these funds are for the replacement of old vehicles and equipment that are necessary for the daily operational aspects of the Town. There are also funds for planned road improvements in FY 2012. Again, this is in recognition of the current economic times and the Town's desire to keep Lake Lure an affordable community. It does allow us however to maintain the level needed in our core services necessary to meet the demands and maintain a high quality of life for our citizens.

Enterprise Funds

Business-Type Activities: Improvements to the wastewater collection system should help reduce water infiltration at the waste treatment plant which will help with capacity by allowing more customers to be connected to the system. Water and sewer rates have been increased by 3%. The Town has begun investing in capital outlays at the Hydroelectric facility to help maximize rates. The town is negotiating a new contract that increases rates over the next 10 years.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Sam Karr, Town of Lake Lure, Lake Lure, North Carolina 28746.

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BASIC FINANCIAL STATEMENTS

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TOWN OF LAKE LURE, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Town of Lake Lure ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,650,428	\$ 511,521	\$ 2,161,949	\$ 164,464
Taxes receivable, net	92,701	-	92,701	-
Accounts receivable, net	37,237	144,008	181,245	-
Due from other governments	305,291	-	305,291	-
Inventories	752	29,571	30,323	79,476
Prepaid expenses	-	-	-	2,521
Internal balances	342,500	(342,500)	-	-
Total current assets	2,428,909	342,600	2,771,509	246,461
Non-current assets:				
Restricted assets:				
Cash and cash equivalents, restricted	16,922	-	16,922	-
Total restricted assets	16,922	-	16,922	-
Capital assets:				
Land and other non-depreciable capital assets	2,038,057	90,189	2,128,246	-
Depreciable capital assets, net	3,707,566	9,185,228	12,892,794	23,929
Total capital assets	5,745,623	9,275,417	15,021,040	23,929
Total non-current assets	5,762,545	9,275,417	15,037,962	23,929
Total assets	8,191,454	9,618,017	17,809,471	270,390
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	117,797	51,220	169,017	71,856
Unearned revenues	9,615	-	9,615	-
Current portion of compensated absences	37,240	4,554	41,794	-
Current portion of long-term liabilities	84,083	119,944	204,027	-
Total current liabilities	248,735	175,718	424,453	71,856
Long-term liabilities:				
Compensated absences	111,719	13,662	125,381	-
Due in more than one year	704,107	1,882,573	2,586,680	-
Total long-term liabilities	815,826	1,896,235	2,712,061	-
Total liabilities	1,064,561	2,071,953	3,136,514	71,856
Net Assets:				
Invested in capital assets, net of related debt	5,109,089	7,276,253	12,385,342	23,929
Restricted for:				
Stabilization by State statute	342,528	-	342,528	-
Working capital	-	-	-	22,129
Other	111,489	-	111,489	699
Unrestricted	1,563,787	269,811	1,833,598	151,777
Total net assets	\$ 7,126,893	\$ 7,546,064	\$ 14,672,957	\$ 198,534

The accompanying notes are an integral part of the financial statements.

TOWN OF LAKE LURE, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 1,179,454	\$ 34,748	\$ 17,259	\$ -
Public safety	1,446,320	30	4,525	10,000
Transportation and physical development	372,122	-	67,363	-
Environmental protection	140,329	18,233	-	-
Cultural and recreation	765,580	524,711	-	240,000
Interest on long-term debt	10,423	-	-	-
Total governmental activities	3,914,228	577,722	89,147	250,000
Business-Type Activities:				
Electric	234,944	206,631	-	-
Water and Sewer	875,902	641,643	-	478,328
Total business-type activities	\$ 1,110,846	\$ 848,274	\$ -	\$ 478,328
Component Unit:				
ABC Board	\$ 665,070	\$ 677,783	\$ -	\$ -

General Revenues:

Ad valorem taxes
Unrestricted intergovernmental
Investment earnings
Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net Assets:

Beginning of year - July 1
Prior period adjustment
Beginning of year, as restated

End of year - June 30

The accompanying notes are an integral part of the financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Town of Lake Lure ABC Board
Governmental Activities	Business-Type Activities	Total	
\$ (1,127,447)	\$ -	\$ (1,127,447)	
(1,431,765)	-	(1,431,765)	
(304,759)	-	(304,759)	
(122,096)	-	(122,096)	
(869)	-	(869)	
(10,423)	-	(10,423)	
<u>(2,997,359)</u>	<u>-</u>	<u>(2,997,359)</u>	
-	(28,313)	(28,313)	
-	244,069	244,069	
<u>\$ -</u>	<u>215,756</u>	<u>215,756</u>	
			<u>\$ 12,713</u>
2,129,999	-	2,129,999	-
1,100,505	-	1,100,505	-
<u>1,633</u>	<u>725</u>	<u>2,358</u>	<u>1,006</u>
3,232,137	725	3,232,862	1,006
<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
<u>3,282,137</u>	<u>(49,275)</u>	<u>3,232,862</u>	<u>1,006</u>
<u>284,778</u>	<u>166,481</u>	<u>451,259</u>	<u>13,719</u>
6,842,115	7,349,486	14,191,601	184,815
<u>-</u>	<u>30,097</u>	<u>30,097</u>	<u>-</u>
<u>6,842,115</u>	<u>7,379,583</u>	<u>14,221,698</u>	<u>184,815</u>
<u>\$ 7,126,893</u>	<u>\$ 7,546,064</u>	<u>\$ 14,672,957</u>	<u>\$ 198,534</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LAKE LURE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	Major Fund		Nonmajor Fund	Total
	General Fund	Marina Capital Project Fund	Other Governmental Funds	Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,362,783	\$ -	\$ 287,645	\$ 1,650,428
Taxes receivable, net	92,701	-	-	92,701
Accounts receivable, net	37,237	-	-	37,237
Inventories	752	-	-	752
Due from other governments	305,291	-	-	305,291
Restricted cash and cash equivalents	-	16,922	-	16,922
Total assets	<u>\$ 1,798,764</u>	<u>\$ 16,922</u>	<u>\$ 287,645</u>	<u>\$ 2,103,331</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses	\$ 117,797	\$ -	\$ -	\$ 117,797
Deferred revenue	102,316	-	-	102,316
Total liabilities	<u>220,113</u>	<u>-</u>	<u>-</u>	<u>220,113</u>
Fund Balances:				
Non-spendable, not in spendable form:				
Inventories	752	-	-	752
Restricted:				
Stabilization by State statute	342,528	-	-	342,528
Restricted, other	11,489	16,922	100,000	128,411
Committed	-	-	187,645	187,645
Assigned	50,000	-	-	50,000
Unassigned	<u>1,173,882</u>	<u>-</u>	<u>-</u>	<u>1,173,882</u>
Total fund balances	<u>1,578,651</u>	<u>16,922</u>	<u>287,645</u>	<u>1,883,218</u>
Total liabilities and fund balances	<u>\$ 1,798,764</u>	<u>\$ 16,922</u>	<u>\$ 287,645</u>	<u>2,103,331</u>

Amounts Reported for Governmental Activities in the Statement of Net Assets (Exhibit A) Are Different Because:

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	5,745,623
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(937,149)
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be received within 60 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.	92,701
Long-term receivables, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	342,500
Net assets of governmental activities per Exhibit A	<u>\$ 7,126,893</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LAKE LURE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Major Fund		Nonmajor Fund	
	General Fund	Marina Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 2,158,569	\$ -	\$ -	\$ 2,158,569
Unrestricted intergovernmental	1,100,505	-	-	1,100,505
Restricted intergovernmental	80,692	-	120,000	200,692
Permits and fees	271,771	-	-	271,771
Sales and service	156,188	-	-	156,188
Investment earnings	1,469	164	-	1,633
Miscellaneous	48,940	-	4,000	52,940
Total revenues	<u>3,818,134</u>	<u>164</u>	<u>124,000</u>	<u>3,942,298</u>
Expenditures:				
Current:				
General government	729,830	-	-	729,830
Public safety	1,313,360	-	-	1,313,360
Transportation and physical development	335,448	-	-	335,448
Environmental protection	195,695	-	-	195,695
Cultural and recreation	696,035	628,518	-	1,324,553
Unemployment and insurance	142,273	-	-	142,273
Special projects	190,236	-	-	190,236
Debt service:				
Principal retirement	135,473	-	-	135,473
Interest and other charges	10,423	-	-	10,423
Debt issuance costs	-	4,724	-	4,724
Total expenditures	<u>3,748,773</u>	<u>633,242</u>	<u>-</u>	<u>4,382,015</u>
Revenues over (under) expenditures	<u>69,361</u>	<u>(633,078)</u>	<u>124,000</u>	<u>(439,717)</u>
Other Financing Sources (Uses):				
Transfers to other funds	-	-	(20,000)	(20,000)
Transfers from other funds	70,000	-	-	70,000
Debt proceeds	-	650,000	-	650,000
Total other financing sources (uses)	<u>70,000</u>	<u>650,000</u>	<u>(20,000)</u>	<u>700,000</u>
Net change in fund balances	139,361	16,922	104,000	260,283
Fund Balances:				
Beginning of year - July 1	<u>1,439,290</u>	<u>-</u>	<u>183,645</u>	<u>1,622,935</u>
End of year - June 30	<u>\$ 1,578,651</u>	<u>\$ 16,922</u>	<u>\$ 287,645</u>	<u>\$ 1,883,218</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LAKE LURE, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 260,283
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 60 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:	
Property taxes	(28,570)
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(149,559)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	791,130
Capital contributions are not reported in the governmental funds; however, in the Statement of Activities, capital contributions are reported as revenues.	120,000
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(242,378)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	183,872
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	<u>(650,000)</u>
Change in net assets of governmental activities per Exhibit B	<u>\$ 284,778</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LAKE LURE, NORTH CAROLINA

MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/Under
	Original Budget	Final Budget		
Revenues:				
Ad valorem taxes	\$ 2,110,030	\$ 2,110,030	\$ 2,158,569	\$ 48,539
Unrestricted intergovernmental	1,011,400	1,033,586	1,100,505	66,919
Restricted intergovernmental	62,750	96,449	80,692	(15,757)
Permits and fees	252,325	252,275	271,771	19,496
Sales and services	173,430	171,830	156,188	(15,642)
Investment earnings	1,500	1,500	1,469	(31)
Miscellaneous	82,668	52,406	48,940	(3,466)
Total revenues	<u>3,694,103</u>	<u>3,718,076</u>	<u>3,818,134</u>	<u>100,058</u>
Expenditures:				
Current:				
General government	763,114	749,141	729,830	19,311
Public safety	1,360,547	1,374,339	1,313,360	60,979
Transportation and physical development	342,772	343,869	335,448	8,421
Environmental protection	187,400	192,229	195,695	(3,466)
Cultural and recreation	689,868	731,473	696,035	35,438
Unemployment and insurance	135,540	148,040	142,273	5,767
Special projects	98,025	209,105	190,236	18,869
Debt service:				
Principal retirement	146,975	147,828	135,473	12,355
Interest and other charges	29,862	30,788	10,423	20,365
Total expenditures	<u>3,754,103</u>	<u>3,926,812</u>	<u>3,748,773</u>	<u>178,039</u>
Revenues over (under) expenditures	<u>(60,000)</u>	<u>(208,736)</u>	<u>69,361</u>	<u>278,097</u>
Other Financing Sources (Uses):				
Transfers to other funds	110,000	-	-	-
Transfers from other funds	(50,000)	70,000	70,000	-
Appropriated fund balance	-	138,736	-	(138,736)
Total other financing sources (uses)	<u>60,000</u>	<u>208,736</u>	<u>70,000</u>	<u>(138,736)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	139,361	<u>\$ 139,361</u>
Fund Balance:				
Beginning of year - July 1			<u>1,439,290</u>	
Fund balance, end of year			<u>\$ 1,578,651</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF LAKE LURE, NORTH CAROLINA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2012

	Major Funds		
	Electric Fund	Water and Sewer Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 406,614	\$ 104,907	\$ 511,521
Accounts receivable, net	37,218	106,790	144,008
Inventories	-	29,571	29,571
Total current assets	443,832	241,268	685,100
Capital assets:			
Land	57,889	32,300	90,189
Depreciable capital assets, net	585,956	8,599,272	9,185,228
Capital assets, net	643,845	8,631,572	9,275,417
Total assets	1,087,677	8,872,840	9,960,517
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	18,088	33,132	51,220
Due to other funds	-	342,500	342,500
Compensated absences, current	1,983	2,572	4,554
Current portion of long-term debt	-	119,944	119,944
Total current liabilities	20,071	498,148	518,218
Non-current liabilities:			
Other post-employment benefits	321	3,032	3,353
Compensated absences	5,948	7,715	13,662
Installment obligations payable	-	1,879,220	1,879,220
Total non-current liabilities	6,269	1,889,967	1,896,235
Total liabilities	26,339	2,388,114	2,414,453
Net Assets:			
Invested in capital assets, net of related debt	643,845	6,632,408	7,276,253
Unrestricted	417,493	(147,682)	269,811
Total net assets	\$ 1,061,338	\$ 6,484,726	\$ 7,546,064

The accompanying notes are an integral part of the financial statements.

TOWN OF LAKE LURE, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Major Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 206,631	\$ 627,818	\$ 834,449
Water and sewer taps	-	5,350	5,350
Restricted intergovernmental	-	478,328	-
Other operating revenues	-	8,475	8,475
Total operating revenues	<u>206,631</u>	<u>1,119,971</u>	<u>1,326,602</u>
Operating Expenses:			
Salaries and benefits	54,208	199,372	253,580
General operations	131,393	370,108	501,501
Depreciation	<u>47,351</u>	<u>287,076</u>	<u>334,427</u>
Total operating expenses	<u>232,952</u>	<u>856,556</u>	<u>1,089,508</u>
Operating income (loss)	<u>(26,321)</u>	<u>263,415</u>	<u>237,094</u>
Non-Operating Revenues (Expenses):			
Investment earnings	476	249	725
Interest and other charges	-	(19,346)	(19,346)
Other operating expenditures	<u>(1,992)</u>	<u>-</u>	<u>(1,992)</u>
Total non-operating revenues (expenses)	<u>(1,516)</u>	<u>(19,097)</u>	<u>(20,613)</u>
Income (loss) before contributions and transfers	(27,837)	244,318	216,481
Transfers:			
Transfers (out)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(50,000)</u>
Change in net assets	<u>(52,837)</u>	<u>219,318</u>	<u>166,481</u>
Net Assets:			
Beginning of year - July 1	1,114,175	6,235,311	7,349,486
Prior period adjustment	<u>-</u>	<u>30,097</u>	<u>30,097</u>
Beginning of year - July 1, as restated	<u>1,114,175</u>	<u>6,265,408</u>	<u>7,379,583</u>
End of year - June 30	<u>\$ 1,061,338</u>	<u>\$ 6,484,726</u>	<u>\$ 7,546,064</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LAKE LURE, NORTH CAROLINA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Major Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 169,413	\$ 643,102	\$ 812,515
Cash paid for goods and services	(128,399)	(578,493)	(706,892)
Cash paid to or on behalf of employees for services	(54,189)	3,088	(51,101)
Other operating revenues	-	478,328	478,328
Net cash provided by (used) operating activities	<u>(13,175)</u>	<u>546,025</u>	<u>532,850</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers to other funds	<u>(25,000)</u>	<u>(25,000)</u>	<u>(50,000)</u>
Net cash provided (used) by non-capital financing activities	<u>(25,000)</u>	<u>(25,000)</u>	<u>(50,000)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(8,388)	(451,517)	(459,905)
Proceeds from debt issuance	-	12,208	12,208
Principal paid on installment note	-	(119,944)	(119,944)
Interest paid on installment note	<u>-</u>	<u>(19,346)</u>	<u>(19,346)</u>
Net cash provided (used) by capital and related financing activities	<u>(8,388)</u>	<u>(578,599)</u>	<u>(586,987)</u>
Cash Flows from Investing Activities:			
Investment earnings	<u>476</u>	<u>249</u>	<u>725</u>
Net increase (decrease) in cash and cash equivalents	(46,087)	(57,325)	(103,412)
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>452,701</u>	<u>162,232</u>	<u>614,933</u>
End of year - June 30	<u>\$ 406,614</u>	<u>\$ 104,907</u>	<u>\$ 511,521</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (26,321)	\$ 263,415	\$ 237,094
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	47,351	287,076	334,427
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(39,210)	178,121	138,911
Increase (decrease) in accrued vacation pay	-	1,546	1,546
Increase (decrease) in accounts payable and accrued liabilities	4,986	(185,150)	(180,164)
Increase (decrease) OPEB	<u>19</u>	<u>1,017</u>	<u>1,036</u>
Net cash provided (used) by operating activities	<u>\$ (13,175)</u>	<u>\$ 546,025</u>	<u>\$ 532,850</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LAKE LURE, NORTH CAROLINA**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUND****JUNE 30, 2012**

	Agency Fund
	<hr/>
Assets:	
Cash and cash equivalents	\$ 2,175
Receivables	18,904
	<hr/>
Total assets	\$ 21,079
	<hr/> <hr/>
Liabilities:	
Miscellaneous liabilities	\$ 21,079
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Lake Lure, North Carolina, (the "Town"), and its discretely presented component unit conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation which is governed by an elected Mayor and a Town Council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and its component unit, a legally-separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Lake Lure ABC Board

The members of the ABC Board's governing body are appointed by the Town. In addition, the ABC Board is required by the State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Lake Lure ABC Board, Lake Lure, North Carolina 28746.

B. Basis of Presentation

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

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Fund Financial Statements. The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor 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 non-exchange transactions. Other non-operating revenues, such as investment earnings, are ancillary activities.

The Town reports the following major governmental funds:

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 general government administration, public safety, street maintenance, and construction.

Marina Capital Project Fund. This fund is being used to account for funds that are associated with Marina capital improvements and expansion.

The Town reports the following nonmajor governmental funds:

Capital Reserve and Silt Removal Fund. This fund is used to account for excess unrestricted revenues over expenses, which have been designated for future capital expenditures and/or major silt removal maintenance expenditures.

Bridge Preservation Reserve. This fund is used to account for the funds that the Town received from the State when the State transferred ownership of a bridge to the Town. These funds are to be used for the maintenance of the Town bridge. The bridge was donated by the State as part of the agreement and the Town has assumed all maintenance responsibilities.

Reserve for Fire Equipment. This fund is used to account for funds that are reserved to be used to purchase future fire equipment.

Proprietary Funds

The Town reports on the following major enterprise funds:

Electric Fund. This fund is used to account for the Town's Electric Fund operations.

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The Town also reports an enterprise fund capital project fund for a multi year pipe wrapping sewer project. This fund is reported in a Non-GAAP schedule in the supplementary

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

section of this report and is consolidated with the water and sewer fund for GAAP reporting purposes in the Basic Financial Statements.

The Town reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve measurement of operating results. Agency funds are used to account for assets the Town holds on behalf of others. The Town maintains one Agency Fund: Chimney Rock Water.

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, Proprietary, and Fiduciary Fund Financial Statements. The government-wide and proprietary funds are reported using the economic resources measurement focus. The agency funds do not have a measurement focus. The government-wide, proprietary, and fiduciary 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 and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants 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 charged to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The Town considers all revenues available if they are collected within ninety (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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Rutherford County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Lake Lure. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Rutherford County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual, because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recognized as unearned 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 are both restricted and unrestricted net assets 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 by general revenues.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, special revenue funds, the Reserve for Fire Equipment Fund, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Marina Capital Project Fund and the Enterprise Capital Projects Fund. The enterprise capital projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting except for encumbered monies, which are carried forward into the subsequent annual budget. Expenditures may not legally exceed appropriations at the functional level for the annually budgeted funds of the General Fund and Special Revenue Fund. Expenditures may not legally exceed appropriations at the fund level for all annually budgeted funds of the enterprise funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations more than \$2,500. All

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary and were approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

Deposits and Investments

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

State law [G. S. 159-30(c)] authorizes the Town and the ABC Board 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 the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, an SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Restricted Assets

Unspent debt proceeds in the Marian Capital Project Fund are classified as restricted assets for the fund because their use is restricted to the purpose for which the note was originally issued.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2007. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Allowance for Doubtful Accounts

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

Inventory and Prepaid Items

The inventories of the Town's enterprise funds and those of the ABC Board are valued at cost (first-in, first-out and average), which approximates market. The inventories consist of materials and supplies, held for consumption, and are expensed when consumed rather than when purchased.

The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; vehicles and motorized equipment, \$5,000; computer software, \$5,000; and computer equipment \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003 consist of the road network 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 assets, or materially extend assets lives, are not capitalized.

Over the years there are parcels of land around the lake that have been created due to silt and other occurrences of nature. The Town does not hold title to this land. There is no historical cost to this land and therefore it is not recorded at a value in the financial records. If recorded at the current value in the financial records, the land value of the Town could differ significantly.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

Asset	Estimated Useful Lives
Infrastructure	10-50 years
Buildings	40 years
Improvements	10-50 years
Vehicles and motorized equipment	6 years
Furniture and equipment	7-10 years
Computer software	5 years
Computer equipment	3 years

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset	Estimated Useful Lives
Buildings	20 years
Furniture and equipment	5-10 years
Vehicles	3-5 years
Leasehold improvements	5-20 years
Computers	3 years

Long-Term Obligations

In the government-wide financial statements and in the 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 Assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources and repayment of long-term obligations as debt service expenditures.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty (30) days earned vacation leave, with such leave being fully vested when earned. Any excess amounts of vacation leave roll to sick leave time. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The 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 statements.

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

Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in tact.

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.

Restricted Fund Balance

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Restricted for Stabilization by State Statute – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

Restricted for general government - portion of fund balance that is restricted by revenue source for the purpose of alcohol and drug education.

Restricted for culture and recreation – portion of fund balance restricted by revenue source for the construction of a new marina and bridge beautification. This amount represents the balance of the total unexpended funds for the issuance of installment debt and unexpended grant proceeds.

Restricted fund balance at June 30, 2012 is as follows:

Purpose	General Fund	Marina Capital Project Fund	Other Governmental Fund	Total
Restricted, all other:				
Stabilization by State statute	\$ 342,528	\$ -	\$ -	\$ 342,528
General government	11,489	-	-	11,489
Culture and recreation	-	16,922	100,000	116,922
Total	<u>\$ 354,017</u>	<u>\$ 16,922</u>	<u>\$ 100,000</u>	<u>\$ 470,939</u>

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for capital reserves and silt removal – portion of fund balance available for appropriation, but by legally segregated to be held for silt removal, and the purchases of fire equipment.

Purpose	Other Governmental Funds	Total
Committed:		
Fire equipment capital reserve	\$ 10,000	\$ 10,000
Silt removal capital reserve	177,645	177,645
Total	<u>\$ 187,645</u>	<u>\$ 187,645</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes. The Town's governing body has the authority to assign fund balance. The Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

Council protection – portion of fund balance designated by the Board for legal assistance in the event a member of the Town Council is sued in his individual capacity for an alleged breach of duty incurred in the performance of the individual's office.

Assigned fund balance at June 30, 2012 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Total</u>
Assigned, All Other:		
Council protection	\$ 50,000	\$ 50,000
Total	<u>\$ 50,000</u>	<u>\$ 50,000</u>

Unassigned Fund Balance

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, State funds, local funds, and Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town or when required by grant or other contractual agreements.

The Town has not officially adopted a fund balance policy.

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

Total fund balance - General Fund	\$ 1,578,651
Less:	
Stabilization by State statute	342,528
Inventories	<u>752</u>
Total available fund balance	<u>\$ 1,235,371</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

F. Revenues, Expenditures, and Expenses

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. Detail Notes On All Funds

A. Assets

Deposits

All deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, 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 undercollateralization, and the risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial 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 depositories are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2012, the Town's deposits had a carrying amount of \$2,044,315 and a bank balance of \$2,081,479. Of the bank balance, \$266,922 was covered by federal depository insurance, and \$1,814,557 was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$162,206 and the bank balance was \$146,637. At June 30, 2012, the Town's petty cash totaled \$275.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Investments

At June 30, 2012, the Town had \$136,456 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poors. The Town has no formal investment policy regarding interest rate risk and no formal policy regarding credit risk, or concentration of credit risk.

Receivables

Receivables at Exhibit A at June 30, 2012 were as follows:

<u>Type of Receivable</u>	<u>Amount (Net of Allowance)</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Receivable:			
Taxes receivable	\$ 92,701	\$ -	\$ 92,701
Other accounts receivable	37,237	-	37,237
Customer/client billings	-	144,008	144,008
Total	<u>\$ 129,938</u>	<u>\$ 144,008</u>	<u>\$ 273,946</u>
Due from Other Governments:			
Sales tax refund	\$ 305,291	\$ -	\$ 305,291
Total	<u>\$ 305,291</u>	<u>\$ -</u>	<u>\$ 305,291</u>

Allowances for Doubtful Accounts

The amounts presented in the Statement of Net Assets and Balance Sheet are net of the following allowances for doubtful accounts:

	<u>Taxes</u>
Governmental Activities:	
Taxes receivable	\$ 30,636
Business-Type Activities:	
Water and Sewer Receivables	12,351
Total	<u>\$ 42,987</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Capital Assets

Governmental Capital Assets

A summary of changes in the Town's governmental capital assets follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Non-Depreciable Assets:				
Land	\$ 1,909,868	\$ 128,189	\$ -	\$ 2,038,057
Depreciable Assets:				
Buildings	2,600,544	-	-	2,600,544
Other improvements	962,813	648,981	-	1,611,794
Equipment and furniture	143,271	-	-	143,271
Infrastructure	760,437	120,000	-	880,437
Vehicles and Equipment	1,323,781	13,960	-	1,337,741
Total depreciable assets	<u>5,790,846</u>	<u>782,941</u>	<u>-</u>	<u>6,573,787</u>
Less Accumulated Depreciation:				
Buildings	1,130,580	47,729	-	1,178,309
Other improvements	190,651	65,314	-	255,965
Equipment and furniture	90,924	9,583	-	100,507
Infrastructure	109,446	36,821	-	146,267
Vehicles and equipment	1,102,242	82,931	-	1,185,173
Total accumulated depreciation	<u>2,623,843</u>	<u>\$ 242,378</u>	<u>\$ -</u>	<u>2,866,221</u>
Total capital assets being depreciated, net	<u>3,167,003</u>			<u>3,707,566</u>
Governmental capital assets, net	<u>\$ 5,076,871</u>			<u>\$ 5,745,623</u>

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

Governmental Activities:	
General government	\$ 38,417
Public safety	63,745
Transportation and physical development	55,131
Cultural and recreation	85,085
Total	<u>\$ 242,378</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2012 are as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Electric power facility:				
Non-Depreciable Assets:				
Land	\$ 57,889	\$ -	\$ -	\$ 57,889
Depreciable Assets:				
Buildings	58,701	-	-	58,701
Furniture and equipment	33,795	-	-	33,795
Improvements	1,629,894	8,388	-	1,638,282
Total depreciable capital assets	<u>1,722,390</u>	<u>8,388</u>	<u>-</u>	<u>1,730,778</u>
Less Accumulated Depreciation:				
Buildings	978	2,935	-	3,913
Furniture and equipment	13,801	3,380	-	17,181
Improvements	1,082,692	41,036	-	1,123,728
Total accumulated depreciation	<u>1,097,471</u>	<u>\$ 47,351</u>	<u>\$ -</u>	<u>1,144,822</u>
Total capital assets being depreciated, net	<u>624,919</u>			<u>585,956</u>
Capital assets, net	<u>\$ 682,808</u>			<u>\$ 643,845</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Water and Sewer Fund:				
Non-Depreciable Assets:				
Land	\$ 32,300	\$ -	\$ -	\$ 32,300
Construction in progress	1,545,408	451,517	(1,996,925)	-
Total non-depreciable assets	<u>1,577,708</u>	<u>451,517</u>	<u>(1,996,925)</u>	<u>32,300</u>
Depreciable Assets:				
Water plant and lines	3,776,993	-	-	3,776,993
Water reservoir	24,722	-	-	24,722
Waste treatment plant and lines	4,352,960	1,996,925	-	6,349,885
Equipment	289,692	-	-	289,692
Vehicles	151,567	-	-	151,567
Total depreciable capital assets	<u>8,595,934</u>	<u>1,996,925</u>	<u>-</u>	<u>10,592,859</u>
Less Accumulated Depreciation:				
Water plant and lines	620,144	66,827	-	686,971
Water reservoir	14,026	454	-	14,480
Waste treatment plant and lines	713,433	202,052	-	915,485
Equipment	213,035	12,524	-	225,559
Vehicles	145,873	5,219	-	151,092
Total accumulated depreciation	<u>1,706,511</u>	<u>\$ 287,076</u>	<u>\$ -</u>	<u>1,993,587</u>
Total capital assets being depreciated, net	<u>6,889,423</u>			<u>8,599,272</u>
Capital assets, net	<u>\$ 8,467,131</u>			<u>\$ 8,631,572</u>

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
ABC Board:				
Depreciable Assets:				
Equipment	\$ 66,532	\$ 8,131	\$ (463)	\$ 74,200
Leasehold Improvements	10,365	-	-	10,365
Total depreciable capital assets	<u>76,897</u>	<u>8,131</u>	<u>(463)</u>	<u>84,565</u>
Less Accumulated Depreciation:				
Equipment	47,215	4,140	(463)	50,892
Leasehold Improvements	9,570	174	-	9,744
Total accumulated depreciation	<u>56,785</u>	<u>\$ 4,314</u>	<u>\$ (463)</u>	<u>60,636</u>
ABC Board capital assets, net	<u>\$ 20,112</u>			<u>\$ 23,929</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Invested in Capital Assets, Net of Related Debt

The total invested in capital assets, net of related debt, at June 30, 2012 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 5,745,623	\$ 9,275,417
Long-term debt	(653,456)	(1,999,164)
Unspent debt proceeds	16,922	-
Invested in capital assets, net of related debt	<u>\$ 5,109,089</u>	<u>\$ 7,276,253</u>

B. Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2012:

	Vendors	Salaries and Benefits	Total
Governmental activities	<u>\$ 97,736</u>	<u>\$ 20,061</u>	<u>\$ 117,797</u>
Business-type activities	<u>\$ 40,985</u>	<u>\$ 10,235</u>	<u>\$ 51,220</u>

Commitments

The Town has begun a Marina Seawall and Dock Replacement project, which was financed through an installment purchase. The ten-year 2.31% loan of \$650,000 is planned to be paid for by increases to the number of slip rentals and fees.

Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town contributes to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Funding Policy. Plan members are required to contribute six percent (6%) of their annual covered salary. The Town and the ABC Board are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.88% and 7.36%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 6.88% of annual covered payroll. The contribution requirements of members and of the Town and the ABC Board are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$106,723, \$102,474, \$77,945, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$-0-, \$-0-, and \$-0-, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town 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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits:	1
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	10
Total	<u>11</u>

A separate report was not issued for the Plan.

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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions include (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.

Annual Pension Cost and Net Pension Obligation. The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 16,059
Interest on net pension obligation	5,895
Adjustment to annual required contribution	<u>(7,337)</u>
Annual pension cost	14,617
Contribution made	<u>15,401</u>
Increase in net pension obligation	(784)
Net Pension Obligation:	
Beginning of year - July 1	<u>117,893</u>
End of year - June 30	<u><u>\$ 117,109</u></u>

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 17,259	89.23%	\$ 118,687
2011	14,607	105.44%	117,893
2012	14,617	105.36%	117,109

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$137,730. The covered payroll (annual payroll of active employees covered by the Plan) was \$415,406, and the ratio of the UAAL to the covered payroll was 33.16 percent.

The Schedule of Funding Progress, presented as required supplementary information following the rest to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan

Law Enforcement Officers

Plan Description. The Town makes contributions to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent (5%) of each officer's salary, and all amounts are vested immediately. Law enforcement officers may also make voluntary contributions to the Plan. Contributions to the Plan for the year ended June 30, 2012 were \$27,276, which consisted of \$21,285 from the Town and \$5,991 from the law enforcement officers.

General Employees

Plan Description. The Town has elected to contribute to the Plan for the general employees as well as for law enforcement officers. Participation begins at the date of employment. Employees may contribute up to fifteen percent (15%) of their annual salary, not to exceed the maximum amount established by law. The Town will match the contribution one hundred percent (100%) up to five percent (5%) of the employee's salary. Contributions for the year ended June 30, 2012 were \$73,607, which consisted of \$55,817 from the Town and \$17,790 from the employees.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Other Post-Employment Benefits

Healthcare Benefits

Medical Insurance Benefits

Plan Description. The post-employment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establish premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Major Comprehensive Major Medical Plan (also referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919)981-5454.

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees are eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a non-contributory basis. Employees first hired on and after October 1, 2006 with ten but less than 20, years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total non-contributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986 receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go-basis, are determined by the General Assembly in the Appropriation Bill. For the fiscal year ended June 30, 2012, 2011, and 2010, the Town paid all annual required contributions to the Plan for post-employment healthcare benefits of \$77,038, \$77,494, and \$72,856, respectively. These contributions represent 5.0%, 4.9%, and 4.5% of covered payroll.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Other Insurance Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit healthcare plan which covers dental, vision, and life insurance ("the Retiree Health Plan"). This Plan provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town.

The Town pays the full cost of coverage for these benefits. The Town Council may amend the benefit provisions. A separate report was not issued for the Plan.

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by the Town Council. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds have been set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended June 30, 2012, the Town's contributions were \$2,987.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC).

The current ARC rate is .61% of annual covered payroll. For the current year, the Town contributed \$2,987 or 0.20% of annual covered payroll. The Town obtains healthcare coverage through private insurers. There were no contributions made by employees. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Town Council.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting, the Water and Sewer Fund, and the Electric Power Facility Fund, which are maintained on the full accrual basis of accounting. The fund source for the expenditure is based on the funding source of the employee at the time of retirement. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net Obligation. The Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 54 for employers in plans fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Town's net OPEB obligation for the post-employment benefits:

Annual required contribution	\$ 9,342
Interest on net OPEB obligation	280
Adjustment to annual required contribution	(462)
Annual OPEB cost	9,160
Contributions made	(2,987)
Increase in net OPEB obligation	6,173
Net OPEB Obligation:	
Beginning of year - July 1	14,805
End of year - June 30	<u>\$ 20,978</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012 were as follows:

Year Ended June 30	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
2010	\$ 6,765	12.70%	\$ 6,765
2011	9,524	15.60%	14,805
2012	9,160	32.61%	20,978

Funded Status and Funding Progress. As of June 30, 2012, the most recent valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$74,649. The covered payroll (annual payroll of active employees covered by the plan) was \$1,540,760, and the ratio of the UAAL to the covered payroll was 4.84 percent. Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year which the member would qualify for benefits.

Marital Status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Insurance cost trend – The expected rate of increase in dental, vision, and life insurance premiums was based on management estimates of increases in historical premiums paid applied to current premium cost. A rate of 2.5% initially, reduced to an ultimate rate of 1% after nine years, was used.

Insurance premiums – 2012 dental, vision, and life insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – the expected long-term inflation assumption is 3.83%.

Payroll growth rate – the expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 3.00% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was thirty years.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Other Employee Benefits

Death Benefit Plan

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-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 one hundred eighty (180) days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial. In addition to the Death Benefit Plan, the Town has elected to provide additional death benefit coverage for all eligible employees through the North Carolina League of Municipality. The additional benefit equals twice an employee's annual salary.

Group Life Insurance

The Town pays the full cost of a life insurance policy for all regular full-time employees who work a minimum of 32 hours per week. Employee coverage is equivalent to double the employee's current salary and payable to the designated beneficiary of the employee.

Deferred Revenues/Unearned Revenues

The balance in deferred revenues on the fund statements at year-end is composed of the following elements:

	Deferred Revenues
General Fund:	
Taxes receivable (net)	\$ 92,701
Prepaid taxes not yet earned	9,615
Total	<u>\$ 102,316</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The balance in unearned items in the government-wide statements at year-end is composed of the following elements:

	Governmental	
	Activities	Total
Prepaid taxes	\$ 9,615	\$ 9,615
Total	\$ 9,615	\$ 9,615

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 coverage of \$2 million per occurrence, auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police, and public officials for claims in excess of \$1 million for property claims in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town provides health insurance coverage to eligible employees through a third party. Any health claims in excess of policy limits are the responsibility of the employee and not the Town.

The Town carries limited flood damage coverage through the North Carolina League of Municipalities because the Town has been mapped and flood zones have been identified. The coverage has a \$50,000 deductible.

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 Tax Collector are each individually bonded for \$50,000 and \$20,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$20,000, in regards to employee dishonesty, forgery, and altecation, and \$5,000 for theft of money and securities per occurrence.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Claims, Judgments, and Contingent Liabilities

At June 30, 2012, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Long-Term Obligations

Installment Notes Payable

A schedule of the Town's governmental activities include the following installment purchases:

	<u>Balance</u>
Note payable, bearing interest at 3.19% per annum, with 20 semi-annually principal and interest payments (principal payments are fixed throughout the term), beginning March 2004 and ending September 2013; collateralized by the Town's fire station	\$ 20,505
Note payable, bearing interest at 8.00% per annum, with 49 equal monthly payments of principal and interest of \$538, beginning April 2011 and ending March 2015; collateralized by a telephone system	15,451
Note payable, bearing interest at 2.31% per annum, with 20 equal monthly payments of principal and interest, beginning November 2011 and ending November 2021; collateralized by land and Marina expansion	<u>617,500</u>
Total installment debt	<u><u>\$ 653,456</u></u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Annual debt service payments are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 84,083	\$ 15,475
2014	77,697	13,087
2015	69,176	11,012
2016	65,000	9,384
2017	65,000	7,883
2018-2022	292,500	16,892
Total	<u>\$ 653,456</u>	<u>\$ 73,733</u>

At June 30, 2012, the Town had a legal debt margin of \$79,012,333.

General Obligation Indebtedness

The Town's general obligations were issued to finance the construction and capital improvements of water and sewer lines. The obligations are being retired by the water and sewer system's resources are reported as long-term debt in the Water and Sewer Fund. The general obligation indebtedness is not secured by a pledge of full faith and credit of the Town, but is payable solely from revenues of the project or the benefited systems or other available funds comprised of fees. Principal and interest requirements are appropriated when due.

A schedule of the Town's Water and Sewer Fund notes payable is as follows:

	<u>Balance</u>
State Revolving Loan of \$1,119,085 for storage tank and water line under the North Carolina Clean Water Revolving Loan and Grant Act of 1987. Payments are due on May 1 and November 1 in decreasing installments through May 1, 2026, with an interest at 2.305%.	\$ 783,360
State (ARRA) construction line of credit of \$1,279,794 for sewer line improvements issued by the North Carolina Department of Environment and Natural Resources. Payments are due in 20 equal installments ending May 1, 2031. The loan is interest free.	<u>1,215,804</u>
Total	<u>\$ 1,999,164</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Annual debt service requirements to maturity for this long-term obligation of the Water and Sewer Fund are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2013	\$ 119,944	\$ 18,056
2014	119,944	16,767
2015	119,944	15,477
2016	119,944	14,187
2017	119,944	12,897
2018-2022	599,720	45,141
2023-2027	543,765	12,898
2028-2030	255,959	-
Total	<u>\$ 1,999,164</u>	<u>\$ 135,423</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	July 1, 2011	Increases	Decreases	Debt Forgiveness	June 30, 2012	Current Portion of Balance
Governmental Activities:						
Compensated absences	\$ 121,644	\$ 76,800	\$ (49,485)	\$ -	\$ 148,959	\$ 37,240
Other post-employment benefits	12,488	7,422	(2,285)	-	17,625	-
Law enforcement separation	-	117,109	-	-	117,109	-
Installment purchases	<u>187,328</u>	<u>650,000</u>	<u>(135,473)</u>	<u>(48,399)</u>	<u>653,456</u>	<u>84,083</u>
Governmental activities long-term liabilities	<u>\$ 321,460</u>	<u>\$ 851,331</u>	<u>\$ (187,243)</u>	<u>\$ (48,399)</u>	<u>\$ 937,149</u>	<u>\$ 121,323</u>
Business-Type Activities:						
Compensated absences	\$ 15,771	\$ 9,600	\$ (7,155)	\$ -	\$ 18,216	\$ 4,554
Other post-employment benefits	2,317	1,737	(701)	-	3,353	-
State revolving loans	<u>2,106,900</u>	<u>12,208</u>	<u>(119,944)</u>	<u>-</u>	<u>1,999,164</u>	<u>119,944</u>
Business-type activities long-term liabilities	<u>\$ 2,124,989</u>	<u>\$ 23,545</u>	<u>\$ (127,800)</u>	<u>\$ -</u>	<u>\$ 2,020,733</u>	<u>\$ 124,498</u>

Compensated absences, other post-employment benefits and pension liabilities for governmental activities have typically been liquidated in the General Fund.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Interfund Balances and Activity

Transfers To/From Other Funds

Transfers to/from other funds at June 30, 2012 consist of the following:

<u>Fund</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
Electric Power Facility Fund	\$ 25,000	\$ -	Administrative Charges
General Fund	-	25,000	
Water and Sewer Fund	25,000	-	Administrative Charges
General Fund	-	25,000	Administration costs
Bridge preservation	20,000	-	Bridge maintenance expenses
General Fund	-	20,000	

Due To/From Other Funds

Balances due to/from other funds at June 30, 2012 consist of the following:

<u>Fund</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
Water and Sewer Fund	\$ 342,500	\$ -	Capital Improvements
General Fund	-	342,500	

3. Jointly Governed Organization

The Town generates hydroelectricity which sells to Duke Energy on a contractual agreement. The Town's purchases of power for the fiscal year ended June 30, 2012 were \$206,631.13.

The Town's volunteer fire department appoints five (5) members to the five-member local Board of Trustees for the Firemen's Relief Fund. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local Board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. During the fiscal year ended June 30, 2012, the Town reported revenues and expenditures of \$7,856. made to the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the 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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

4. Related Party Transaction

The Town Council has adopted a resolution, authorized under G.S. 14-234, to allow a Town Council member to have a beneficial relationship with a supplier of goods and services to the Town. During the year the Town was involved in a beneficial relationship with a member of the Town Council; however as of June 30, 2012 the relationship has ended.

5. Prior Period Adjustment

Beginning net assets in the Electric Fund financial statements were restated to properly account for fund inventory as follows:

<u>Fund</u>	<u>From</u>	<u>Purpose</u>
Water and Sewer	\$ 30,097	To account for inventory

6. 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 general purpose financial statements for the refund of grant monies.

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REQUIRED SUPPLEMENTARY FINANCIAL DATA

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TOWN OF LAKE LURE, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrual Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2011	\$ -	\$ 137,730	\$ 137,730	0.00%	\$ 415,406	33.16%

TOWN OF LAKE LURE, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2012**

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2012	\$ 16,059	95.90%

The information presented above was determined as part of the actuarial valuation at the dates indicated.
Additional information as of the latest valuation follows:

Valuation date	12/31/11
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
Cost-of-living adjustments	None

*Includes inflation at 3.00 %

TOWN OF LAKE LURE, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2010	\$ -	\$ 46,675	\$ 46,675	0.00%	\$ 1,619,028	2.90%
6/30/2011	-	76,971	76,971	0.00%	1,581,517	4.90%
6/30/2012	-	74,649	74,649	0.00%	1,540,760	4.84%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage of ARC Contributed
2010	\$ 6,675	0.00%
2011	9,567	15.50%
2012	9,342	31.97%

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SUPPLEMENTARY FINANCIAL DATA

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TOWN OF LAKE LURE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 2,100,030	\$ 2,145,416	\$ 45,386
Penalties and interest	10,000	13,153	3,153
Total	<u>2,110,030</u>	<u>2,158,569</u>	<u>48,539</u>
Unrestricted Intergovernmental:			
Local option sales tax	881,886	946,091	64,205
Utilities franchise tax	120,000	125,419	5,419
Video franchise tax	27,000	23,813	(3,187)
Beer and wine tax	4,700	5,182	482
Total	<u>1,033,586</u>	<u>1,100,505</u>	<u>66,919</u>
Restricted Intergovernmental:			
Powell Bill allocation	62,000	67,363	5,363
Solid waste disposal tax	725	804	79
ABC revenue for law enforcement	1,200	-	(1,200)
ABC revenue for alcohol education	28,000	8,000	(20,000)
Other grants	4,524	4,525	1
Total	<u>96,449</u>	<u>80,692</u>	<u>(15,757)</u>
Permits and Fees:			
Boating permits	230,000	245,908	15,908
Zoning permits	21,075	22,523	1,448
Vacation rental fees	1,000	3,310	2,310
Fire inspection fees	200	30	(170)
Total	<u>252,275</u>	<u>271,771</u>	<u>19,496</u>
Sales and Services:			
Marina sales and fees	78,630	75,918	(2,712)
Beach sales and fees	48,000	41,474	(6,526)
Other lake fees	45,200	38,796	(6,404)
Total	<u>171,830</u>	<u>156,188</u>	<u>(15,642)</u>

TOWN OF LAKE LURE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	Budget	Actual	Variance Over/Under
Investment Earnings:			
Interest income	1,500	1,469	(31)
Miscellaneous			
Rents received	26,830	23,070	(3,760)
Contributions	13,000	13,000	-
Miscellaneous	12,576	12,870	294
Total	52,406	48,940	(3,466)
Total revenues	3,718,076	3,818,134	100,058
Expenditures:			
General Government:			
Governing Body:			
Salaries and benefits	17,166	17,145	21
Operating expenses	15,230	14,520	710
Total	32,396	31,665	731
Administration:			
Salaries and benefits	513,248	499,618	13,630
Operating expenses	88,347	82,405	5,942
Contract services	67,950	68,752	(802)
Total	669,545	650,775	18,770
Central Services:			
Operating expenditures	47,200	47,390	(190)
Total	47,200	47,390	(190)
Total general government	749,141	729,830	19,311
Public Safety:			
Police:			
Salaries and benefits	615,022	570,709	44,313
Operating expenses	124,186	123,904	282
Total	739,208	694,613	44,595

TOWN OF LAKE LURE, NORTH CAROLINA**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	Budget	Actual	Variance Over/Under
Fire and EMS:			
Salaries and benefits	369,107	355,151	13,956
Operating expenses	100,574	98,146	2,428
Contract services	163,550	163,550	-
Capital outlay	1,900	1,900	-
Total	635,131	618,747	16,384
 Total public safety	 1,374,339	 1,313,360	 60,979
Transportation and Physical Development:			
Streets and Highways:			
Salaries and benefits	179,060	173,177	5,883
Operating expenses	98,709	95,793	2,916
Contracted services	1,100	1,300	(200)
Capital outlay	65,000	65,178	178
Total transportation and physical development	343,869	335,448	8,777
Environmental Protection:			
Sanitation:			
Contracted services	186,829	193,140	(6,311)
Tipping fees	5,400	2,555	2,845
Total environmental protection	192,229	195,695	(3,466)
Cultural and Recreational:			
Community Development:			
Salaries and benefits	190,725	187,826	2,899
Operating expenses	78,600	53,811	24,433
Contracted services	116,000	117,438	(1,438)
Total	385,325	359,075	25,894
Parks:			
Salaries and benefits	52,405	52,203	202
Operating expenditures	37,124	37,109	15
Total	89,529	89,312	217

TOWN OF LAKE LURE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	Budget	Actual	Variance Over/Under
Beach and Marina:			
Operating expenditures	12,000	10,040	1,960
Total	12,000	10,040	1,960
Golf Course:			
Salaries and benefits	4,360	4,360	-
Operating expenditures	4,490	3,958	532
Contracted services	36,150	36,180	(30)
Total	45,000	44,498	502
Lake:			
Salaries and benefits	134,244	129,428	4,816
Operating expenditures	32,575	35,467	(2,892)
Contracted services	7,800	7,756	44
Silt removal	25,000	20,459	4,541
Total	199,619	193,110	6,509
Total cultural and recreational	731,473	696,035	35,082
Unemployment and Insurance:			
Operating expenditures	148,040	142,273	5,767
Special Projects:			
Operating expenditures	209,105	190,236	18,869
Debt Service:			
Principal retirement	147,828	135,473	12,355
Interest and other charges	30,788	10,423	20,365
Total debt service	178,616	145,896	32,720
Total expenditures	3,926,812	3,748,773	178,039
Revenues over (under) expenditures	(208,736)	69,361	278,097

TOWN OF LAKE LURE, NORTH CAROLINA**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers from other funds	70,000	70,000	-
Appropriated fund balance	<u>138,736</u>	<u>-</u>	<u>(138,736)</u>
Total other financing sources (uses)	<u>208,736</u>	<u>70,000</u>	<u>(138,736)</u>
 Net change in fund balance	 <u>\$ -</u>	 139,361	 <u>\$ 139,361</u>
 Fund Balance:			
Beginning of year - July 1		<u>1,439,290</u>	
 End of year - June 30		 <u>\$ 1,578,651</u>	

TOWN OF LAKE LURE, NORTH CAROLINA

MARINA CAPITAL PROJECT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Over/Under
Revenues:					
Interest revenue	\$ -	\$ -	\$ 164	\$ 164	\$ -
Total revenues	-	-	164	164	-
Expenditures:					
Operating:					
Construction	634,064	-	628,518	628,518	-
Total expenditures	634,064	-	628,518	628,518	-
Revenues over (under) expenditures	(634,064)	-	(628,354)	(628,354)	-
Other Financing Sources (Uses):					
Installment debt issued	650,000	-	650,000	650,000	-
Debt issuance cost	(4,724)	-	(4,724)	(4,724)	-
Contingency	(11,212)	-	-	-	-
Total	634,064	-	645,276	645,276	-
Change in fund balance	\$ -	\$ -	\$ 16,922	\$ 16,922	\$ -

TOWN OF LAKE LURE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2012

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
Assets:			
Cash and cash equivalents	\$ 100,000	\$ 187,645	\$ 287,645
Total assets	<u>\$ 100,000</u>	<u>\$ 187,645</u>	<u>\$ 287,645</u>
Fund Balances:			
Restricted, all other	\$ 100,000	\$ -	\$ 100,000
Committed	<u>-</u>	<u>187,645</u>	<u>187,645</u>
Total fund balances	<u>100,000</u>	<u>187,645</u>	<u>287,645</u>
Total liabilities and fund balances	<u>\$ 100,000</u>	<u>\$ 187,645</u>	<u>\$ 287,645</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
Revenues:			
Restricted intergovernmental revenues	\$ 120,000	\$ -	\$ 120,000
Contributions	-	4,000	4,000
Total revenues	<u>120,000</u>	<u>4,000</u>	<u>124,000</u>
Revenues over (under) expenditures	<u>120,000</u>	<u>4,000</u>	<u>124,000</u>
Other Financing Sources (Uses):			
Transfers to other funds	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Net change in fund balances	100,000	4,000	104,000
Fund Balances:			
Beginning of year - July 1	<u>-</u>	<u>183,645</u>	<u>183,645</u>
End of year - June 30	<u>\$ 100,000</u>	<u>\$ 187,645</u>	<u>\$ 287,645</u>

TOWN OF LAKE LURE, NORTH CAROLINA

BRIDGE PRESERVATION RESERVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental		\$ 120,000	
Total revenues	\$ 120,000	120,000	\$ -
 Other Financing Sources (Uses):			
Transfers to General Fund		(20,000)	
Total other financing sources (uses)	(120,000)	(20,000)	100,000
 Net change in fund balance	\$ -	100,000	\$ 100,000
 Fund Balance:			
Beginning of year - July 1		-	
 End of year - June 30		\$ 100,000	

TOWN OF LAKE LURE, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2012

	<u>Reserve for Fire Equipment Capital Project Fund</u>	<u>Capital Reserve and Silt Removal Capital Project Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
Assets:			
Cash and cash equivalents	\$ 10,000	\$ 177,645	\$ 187,645
Total assets	<u>\$ 10,000</u>	<u>\$ 177,645</u>	<u>\$ 187,645</u>
 Fund Balances:			
Committed	\$ 10,000	\$ 177,645	\$ 187,645
Total fund balances	<u>10,000</u>	<u>177,645</u>	<u>187,645</u>
 Total liabilities and fund balances	<u>\$ 10,000</u>	<u>\$ 177,645</u>	<u>\$ 187,645</u>

TOWN OF LAKE LURE, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECT FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Reserve for Fire Equipment Capital Project Fund</u>	<u>Capital Reserve and Silt Removal Capital Project Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues:			
Contributions	\$ 4,000	\$ -	\$ 4,000
Total revenues	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Net change in fund balances	4,000	-	4,000
Fund Balances:			
Beginning of year - July 1	<u>6,000</u>	<u>177,645</u>	<u>183,645</u>
End of year - June 30	<u>\$ 10,000</u>	<u>\$ 177,645</u>	<u>\$ 187,645</u>

TOWN OF LAKE LURE, NORTH CAROLINA
RESERVE FOR FIRE EQUIPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Contributions	\$ 4,000	\$ 4,000	\$ -
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Other Financing Sources (Uses):			
Contingency	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
Total other financing sources (uses)	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
Net change in fund balance	<u>\$ -</u>	<u>4,000</u>	<u>\$ 4,000</u>
Fund Balance:			
Beginning of year - July 1		<u>6,000</u>	
End of year - June 30		<u>\$ 10,000</u>	

TOWN OF LAKE LURE, NORTH CAROLINA

CAPITAL RESERVE AND SILT REMOVAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Total revenues	\$ -	\$ -	\$ -
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
Beginning of year - July 1		<u>177,645</u>	
End of year - June 30		<u>\$ 177,645</u>	

TOWN OF LAKE LURE, NORTH CAROLINA

WATER AND SEWER FUND SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON GAAP) FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for service	\$ 653,600	\$ 627,818	\$ (25,782)
Restricted intergovernmental	39,000	39,019	19
Water and sewer taps	9,500	5,350	(4,150)
Other operating revenues	<u>5,500</u>	<u>8,475</u>	<u>2,975</u>
Total	707,600	680,662	(26,938)
Non-Operating Revenues:			
Interest earnings	<u>550</u>	<u>249</u>	<u>(301)</u>
Total revenues	<u>708,150</u>	<u>680,911</u>	<u>680,911</u>
Expenditures:			
Water administration and operations:			
Salaries and employee benefits	134,289	134,575	(286)
Operating expenditures	<u>182,708</u>	<u>124,420</u>	<u>58,288</u>
Total	<u>316,997</u>	<u>258,995</u>	<u>58,002</u>
Sewer administration and operations:			
Salaries and employee benefits	65,671	64,797	874
Operating expenditures	<u>229,387</u>	<u>245,688</u>	<u>(16,301)</u>
Total	<u>295,058</u>	<u>310,485</u>	<u>(15,427)</u>
Debt service:			
Principal	119,945	119,944	1
Interest	<u>19,346</u>	<u>19,346</u>	<u>-</u>
Total debt service	<u>139,291</u>	<u>139,290</u>	<u>1</u>
Total expenditures	<u>751,346</u>	<u>708,770</u>	<u>42,576</u>
Revenues over (under) expenditures	<u>(43,196)</u>	<u>(27,859)</u>	<u>15,337</u>
Other Financing Sources (Uses):			
Transfer (to) from other funds	(25,000)	(25,000)	-
Appropriated fund balance	<u>68,196</u>	<u>-</u>	<u>(68,196)</u>
Total other financing sources (uses)	<u>43,196</u>	<u>(25,000)</u>	<u>(68,196)</u>

TOWN OF LAKE LURE, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON GAAP)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	(52,859)	\$ (52,859)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Depreciation		(287,076)	
Principle retirement		119,944	
Revenues from project fund		<u>439,309</u>	
Change in net assets		<u>\$ 219,318</u>	

TOWN OF LAKE LURE, NORTH CAROLINA

SEWER CAPITAL PROJECT FUND - SYSTEM IMPROVEMENTS
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental	\$ 2,132,990	\$ 1,693,681	\$ 439,309	\$ 2,132,990	\$ -
Total revenues	2,132,990	1,693,681	439,309	2,132,990	-
Expenditures:					
Engineering services	68,625	68,625	-	68,625	-
Construction	2,743,613	2,388,052	355,561	2,743,613	-
Construction administration	575,546	488,790	86,756	575,546	-
Grant administration	25,000	15,800	9,200	25,000	-
Total expenditures	3,412,784	2,961,267	451,517	3,412,784	-
Revenues over (under) expenditures	(1,279,794)	(1,267,586)	(12,208)	(1,279,794)	-
Other Financing Sources (Uses):					
Installment debt issued	1,279,794	1,267,586	12,208	1,279,794	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF LAKE LURE, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 275,500	\$ 206,631	\$ (68,869)
Total	<u>275,500</u>	<u>206,631</u>	<u>(68,869)</u>
Non-operating revenues:			
Interest earnings	<u>856</u>	<u>476</u>	<u>(380)</u>
Total revenues	<u>276,356</u>	<u>207,107</u>	<u>(69,249)</u>
Expenditures:			
Operations:			
Salaries and employee benefits	55,432	54,208	1,224
Operating expenditures	136,250	131,393	4,857
Capital outlay	<u>60,000</u>	<u>10,380</u>	<u>49,620</u>
Total expenditures	<u>251,682</u>	<u>195,981</u>	<u>55,701</u>
Revenues over (under) expenditures	<u>24,674</u>	<u>11,126</u>	<u>(13,548)</u>
Other Financing Sources (Uses):			
Transfers out	(25,000)	(25,000)	-
Appropriated fund balance	<u>326</u>	<u>-</u>	<u>(326)</u>
Total other financing sources (uses)	<u>(24,674)</u>	<u>(25,000)</u>	<u>(326)</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>(13,874)</u>	<u>\$ (13,874)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Capital asset additions		8,388	
Depreciation		<u>(47,351)</u>	
Change in net assets		<u>\$ (52,837)</u>	

TOWN OF LAKE LURE, NORTH CAROLINA**AGENCY FUNDS****COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Chimney Rock</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
Assets:				
Cash and cash equivalents	\$ 2,782	\$ 61,675	\$ (62,282)	\$ 2,175
Accounts receivable	<u>16,276</u>	<u>2,628</u>	<u>-</u>	<u>18,904</u>
Total assets	<u>\$ 19,058</u>	<u>\$ 64,303</u>	<u>\$ (62,282)</u>	<u>\$ 21,079</u>
Liabilities:				
Miscellaneous liabilities	<u>\$ 19,058</u>	<u>\$ 64,303</u>	<u>\$ (62,282)</u>	<u>\$ 21,079</u>

TOWN OF LAKE LURE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2012

<u>Year Ended June 30</u>	<u>Uncollected Balance July 1, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 2,139,290	\$ 2,094,920	\$ 44,370
2010-2011	73,843	-	40,288	33,555
2009-2010	36,567	-	13,957	22,610
2008-2009	11,000	-	3,850	7,150
2007-2008	4,382	-	516	3,866
2006-2007	3,220	-	452	2,768
2005-2006	3,331	-	162	3,169
2004-2005	2,068	-	17	2,051
2003-2004	1,978	-	21	1,957
2002-2003	1,860	-	19	1,841
2001-2002	2,324	-	2,324	-
Total	<u>\$ 140,573</u>	<u>\$ 2,139,290</u>	<u>\$ 2,156,526</u>	123,337
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(30,636)</u>
Ad valorem taxes receivable, net				<u>\$ 92,701</u>
Reconciliation with Revenues:				
Taxes - ad valorem				\$ 2,158,569
Reconciling items:				
Interest collected				(13,153)
Miscellaneous adjustments				8,786
Amounts written off for tax years per statute of limitations				<u>2,324</u>
Total collections and credit				<u>\$ 2,156,526</u>

TOWN OF LAKE LURE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2012

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 1,022,470,476	\$ 0.21	\$ 2,147,188	\$ 2,123,934	\$ 23,254
Total original levy	1,022,470,476	0.21	2,147,188	2,123,934	23,254
Discoveries	696,150		3,315	3,315	-
Abatements	(2,354,730)		(11,213)	(10,857)	(356)
Total property valuation	\$ 1,020,811,896				
Net Levy			2,139,290	2,116,392	22,898
Uncollected taxes at June 30, 2012			(44,370)	(42,689)	(1,681)
Current Year's Taxes Collected			\$ 2,094,920	\$ 2,073,703	\$ 21,217
Current Levy Collection Percentage			97.93%	97.98%	92.66%

Statistical Section

This part of the Town of Lake Lure's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the Town's overall financial condition. The schedules included in this section can be categorized as follows:

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Town of Lake Lure, North Carolina**Net Assets by Components***Last Nine Fiscal Years (1)*

(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 2,798,048	\$ 2,959,020	\$ 3,217,914	\$ 3,499,733
Restricted	87,879	31,838	-	8,492
Unrestricted	1,661,971	1,899,949	1,431,053	1,565,053
Total governmental activities net assets	<u>\$ 4,547,898</u>	<u>\$ 4,890,807</u>	<u>\$ 4,648,967</u>	<u>\$ 5,073,278</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 2,216,824	\$ 4,481,644	\$ 3,827,876	\$ 4,194,655
Unrestricted	1,461,510	(474,930)	2,036,822	1,182,025
Total business-type activities net assets	<u>\$ 3,678,334</u>	<u>\$ 4,006,714</u>	<u>\$ 5,864,698</u>	<u>\$ 5,376,680</u>
Primary government				
Invested in capital assets, net of related debt	\$ 5,014,872	\$ 7,440,664	\$ 7,045,790	\$ 7,694,388
Restricted	87,879	31,838	-	8,492
Unrestricted	3,123,481	1,425,019	3,467,875	2,747,078
Total primary government net assets	<u>\$ 8,226,232</u>	<u>\$ 8,897,521</u>	<u>\$ 10,513,665</u>	<u>\$ 10,449,958</u>

Notes:

(1) Nine years presented due to implementation of GASB Statement 34 in Fiscal Year 2004.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 3,997,082	\$ 3,940,484	\$ 4,018,392	\$ 4,889,543	\$ 5,109,089
7,140	9,684	13,495	383,580	454,017
1,496,785	1,620,029	1,688,193	1,568,992	1,563,787
<u>\$ 5,501,007</u>	<u>\$ 5,570,197</u>	<u>\$ 5,720,080</u>	<u>\$ 6,842,115</u>	<u>\$ 7,126,893</u>

\$ 5,100,279	\$ 5,013,130	\$ 5,761,989	\$ 6,700,538	\$ 7,276,253
427,906	268,160	568,790	648,948	269,811
<u>\$ 5,528,185</u>	<u>\$ 5,281,290</u>	<u>\$ 6,330,779</u>	<u>\$ 7,349,486</u>	<u>\$ 7,546,064</u>

\$ 9,097,361	\$ 8,953,614	\$ 9,780,381	\$ 11,590,081	\$ 12,385,342
7,140	9,684	13,495	383,580	454,017
1,924,691	1,888,189	2,256,983	2,217,940	1,833,598
<u>\$ 11,029,192</u>	<u>\$ 10,851,487</u>	<u>\$ 12,050,859</u>	<u>\$ 14,191,601</u>	<u>\$ 14,672,957</u>

Town of Lake Lure, North Carolina

Changes in Net Assets

Last Nine Fiscal Years (1)

(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Program Expenses				
Governmental activities:				
General government	\$ 683,151	\$ 689,093	\$ 881,762	\$ 802,897
Public safety	824,429	879,714	963,716	1,070,603
Transportation and physical development	357,732	420,801	427,980	398,474
Environmental protection	115,295	122,930	130,939	144,425
Cultural and recreation	445,247	628,708	792,738	754,650
Interest on long term debt	16,560	7,199	5,423	4,441
Total governmental activities expenses	<u>2,442,414</u>	<u>2,748,445</u>	<u>3,202,558</u>	<u>3,175,490</u>
Business-type activities:				
Water and sewer	565,662	486,215	525,956	773,296
Electric power facility	192,280	196,142	229,562	330,308
Total business-type activities expenses	<u>757,942</u>	<u>682,357</u>	<u>755,518</u>	<u>1,103,604</u>
Total primary governmental program expenses	<u>\$ 3,200,356</u>	<u>\$ 3,430,802</u>	<u>\$ 3,958,076</u>	<u>\$ 4,279,094</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 16,925	\$ 19,047	\$ 32,558	\$ 40,454
Public safety	-	-	-	-
Environmental protection	-	-	-	-
Cultural and recreation	349,762	314,325	293,198	238,582
Operating grants and contributions	151,271	447,412	109,644	294,187
Capital grants and contributions	-	-	-	-
Total governmental activities revenues	<u>517,958</u>	<u>780,784</u>	<u>435,400</u>	<u>573,223</u>
Business-type activities:				
Charges for services:				
Water and sewer	482,568	554,149	741,573	550,763
Electric power facility	332,606	402,430	268,202	326,210
Operating grants and contributions	-	45,211	-	-
Capital grants and contributions	-	-	1,603,588	-
Total business-type activities revenue	<u>815,174</u>	<u>1,001,790</u>	<u>2,613,363</u>	<u>876,973</u>
Total primary governmental program revenues	<u>\$ 1,333,132</u>	<u>\$ 1,782,574</u>	<u>\$ 3,048,763</u>	<u>\$ 1,450,196</u>
Net (expense)/revenue				
Governmental activities	\$ (1,924,456)	\$ (1,967,661)	\$ (2,767,158)	\$ (2,602,267)
Business-type activities	57,232	319,433	1,857,845	(226,631)
Total primary governmental net expense	<u>\$ (1,867,224)</u>	<u>\$ (1,648,228)</u>	<u>\$ (909,313)</u>	<u>\$ (2,828,898)</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 860,790	\$ 821,137	\$ 888,860	\$ 977,301	\$ 1,179,454
1,161,336	1,340,760	1,365,439	1,441,353	1,446,320
449,101	437,613	455,310	465,524	372,122
152,862	163,880	169,695	181,886	140,329
1,225,646	960,429	699,801	680,843	765,580
3,445	2,435	1,853	11,597	10,423
3,853,180	3,726,254	3,580,958	3,758,504	3,914,228
787,564	705,568	736,600	847,902	875,902
133,611	260,726	161,502	196,980	234,944
921,175	966,294	898,102	1,044,882	1,110,846
\$ 4,774,355	\$ 4,692,548	\$ 4,479,060	\$ 4,803,386	\$ 5,025,074
\$ 35,483	\$ 28,197	\$ 282,017	\$ 254,783	\$ 34,748
-	-	-	-	30
-	-	-	-	18,233
303,003	240,383	176,438	122,263	524,711
79,851	71,635	66,699	69,170	89,147
337,492	-	18,226	968,421	250,000
755,829	340,215	543,380	1,414,637	916,869
567,209	541,844	663,792	648,919	641,643
94,989	224,475	578,193	334,094	206,631
117,000	-	-	50,000	-
305,000	-	-	426,095	478,328
1,084,198	766,319	1,241,985	1,459,108	1,326,602
\$ 1,840,027	\$ 1,106,534	\$ 1,785,365	\$ 2,873,745	\$ 2,243,471
\$ (3,097,351)	\$ (3,386,039)	\$ (3,037,578)	\$ (2,343,867)	\$ (2,997,359)
163,023	(199,975)	343,883	414,226	215,756
\$ (2,934,328)	\$ (3,586,014)	\$ (2,693,695)	\$ (1,929,641)	\$ (2,781,603)

Town of Lake Lure, North Carolina

Changes in Net Assets

Last Nine Fiscal Years (1)

(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 1,250,042	\$ 1,288,153	\$ 1,368,996	\$ 1,436,102
Unrestricted intergovernmental	791,555	903,939	963,816	1,092,624
Unrestricted investment earnings	12,831	25,003	35,145	50,520
Miscellaneous	87,346	93,475	157,360	68,905
Sale of capital assets	-	-	-	328,428
Transfers	-	-	-	50,000
Total governmental activities	<u>2,141,774</u>	<u>2,310,570</u>	<u>2,525,317</u>	<u>3,026,579</u>
Business-type activities:				
Unrestricted investment earnings	10,830	8,947	140	34,464
Forgiveness of debt	-	-	-	-
Lawsuit settlement	-	-	-	-
Transfers				(50,000)
Total business-type activities	<u>10,830</u>	<u>8,947</u>	<u>140</u>	<u>(15,536)</u>
Total primary government	<u>\$ 2,152,604</u>	<u>\$ 2,319,517</u>	<u>\$ 2,525,457</u>	<u>\$ 3,011,043</u>
Change in Net Assets				
Governmental activities	217,318	342,909	(241,841)	424,312
Governmental activities - Prior period adjustment	-	-	-	(245,852)
Total Governmental Activities Change in Net Assets	<u>217,318</u>	<u>342,909</u>	<u>(241,841)</u>	<u>178,460</u>
Business-type activities	68,062	328,380	1,857,985	(242,167)
Business-type activities - Prior period adjustment				
Total primary government	<u>\$ 285,380</u>	<u>\$ 671,289</u>	<u>\$ 1,616,144</u>	<u>\$ (63,707)</u>

Notes:

(1) Nine years presented due to implementation of GASB Statement 34 in Fiscal Year 2004.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 2,104,547	\$ 2,107,706	\$ 2,136,418	\$ 2,168,202	\$ 2,129,999
1,121,241	1,226,435	999,448	1,007,711	1,100,505
33,009	16,780	2,030	1,449	1,633
83,230	49,058	34,769	36,828	-
133,053	5,250	11,653	36,674	-
50,000	50,000	3,143	146,433	50,000
3,525,080	3,455,229	3,187,461	3,397,297	3,282,137
38,482	3,080	820	1,129	725
-	-	707,929	559,657	-
-	-	-	190,128	-
(50,000)	(50,000)	(3,143)	(146,433)	(50,000)
(11,518)	(46,920)	705,606	604,481	(49,275)
\$ 3,513,562	\$ 3,408,309	\$ 3,893,067	\$ 4,001,778	\$ 3,232,862
427,729	69,190	149,883	1,053,430	284,778
-	-	-	68,605	-
427,729	69,190	149,883	1,122,035	284,778
151,505	(246,895)	1,049,489	1,018,707	166,481
				30,097
\$ 579,234	\$ (177,705)	\$ 1,199,372	\$ 2,140,742	\$ 451,259

Town of Lake Lure, North Carolina
Governmental Fund Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Ad Valorem Taxes (1)	Unrestricted Inter- governmental (2)	Restricted Inter- governmental (3)	Permits and Fees (4)	Sales and Services (5)
2003	\$ 1,208,527	\$ 533,809	\$ 175,336	\$ 167,948	\$ 308,053
2004	1,249,777	635,352	151,271	173,128	349,762
2005	1,305,365	724,765	447,412	198,220	314,325
2006	1,374,710	783,962	109,644	212,411	293,199
2007	1,446,784	855,846	290,147	277,232	238,582
2008	2,105,476	897,349	420,176	259,375	303,003
2009	2,060,812	1,011,007	70,298	243,625	240,383
2010	2,112,710	999,448	85,086	282,017	176,438
2011	2,156,324	1,007,711	567,573	254,783	122,263
2012	2,158,569	1,100,505	200,692	271,771	156,188

(1) Includes ad valorem taxes, penalties, and interest.

(2) Includes local option sales tax, utility franchise tax, video franchise tax, beer and wine tax and ABC profit distribution.

(3) Includes Powell bill allocation, intergovernmental grants, solid waste disposal tax, and ABC restricted funds.

(4) Includes boating permits, zoning permits, vacation rental fees and fire inspection fees.

(5) Includes recreation, marina, and beach sales and fees. Includes golf fees from FY 2003 to 2010.

(6) Includes interest earned on all governmental fund balances.

(7) Includes transfers from other funds, proceeds from debt issuance, and sale of assets.

Investment Earnings (6)	Miscellaneous	Other Financing Sources (7)	Fiscal Year Totals
\$ 10,114	\$ 60,388	\$ 19,510	\$ 2,483,685
12,831	87,347	236,700	2,896,168
25,003	89,921	2,250	3,107,261
35,145	95,253	69,916	2,974,240
50,520	68,905	401,368	3,629,384
33,009	83,230	183,053	4,284,671
16,780	49,058	112,555	3,804,518
2,030	34,769	266,436	3,958,934
1,449	41,137	222,903	4,374,143
1,633	52,940	720,000	4,662,298

Town of Lake Lure, North Carolina
Governmental Fund Expenditures by Function
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	General Government (1)	Public Safety (2)	Transportation and Physical Development (3)	Environmental Protection (4)	Cultural and Recreation (5)
2003	\$ 574,337	\$ 714,842	\$ 264,772	\$ 111,818	\$ 286,483
2004	642,074	806,738	267,641	115,295	340,959
2005	634,258	789,076	295,231	122,930	341,480
2006	823,629	867,307	323,368	130,938	364,879
2007	747,940	929,770	356,465	144,425	686,198
2008	796,160	1,060,111	407,147	152,862	825,941
2009	775,103	1,208,807	385,586	163,880	802,629
2010	830,323	1,255,347	373,264	169,695	606,011
2011	932,348	1,371,498	414,349	181,886	543,747
2012	729,830	1,313,360	335,448	195,695	1,324,553

- (1) Includes Council, Administration, Tax Collections and Legal.
(2) Includes Police and Fire.
(3) Includes Public Works administration, Facilities Management and Streets.
(4) Includes Solid Waste.
(5) Includes Community Development, Golf Course, Lake Operations, Beach, Community Center and Marina.
(6) Includes Governmental Fund Capital Outlay.
(7) Includes debt principal and interest payments paid through Governmental Funds for bonded debt and installment purchases.
(8) Includes transfer to non-governmental funds such as Water and Sewer Fund.

Capital (6)	Debt Service (7)	Other Financing Uses (8)	Fiscal Year Totals
\$ 333,390	\$ 174,890	\$ -	\$ 2,460,532
410,024	180,005	-	2,762,736
602,124	119,376	-	2,904,475
908,615	40,896	-	3,459,632
542,358	40,460	-	3,447,616
1,053,765	40,024	-	4,336,010
342,387	42,774	342,500	4,063,666
578,927	30,523	46,857	3,890,947
619,049	121,448	17,767	4,202,092
142,273	145,896	24,724	4,187,055

Town of Lake Lure, North Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Reserved	\$ 174,309	\$ 303,163	\$ 170,922	\$ 1,189,806
Unreserved	1,384,356	1,323,577	1,619,190	142,542
Total General Fund	<u>\$ 1,558,665</u>	<u>\$ 1,626,740</u>	<u>\$ 1,790,112</u>	<u>\$ 1,332,348</u>

All other governmental funds

Reserved - Fire Station	\$ -	\$ 85,472	\$ 31,839	\$ -
Unreserved - Capital Reserve and Silt Removal	15,500	15,500	110,663	110,663
Total all other governmental funds	<u>\$ 15,500</u>	<u>\$ 100,972</u>	<u>\$ 142,502</u>	<u>\$ 110,663</u>

General Fund

Non-Spendable
Restricted
Assigned
Unassigned
Total General Fund

All other governmental funds

Restricted - Marina Capital Project Fund
Restricted - Bridge Preservation Fund
Committed - Fire Capital
Committed - Capital Reserve and Silt Removal
Total all other governmental funds

GASB 54 established new fund balance classification effective with Fiscal Year 2011.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 208,806	\$ 448,736	\$ 374,352	\$ 360,967		
1,127,758	997,059	812,295	893,667		
<u>\$ 1,336,564</u>	<u>\$ 1,445,795</u>	<u>\$ 1,186,647</u>	<u>\$ 1,254,634</u>		

\$ -	\$ -	\$ -	\$ -		
288,215	127,645	127,645	127,645		
<u>\$ 288,215</u>	<u>\$ 127,645</u>	<u>\$ 127,645</u>	<u>\$ 127,645</u>		

\$ 6,021	\$ 752
383,580	354,017
50,000	50,000
999,689	1,173,882
<u>\$ 1,439,290</u>	<u>\$ 1,578,651</u>

\$ -	\$ 16,922
-	100,000
6,000	10,000
177,645	177,645
<u>\$ 183,645</u>	<u>\$ 304,567</u>

Town of Lake Lure, North Carolina
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues				
Ad Valorem Taxes	\$ 1,208,527	\$ 1,249,777	\$ 1,305,365	\$ 1,374,710
Unrestricted Intergovernmental	533,809	635,352	724,765	783,962
Restricted Intergovernmental	175,336	151,271	447,412	109,644
Permits and Fees	167,948	173,128	198,220	212,411
Sales and Services	308,053	349,762	314,325	293,199
Investment Earnings	10,114	12,831	25,003	35,145
Miscellaneous	60,388	87,347	92,169	95,253
Total revenues	<u>2,464,175</u>	<u>2,659,468</u>	<u>3,107,259</u>	<u>2,904,324</u>
Expenditures				
General government	574,337	642,074	634,258	823,629
Public safety	714,842	806,738	789,076	867,307
Transportation and Physical Development	264,772	267,641	295,231	323,368
Environmental Protection	111,818	115,295	122,930	130,938
Cultural and Recreation	286,483	340,959	341,480	364,879
Unemployment and Insurance	-	-	-	-
Capital/Special Projects	333,390	410,024	602,124	908,615
Debt Service	174,890	180,005	119,376	40,896
Total expenditures	<u>2,460,532</u>	<u>2,762,736</u>	<u>2,904,475</u>	<u>3,459,632</u>
Excess of revenues over (under) expenditures	<u>3,643</u>	<u>(103,268)</u>	<u>202,784</u>	<u>(555,308)</u>
Other financing sources (uses)				
Transfers from other funds	144,500	-	95,163	2,206
Transfers to other funds	(144,500)	-	(95,163)	(2,206)
Transfer from component unit	19,510	-	-	-
Sale of capital assets	-	-	-	69,916
Installment agreement issued	-	236,700	-	-
Total other financing sources (uses)	<u>19,510</u>	<u>236,700</u>	<u>-</u>	<u>69,916</u>
Net change in fund balances	<u>\$ 23,153</u>	<u>\$ 133,432</u>	<u>\$ 202,784</u>	<u>\$ (485,392)</u>
Debt service as a percentage of noncapital expenditures	<u>8.22%</u>	<u>7.65%</u>	<u>5.18%</u>	<u>1.60%</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 1,446,784	\$ 2,105,476	\$ 2,060,812	\$ 2,112,710	\$ 2,156,324	\$ 2,158,569
855,846	897,349	1,011,007	999,448	1,007,711	1,100,505
290,147	420,176	70,298	85,086	567,573	200,692
277,232	259,375	243,625	282,017	254,783	271,771
238,582	303,003	240,383	176,438	122,263	156,188
50,520	33,009	16,780	2,030	1,449	1,633
68,905	83,230	49,058	34,769	41,137	52,940
3,228,016	4,101,618	3,691,963	3,692,498	4,151,240	3,942,298
747,940	796,160	775,103	830,323	932,348	729,830
929,770	1,060,111	1,208,807	1,255,347	1,371,498	1,313,360
356,465	407,147	385,586	373,264	414,349	335,448
144,425	152,862	163,880	169,695	181,886	195,695
686,198	825,941	802,629	606,011	543,747	1,324,553
-	-	-	-	-	142,273
542,358	1,053,765	342,387	578,927	619,049	190,236
40,460	40,024	42,774	30,523	121,448	150,620
3,447,616	4,336,010	3,721,166	3,844,090	4,184,325	4,382,015
(219,600)	(234,392)	(29,203)	(151,592)	(33,085)	(439,717)
227,552	118,962	50,000	50,000	164,200	70,000
(177,552)	(68,962)	(342,500)	(46,857)	(17,767)	(20,000)
-	-	-	-	-	-
351,368	133,053	5,250	16,436	36,674	-
-	-	57,305	200,000	22,029	650,000
401,368	183,053	(229,945)	219,579	205,136	700,000
\$ 181,768	\$ (51,339)	\$ (259,148)	\$ 67,987	\$ 172,051	\$ 260,283
1.39%	1.22%	1.27%	0.93%	3.41%	3.59%

Town of Lake Lure, North Carolina
Assessed Value Taxable Property
Last Ten Fiscal Years

Fiscal Year	Assessed Value in Thousands						Total Direct Tax Rate per \$100					
	Personal Property					Total Taxable Assessed Value						
	Real Property	Motor Vehicles	Other	Public Service Companies								
2003	\$	405,163	\$	14,275	\$	5,878	\$	6,745	\$	432,061	\$	0.27
2004		400,992		13,765		11,606		6,695		433,058		0.28
2005		437,351		11,357		11,554		6,607		466,869		0.28
2006		459,533		12,557		11,309		5,996		489,395		0.28
2007		482,361		13,393		12,799		8,171		516,724		0.28
2008		956,146		13,320		17,121		9,806		996,393		0.21
2009		963,423		11,875		18,377		8,865		1,002,540		0.21
2010		986,683		10,574		11,098		8,388		1,016,743		0.21
2011		994,334		10,629		14,767		9,281		1,029,011		0.21
2012		988,659		10,904		12,243		9,006		1,020,812		0.21

General Note - Property was revalued in fiscal year 2003 and 2008.

Town of Lake Lure, North Carolina
Property Tax Rates-Direct and Overlapping Governments
Last Ten Fiscal Years

Tax Rate is per \$100 of Assessed Value				
Fiscal Year	Town of Lake Lure		Rutherford County	
				Combined
2003	\$	0.27	\$	0.62
2004		0.28		0.90
2005		0.28		0.90
2006		0.28		0.90
2007		0.28		0.89
2008		0.21		0.74
2009		0.21		0.74
2010		0.21		0.74
2011		0.21		0.74
2012		0.21		0.74

A revaluation of all property is required every eight years by State statute. Revaluations were held January 1, 2002 (effective Fiscal Year 2003) and January 1, 2007 (effective Fiscal Year 2008).

Town of Lake Lure, North Carolina**Comparison of Town of Lake Lure and Rutherford County Assessed Values***Last Ten Fiscal Years*

Fiscal Year	Assessed Values		Ratio of Town to County %
	Town of Lake Lure	Rutherford County (1)	
2003	\$ 432,060,504	\$ 3,929,689,345	10.99%
2004	433,057,889	3,900,697,986	11.10%
2005	466,868,804	3,952,493,750	11.81%
2006	489,395,393	4,101,537,258	11.93%
2007	516,723,834	4,268,223,139	12.11%
2008	996,392,798	5,763,453,025	17.29%
2009	1,002,540,477	5,895,063,019	17.01%
2010	1,016,743,396	5,898,920,189	17.24%
2011	1,029,011,000	5,941,961,062	17.32%
2012	1,020,811,896	<i>Not Available</i>	<i>Not Available</i>

(1) Data from Rutherford County Comprehensive Annual Financial Reports.

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Town of Lake Lure, North Carolina
Principal Property Taxpayers
June 30, 2012 and Nine Years Prior

2012

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Foxrun Townhouses POA	\$ 19,379,420	1	1.90%
Fairfield Mountains POA	12,035,630	2	1.18%
Exciting Adventures Inc (Division of Firefly Cove)	8,439,500	3	0.83%
Ingles Markets, Inc	8,211,870	4	0.80%
Duke Energy Corporation	6,606,271	5	0.65%
Maple Ridge Townhouses	5,876,950	6	0.58%
Haynes Hills Estates LLC	5,087,300	7	0.50%
Carolina First Bank	4,760,100	8	0.47%
Lake Lure Properties LLC	4,392,500	9	0.43%
Eagle Camp LLC	4,046,800	10	0.40%
Totals	<u>\$ 78,836,341</u>		<u>7.72%</u>
Total Taxable Assessed Value	<u>\$ 1,020,811,896</u>		

Source: Rutherford County Tax Assessor's Office

2003

Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Foxrun Townhouses POA	\$ 13,290,900	1	1.30%
Fairfield Mountains POA	9,701,580	2	0.95%
Maple Ridge Townhouses	4,263,100	3	0.42%
Chimney Rock Company	4,123,440	4	0.40%
Duke Energy Corporation	3,435,103	5	0.34%
Ellenboro ESS	3,177,265	6	0.31%
Wyndham Vacation Resorts	2,781,900	7	0.27%
Joan Cashion	2,776,200	8	0.27%
Mountain Loft POA	2,499,630	9	0.24%
New Chimney Rock Land Co	2,074,300	10	0.20%
	<u>\$ 48,123,418</u>		<u>4.71%</u>
	<u>\$ 432,060,504</u>		

Town of Lake Lure, North Carolina
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended <u>June 30</u>	Total Levy for <u>Fiscal Year</u>	Collected within the Fiscal Year of the Levy		Collections in Subsequent <u>Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2003	\$ 1,212,562	\$ 1,186,259	97.83%	\$ 24,462
2004	1,212,562	1,185,166	97.74%	25,439
2005	1,307,233	1,291,670	98.81%	13,512
2006	1,370,307	1,349,313	98.47%	17,825
2007	1,446,827	1,432,790	99.03%	11,269
2008	2,095,782	2,074,863	99.00%	17,053
2009	2,105,335	2,044,577	97.11%	53,608
2010	2,135,378	2,052,263	96.11%	60,505
2011	2,160,923	2,087,080	96.58%	40,288
2012	2,139,290	2,094,920	97.93%	

Total Collections to Date		
	<u>Amount</u>	<u>Percentage of Levy</u>
\$	1,210,721	99.85%
	1,210,605	99.84%
	1,305,182	99.84%
	1,367,138	99.77%
	1,444,059	99.81%
	2,091,916	99.82%
	2,098,185	99.66%
	2,112,768	98.94%
	2,127,368	98.45%

Town of Lake Lure, North Carolina
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities	
	Notes Payable	Installment contracts	Capital Leases	Total Governmental Activities	State Revolving Loan	ARRA Revolving Loan
2003	\$ -	\$ 225,690	\$ 51,365	\$ 277,055	\$ -	\$ -
2004	-	307,102	43,208	350,310	-	-
2005	-	194,925	-	194,925	-	-
2006	-	159,452	-	159,452	1,119,085	-
2007	-	123,433	-	123,433	1,063,131	-
2008	-	86,854	-	86,854	1,007,177	-
2009	42,305	61,515	-	103,820	951,223	-
2010	227,305	47,845	-	275,150	895,269	707,930
2011	132,305	34,175	20,848	187,328	839,315	1,267,586
2012	-	638,005	15,451	653,456	783,359	1,215,804

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) see Demographic and Economic Statistics for population data.

Total Business- type Activities	Total Primary Government	Population (1)	Debt Per Capita
\$ -	\$ 277,055	1,048	\$ 264
-	350,310	1,045	335
-	194,925	1,056	185
1,119,085	1,278,537	1,066	1,199
1,063,131	1,186,564	1,072	1,107
1,007,177	1,094,031	1,077	1,016
951,223	1,055,043	1,095	964
1,603,199	1,878,349	1,105	1,700
2,106,901	2,294,229	1,196	1,918
1,999,163	2,652,619	1,196	2,218

Town of Lake Lure, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed Value	\$ 432,060,504	\$ 433,057,889	\$ 466,868,804	\$ 489,395,393	\$ 516,723,834
Debt Limit (8% of assessed value)	\$ 34,564,840	\$ 34,644,631	\$ 37,349,504	\$ 39,151,631	\$ 41,337,907
Debt applicable to limit	277,055	350,310	194,925	1,278,537	1,186,564
Legal debt margin	\$ 34,287,785	\$ 34,294,321	\$ 37,154,579	\$ 37,873,094	\$ 40,151,343
Debt applicable to limit as a percentage of debt limit	<u>0.80%</u>	<u>1.01%</u>	<u>0.52%</u>	<u>3.27%</u>	<u>2.87%</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 996,392,798	\$ 1,002,540,477	\$ 1,016,743,396	\$ 1,029,011,000	\$ 1,020,811,896
\$ 79,711,424	\$ 80,203,238	\$ 81,339,472	\$ 82,320,880	\$ 81,664,952
1,094,031	1,055,043	1,878,349	2,294,229	2,652,619
\$ 78,617,393	\$ 79,148,195	\$ 79,461,123	\$ 80,026,651	\$ 79,012,333
<u>1.37%</u>	<u>1.32%</u>	<u>2.31%</u>	<u>2.79%</u>	<u>3.25%</u>

Town of Lake Lure, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>North Carolina Per Capita Personal Income (2)</u>	<u>Rutherford County Per Capita Personal Income (2)</u>	<u>Lake Lure Per Capita Personal Income (2)</u>
2003	1,048	\$ 28,428	\$ 22,288	<i>Not available</i>
2004	1,045	28,934	22,658	<i>Not available</i>
2005	1,056	30,480	23,298	<i>Not available</i>
2006	1,066	31,905	23,674	<i>Not available</i>
2007	1,066	33,373	24,638	<i>Not available</i>
2008	1,075	34,761	25,545	<i>Not available</i>
2009	1,095	35,741	25,467	<i>Not available</i>
2010	1,105	34,147	24,439	<i>Not available</i>
2011	1,192	35,007	25,258	\$ 34,051
2012	1,196	36,164	<i>Not Available</i>	<i>Not available</i>

(1) Population and median age data from NC Office of State Budget and Management

(2) State and County personal income information is from Bureau of Economic Analysis, U.S.

Department of Commerce. Lake Lure personal income information is from www.city-data.com

(3) School enrollment figures are from Lake Lure Classical Academy which opened in FY 2011.

The school was K-7 in 2011 and K-8 in 2012.

(4) County unemployment rate is from Rutherford County's CAFR.

Median <u>Age (1)</u>	School <u>Enrollment (3)</u>	Rutherford County <u>Unemployment Rate (4)</u>
<i>Not available</i>		10.0%
<i>Not available</i>		10.9
<i>Not available</i>		8.7
<i>Not available</i>		8.1
<i>Not available</i>		7.9
<i>Not available</i>		7.7
<i>Not available</i>		15.3
<i>Not available</i>		14.8
62.4	197	14.6
<i>Not available</i>	267	14.5

Town of Lake Lure, North Carolina
Full-Time Equivalent Positions by Function
Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government							
Administration	5	5	5	6	6	6	6
Public Safety							
Police	10	10	10	10	10	11	11
Fire	2	2	3	3	3	3	6
Transportation and Physical Development							
Public Works and Streets	5	5	5	5	5	5	5
Cultural and Recreation							
Community Development	2	2.5	2.5	3	4	5	4
Youth Center	1	1	1	1	1	1	1
Golf Course	4	4	4	4	4	4.5	4.5
Lake Operations	-	-	-	-	-	-	1
Parks and Recreation	-	-	-	-	-	-	-
Water	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Sewer	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Hydroelectric	1	1	1	1	1	1	1
Total	34	34.5	35.5	37	38	40.5	43.5

<u>2010</u>	<u>2011</u>	<u>2012</u>
6	6	6
11	11	11
6	6	6
5	5	3
4	3	3
1	1	-
4.5	-	-
1	2	2
-	-	1.5
2.5	2.5	2.5
1.5	0.75	0.75
1	0.75	0.75
43.5	38	36.5

Town of Lake Lure, North Carolina
Operating Indicators by Function (1)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety					
Police(2)					
# Accidents (Motor Vehicle Accidents)	71	88	78	66	80
# Assaults	5	5	4	4	11
# Breaking/Entering	13	14	19	17	32
# Disorderly Conducts	12	13	4	10	15
# Drug Violations	30	1	12	16	27
# DWIs	51	32	31	29	18
# Frauds	14	14	10	17	94
# Homicides	-	-	-	-	-
# Larcenies	43	38	33	32	48
# Vandalisms	12	4	10	6	7
# Investigations (Total Cases)	97	78	95	106	181
Case Clearing Rate	6%	12%	19%	13%	49%
Fire					
Fire, Rescue and Medical Calls			430	573	437
Inspections			50	31	12
Community Assistance Calls			49	71	67
# Students Educated on Fire Prevention			293	412	500
Town Firefighter Training Hours			4,661	6,013	5,647
Hydrants Inspected/Flow Tested			580	580	580
Transportation and Physical Development					
Public Works and Streets					
Road Miles Maintained					27.57
Number of Streetlights					129
Cultural and Recreation					
Community Development					
Total Parcels in Town limits					5,264
Improved Parcels in Town limits					1,931
Total # Housing Units (Note: More than one housing unit can be on an improved parcel.)					2,211
# Housing Units Occupied Full Time					606
% Housing Units Occupied Full Time					27%
# Housing Units Classified as Vacation Rentals					202
% Housing Units Classified as Vacation Rentals					9%

Town of Lake Lure, North Carolina
Operating Indicators by Function (1)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
# Housing Units - Part-time Occupied, Non-vacation rental					1,403
% Housing Units - Part-time Occupied, Non-vacation rental					64%
Certificates of Zoning Compliance Issued			78	66	76
Certificates of Occupancy Issued					44
Sign Permits Issued					24
Zoning Complaints Investigated					48
Site visits performed					182
Lake Operations (2)					
# Annual Motorized Boat Permits	1,103	1,094	1,066	1,031	1,038
# Weekly Motorized Boat Permits	105	58	80	83	69
# Daily Motorized Boat Permits	54	58	58	55	54
# Fishing Boat Permits	38	43	47	41	47
# Annual Non-motorized Boat Permits	618	730	853	900	981
# Daily/Weekly Non-motorized Boat Permits	186	218	304	270	418
Boat Permit Revenues		\$ 218,801	\$ 226,091	\$ 220,327	\$ 227,294
Water					
Number of Utility Customers					456
Number of gallons used (in millions)					15.8
Sewer					
Number of Utility Customers					979
Average daily sewer treatment (in gallons)	774,000	727,000	618,000	502,000	350,000

(1) Please note that these indicators represent quantitative data for a few areas that each department is responsible for per comprehensive analysis of the functions that each department performs, especially from a qualitative perspective. Information is by calendar year and reported in the following fiscal year. For example, figures reported for Fiscal Year 20

Sources: Various government departments.

Town of Lake Lure, North Carolina
Capital Assets Statistics/Other Data by Function

2012

Public Safety

Police

Police Stations 1

Patrol Vehicles 12

Fire

Fire Stations 1

Contracted Volunteer Fire Departments 3

Transportation and Physical Development

Public Works and Streets

Town maintained Road Miles 27.57

State maintained Road Miles 14.65

Private street Road Miles 72.28

Total Road Miles (public & private) 114.5

Cultural and Recreation

Parks and Recreation

Golf Courses 1

Miles of Lake Shoreline 24

Acreage in Lake 812

Park Acreage 438

Park Trail Miles 3.57

Water

Miles of Water Line Maintained 29.71

Sewer

Wastewater Treatment Plant Capacity (GPD flow) 995,000

Miles of Sewer Line Maintained 15.4

Sources: Various government departments.