

**TOWN OF LAKE LURE  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2014**



# TOWN OF LAKE LURE, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

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**TOWN OF LAKE LURE, NC**

**FISCAL PERFORMANCE AND ANALYSIS**

**2013-2014**

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## I. PURPOSE OF REPORT

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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:

<b><u>Municipality</u></b>	<b><u>Population</u></b>	<b><u>January 1, 2013 Property Tax Value</u></b>	<b><u>FY 13 General Fund Revenues</u></b>
Lake Lure	1,202	\$865,402,680	\$3,754,350
Biltmore Forest	1,364	\$759,218,740	\$3,692,897
Blowing Rock	1,224	\$1,113,002,408	\$4,757,448
Kure Beach	2,075	\$798,085,110	\$4,266,375
Manteo	1,480	\$691,307,001	\$3,500,098
Shallotte	3,904	\$687,427,910	\$4,669,451
Surf City	1,919	\$1,304,378,198	\$5,578,497
Average	1,881	\$888,403,150	\$4,317,017

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.

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## II. ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

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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 2013-2014 are accounted for in seven funds:

<b>Governmental Funds</b> – includes most town operations (other than utilities)	
1. General Fund	<i>Police, fire, administration, public works, parks, lake operations, etc.</i>
2. Silt Removal Capital Project Fund	<i>Account for ongoing silt removal expenditures</i>
3. Capital Reserve Fund	<i>Savings account for anticipated future expenditures</i>
4. Bridge Preservation Reserve Fund	<i>To be used for maintenance expenditures related to bridge transferred to Town by the State</i>
5. Buffalo Creek Park Capital Project Fund	<i>Account for bike/hike/walk trail construction and maintenance expenditures.</i>
<b>Enterprise Funds</b> – 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>

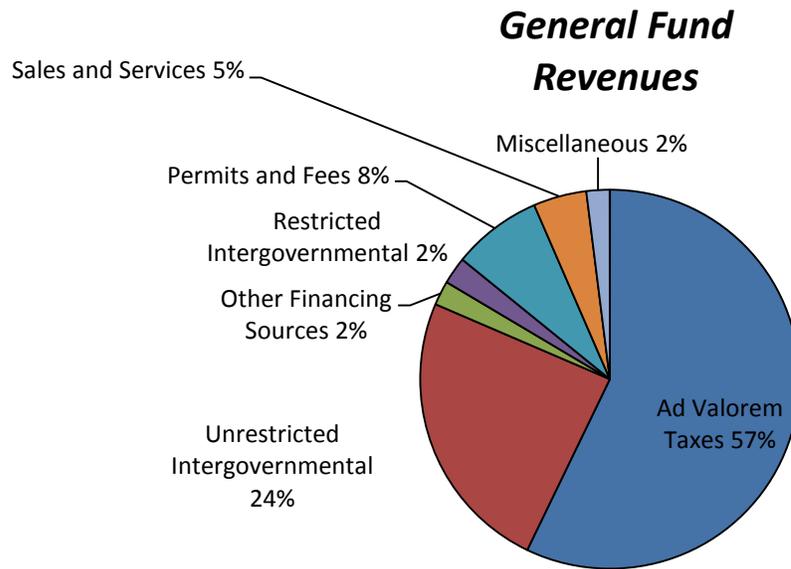
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## III. GENERAL GOVERNMENTAL FUNCTIONS

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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.

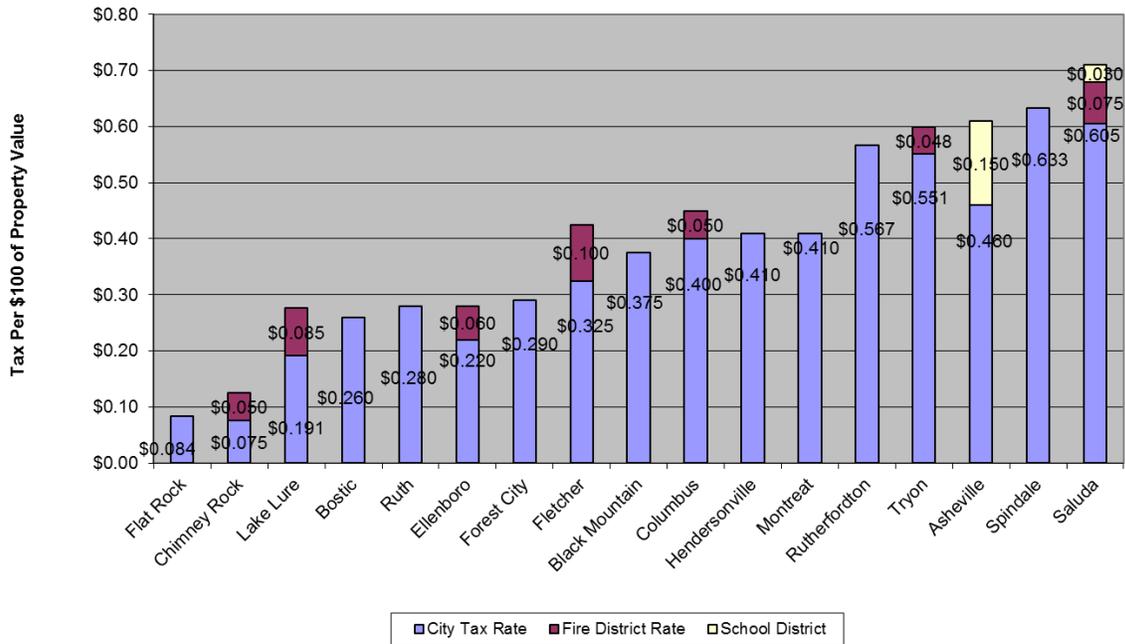
The following graph illustrates the Town’s general governmental sources of revenue for the General Fund only for FY 2013-2014:



Ad valorem taxes provided over one-half (57%) of the general source of revenues in FY 2013-2014. The Town's appraised value as of January 1, 2013 on which the FY 2013-2014 ad valorem levy was based was approximately \$865.4 million. The Town's tax rate for FY 2013-2014 was 27.6 cents, of which 8.5 cents made up a fire service tax, per \$100 of value. (It should be noted that, in 2012, Rutherford County re-assessed properties in Lake Lure which reduced tax values by an average of 14 %.)

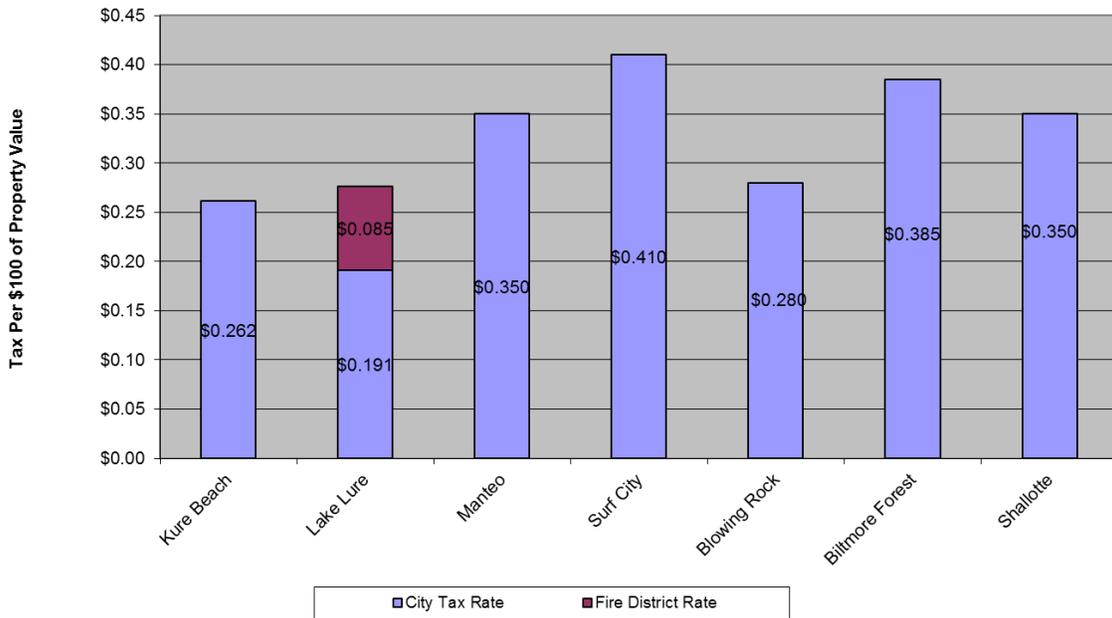
The two charts on the following page illustrate FY 2013-2014 tax rates for municipalities in our region as well as benchmarking municipalities in North Carolina that are similar to the Town in population and appraised property value. As the charts depict, the Town's tax rate is low relative to the municipalities used in this comparison.

FY 2013-2014 Municipal Tax Rates Within Our Region



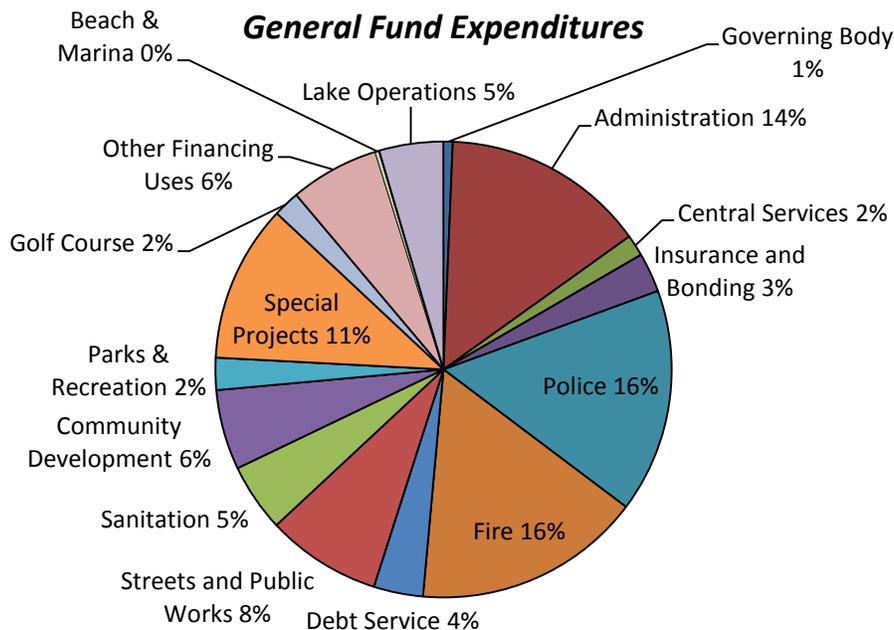
Source: [http://www.dorn.com/publications/2012-13taxrates\\_prelim.pdf](http://www.dorn.com/publications/2012-13taxrates_prelim.pdf)

FY 2013-2014 Municipal Tax Rates for Municipalities with Similar Populations and Appraised Property Values



Source: [http://www.dorn.com/publications/2012-13\\_taxrates\\_prelim.pdf](http://www.dorn.com/publications/2012-13_taxrates_prelim.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 46% of General Fund expenditures. The following graph illustrates the Town's expenditures by department in the General Fund:



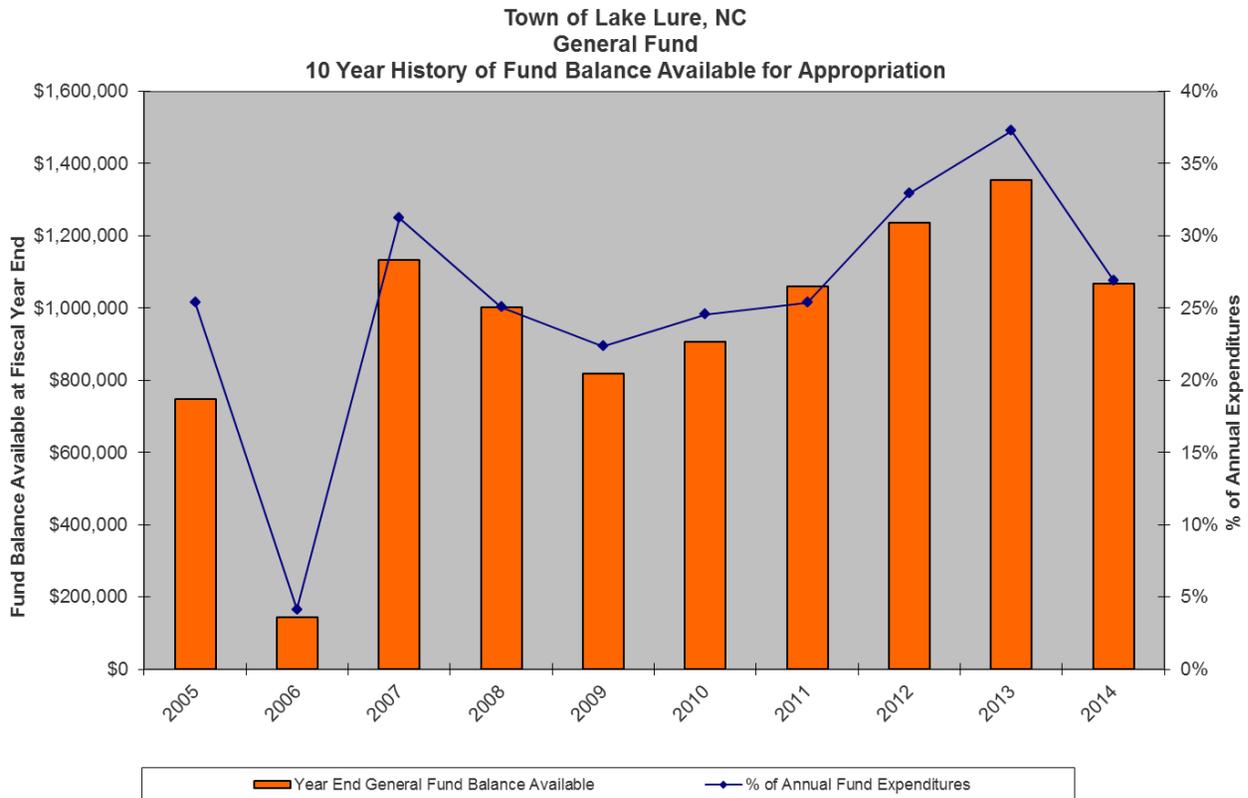
The Town's FY 2013-2014 amended General Fund expenditure budget, including transfers, was \$4,415,423. Despite a tight budget year, due to the diligence of Town staff actual expenditures and transfers totaled \$4,230,495 resulting in a positive variance of \$184,928. The Town also completed the following significant capital and special projects which are reflected in the percentages above:

- Street paving funded with Powell Bill funds- \$76,723
- Purchased two police vehicles- \$61,530
- Purchased gateway property- \$260,000

### ***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, 2014 was \$1,067,623, or 26.94% of expenditure. The Town's trend information for fund balance available for appropriation as a percent of expenditures from 2005 to 2014 is shown below:

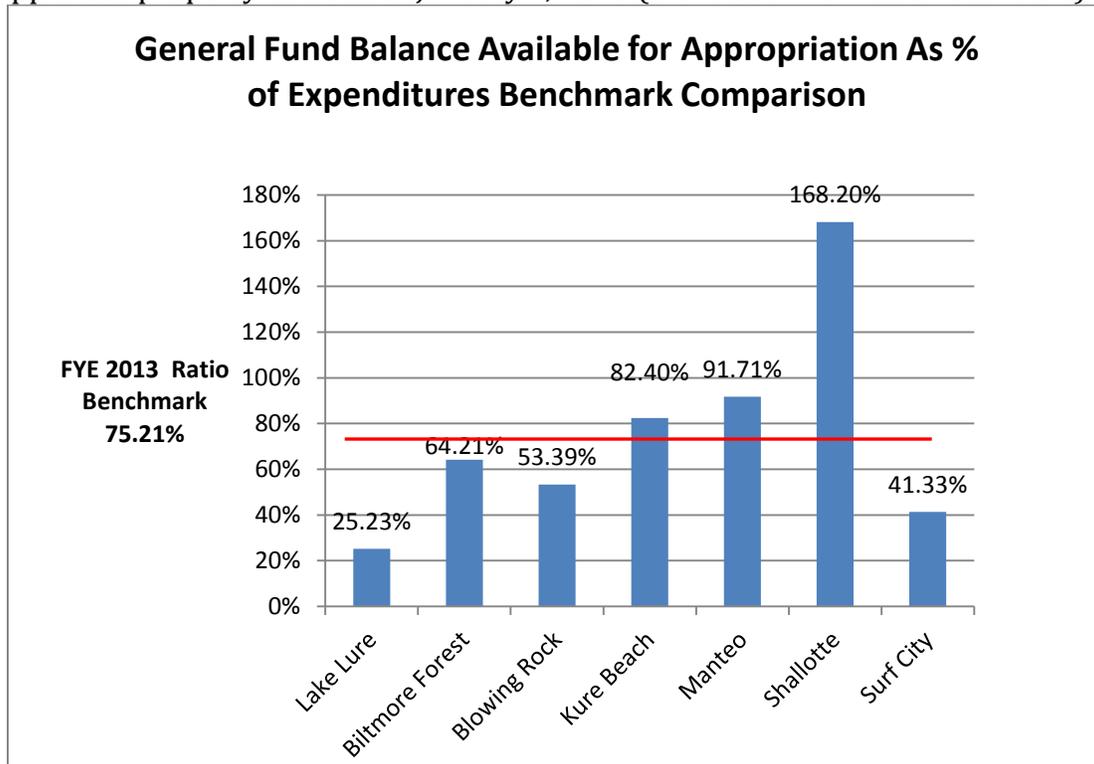


As the chart above shows, while the Town's General Fund Balance Available for Appropriation fell significantly in 2006, the Town has been able to restore it to a level comparable to the 2005 amount and the balance available for appropriation has increased the past three years until the past years decrease due to a transfer to purchase property.

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, 2014 fund balance

available for appropriation as a percent of expenditures was above the minimum 8% at 26.94%, it is lower than the State-wide average (42.56%) and that of other North Carolina municipalities in our population group (66.35%).

The chart below compares the Town’s General Fund Balance Available as a Percent of Expenditures as of June 30, 2014 to specific benchmarking peers with similar populations and appraised property value as of January 1, 2013 (the latest information available).



As shown on the previous chart, our ratio is much less than the 75.21% average of our selected peer group. Lake Lure’s ratio is the lowest of the group at 25.23% while Shallotte is at the high of 168.20%.

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. However, starting in FY 2013-2014 council adopted a 3 cent tax increase to address needed capital improvements.

***Other Governmental Funds***

As of June 30, 2014, the other four governmental funds had these fund balances:

Silt Removal Fund	\$336,345
Bridge Preservation Fund	\$70,000
Buffalo Creek Park Fund	-\$73,344
Capital Reserve Fund	\$224,060

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**IV. ENTERPRISE FUNCTIONS**

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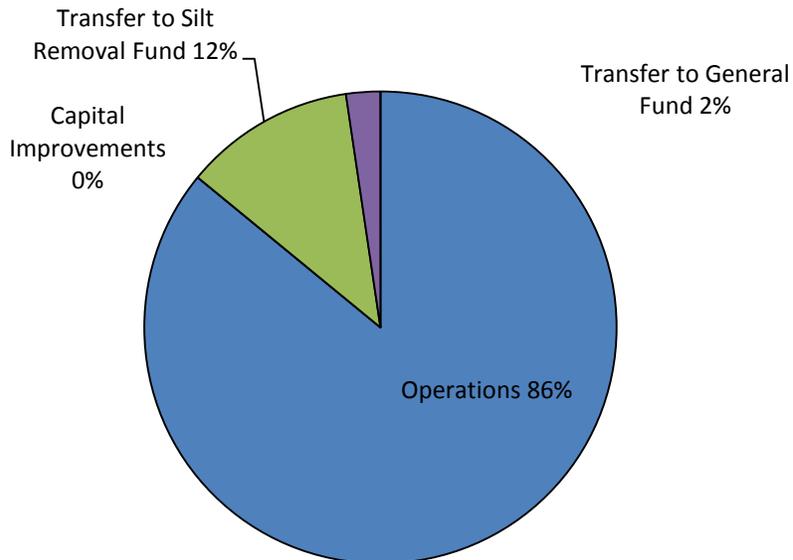
In addition to the General Fund, communities may also utilize one or more enterprise funds. An enterprise fund gives them the flexibility to account separately for all financial activities associated with a specific service. It establishes a separate accounting and financial reporting mechanism for municipal 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.

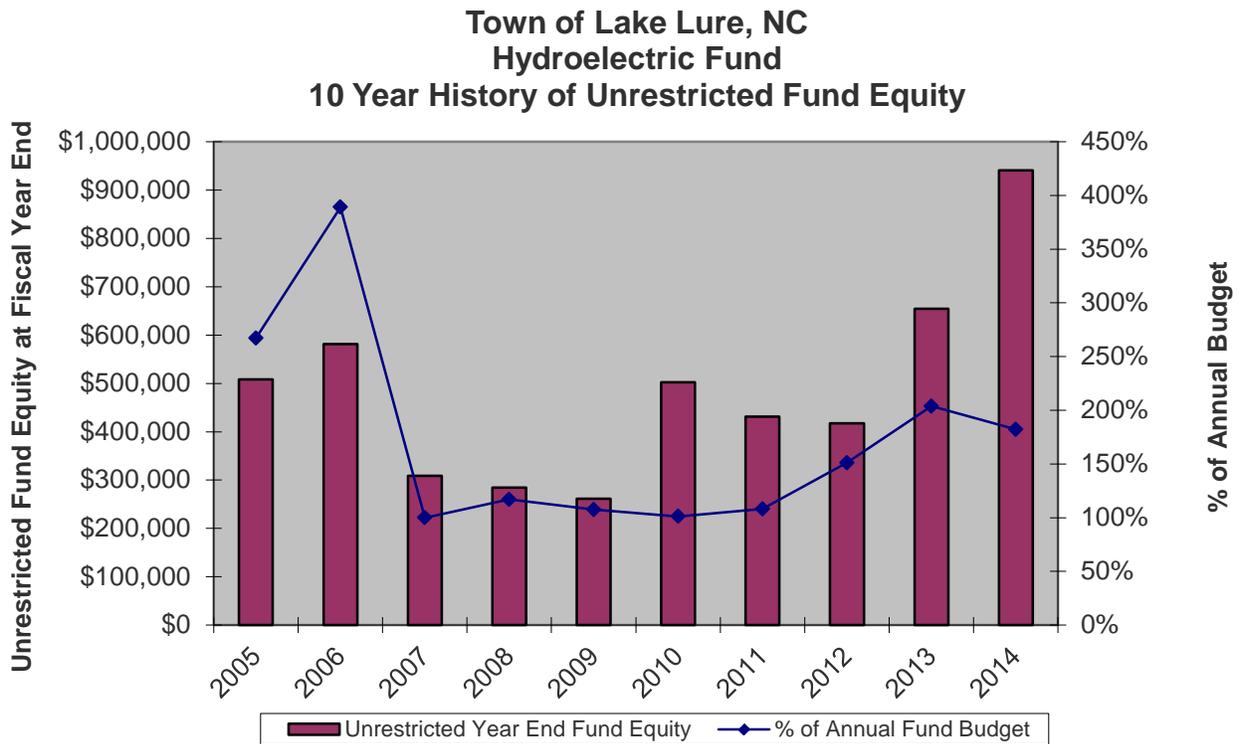
***Electric Power Facility (Hydroelectric) Fund***

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 2013-2014 were \$701,674 (51%) higher than budgeted. This mainly resulted from increased rainfall which peaked hydroelectric generation. Actual operating expenditures for the fund in FY 2012-2013 on a Budget to Actual (Non-GAAP) basis were \$362,964 compared to a budget of \$516,334. There were no Capital improvements. A transfer of \$10,000 was made to the General Fund and a \$50,000 transfer was made to the Silt Removal Fund. The transfer to the General Fund was to compensate for the general administration of hydroelectric operations. 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:

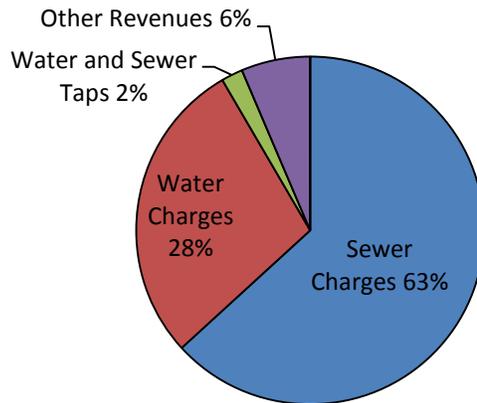


### ***Water and Sewer Fund***

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 1000 sewer customers and 450 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:

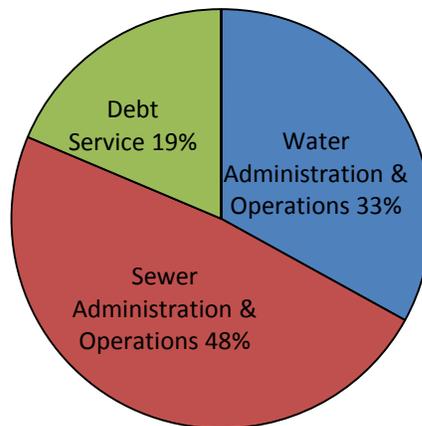
### **Water and Sewer Fund Revenues**



The majority of the water and sewer sources of revenue come from user service charges. 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:

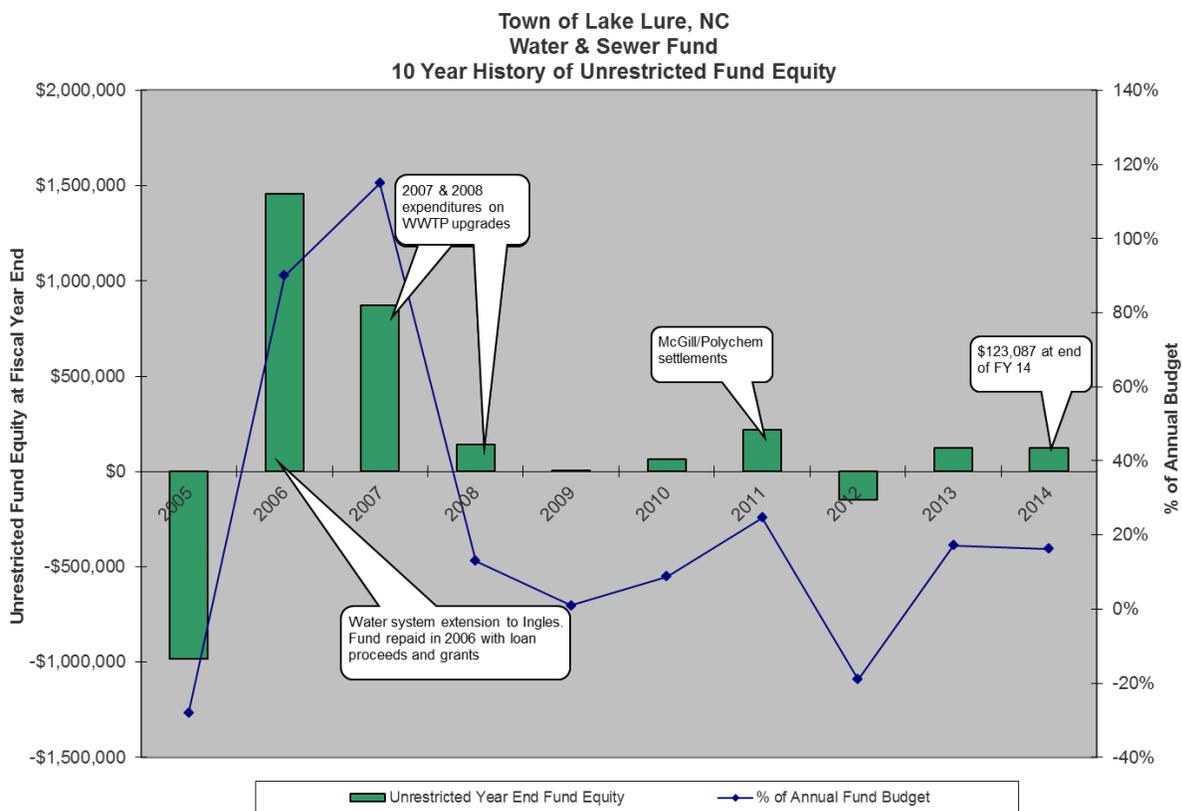
### **Water and Sewer Fund Expenditures**



As shown above, sewer administration and operations comprise 48% of the overall Water and Sewer Fund expenditures. Water administration and operations made up 33% of overall expenditures. A vast majority (\$74,011) of the debt service for FY 2013-2014 was related to the state revolving loan received in 2006 for the water storage tank and water line expansion to

Ingles. The remaining portion of debt service was related to the ARRA no-interest loan which financed the sewer joint repair project.

For FY 2013-2014, the Town used \$12,000 of the Water and Sewer fund balance due to the lack of approval of a budgeted rate increase. 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 2005 to 2014 is below. The interfund loan between the Water and Sewer Fund and the General Fund was forgiven in FY 2012-2013, thus net assets of the Water and Sewer Fund recovered. 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. Unrestricted net assets are equal to \$123,087.



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## V. DEBT MANAGEMENT

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### ***Governmental Fund***

The Town of Lake Lure has efficiently managed its debt. The Governmental Fund Long-Term Debt outstanding as of June 30, 2014 is comprised of the following, excluding accrued vacation, pension and other post-employment benefits:

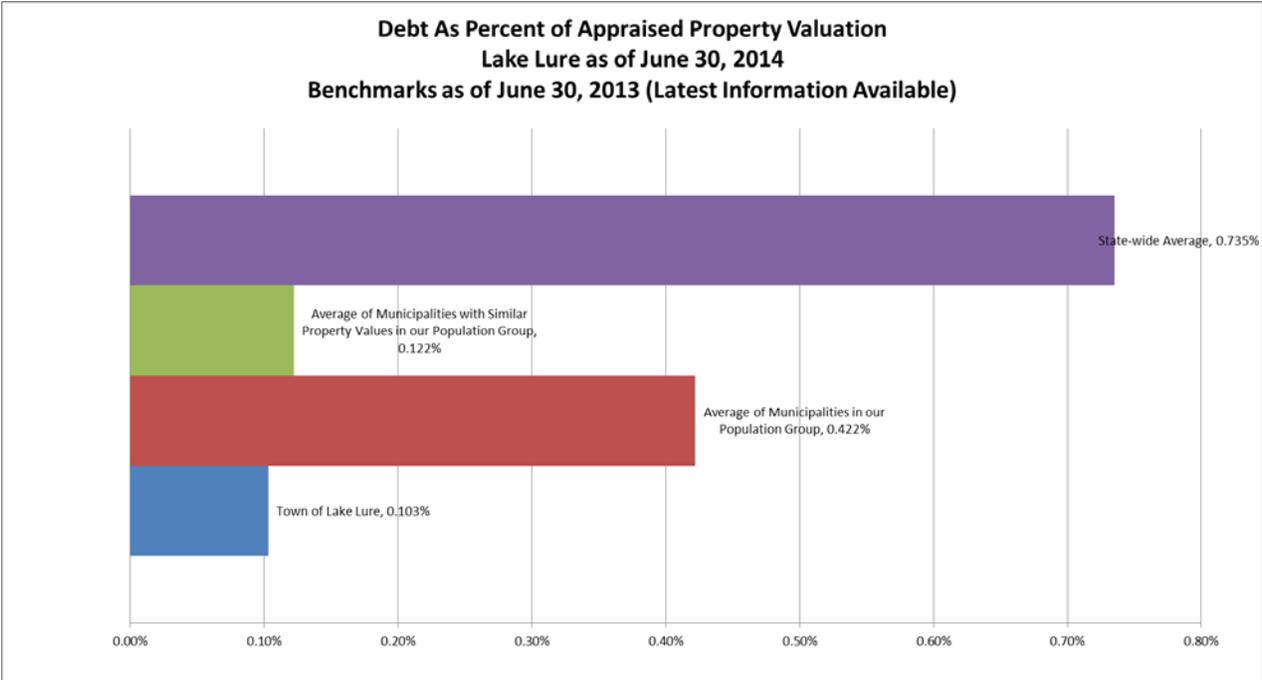
<b>Description</b>	<b>Outstanding June 30, 2014</b>
2013 Two new Police Vehicles Issued \$56,000 for 3 years at 2.12%	\$45,388
2011 Phone System Original Amount of \$22,029 for 4 years at 8%	\$4,176
2011 Marina Improvements and Expansion Issued \$650,000 for 10 years at 2.31%	\$487,500
2013 Fire Truck Loan for 10 years at 1.81%	\$385,863
<b>Total</b>	<b>\$922,926</b>

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

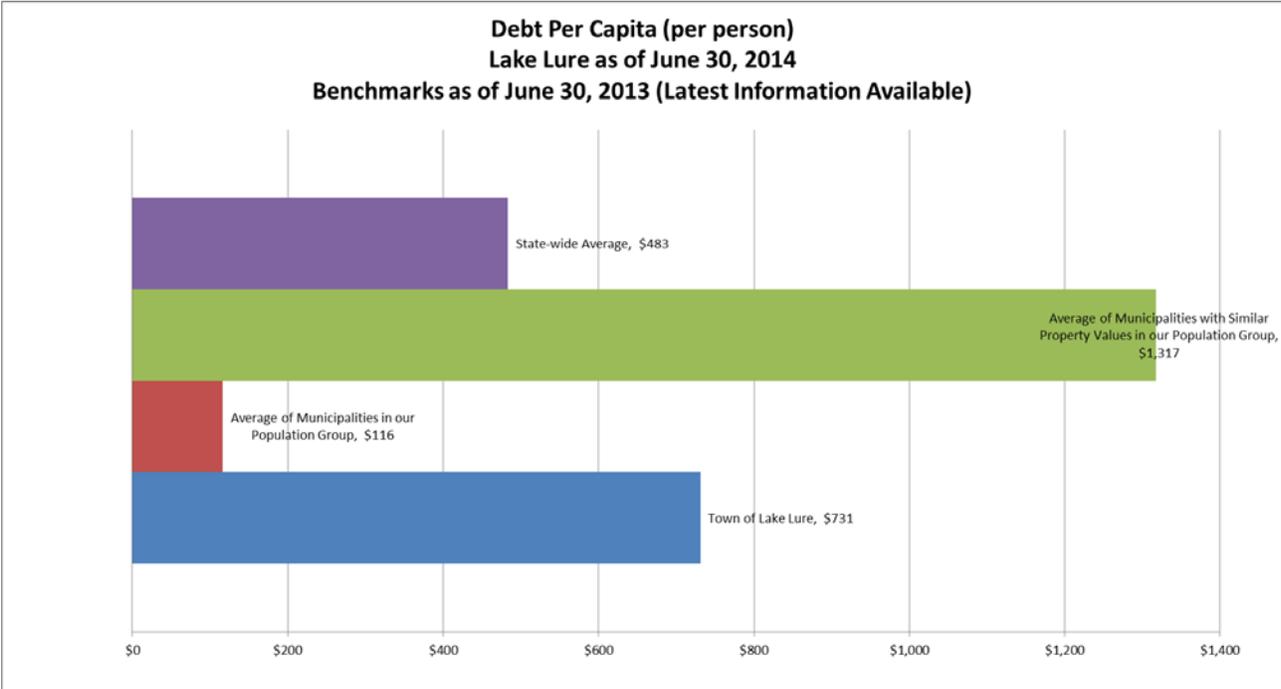
All local government General Obligation debt must be approved and sold by the LGC. The LGC must also approve lease-purchase or installment purchase agreements if the agreement extends 5 or more years, if the agreement obligates the unit to pay money to another entity, if the agreement obligates the unit 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, 2014 (.103%) is lower than the June 30, 2013 average of municipalities in our population group (.122%), the average of municipalities with similar property values in our population group (.167%) and the state wide average (.735%).

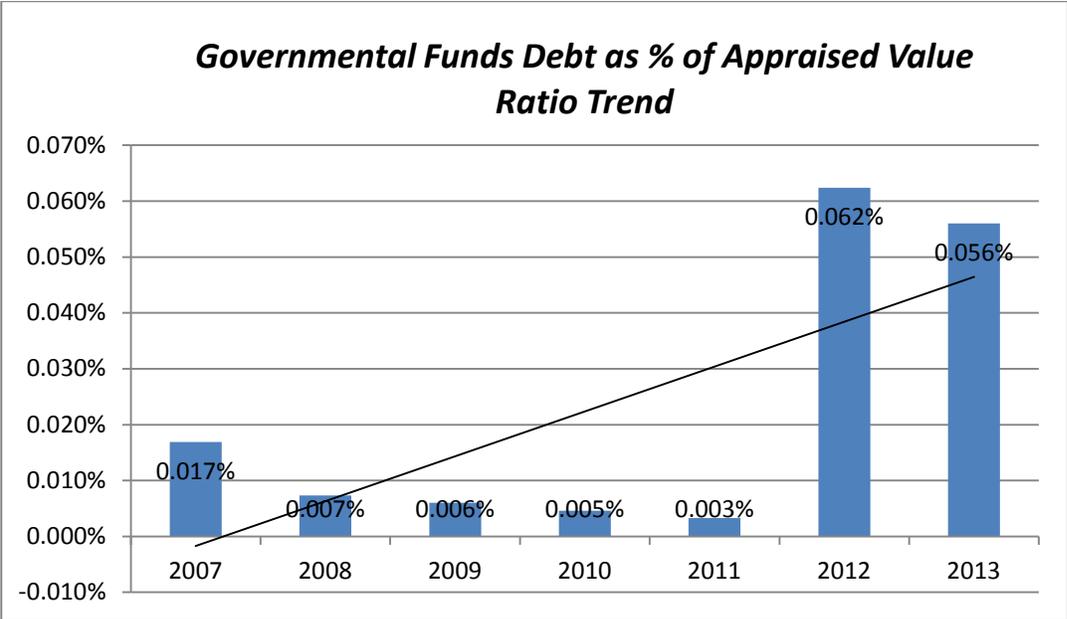


The chart below depicts peer comparisons of governmental fund debt on a per capita basis. While, on a debt per capita (per person) basis, the Town of Lake Lure’s debt ratio as of June 30, 2013 (\$731) is above the June 30, 2013 average of municipalities in our population group (\$116) and the state wide average (\$483), and it is below the average of municipalities with similar property values in our population group (\$1,317).

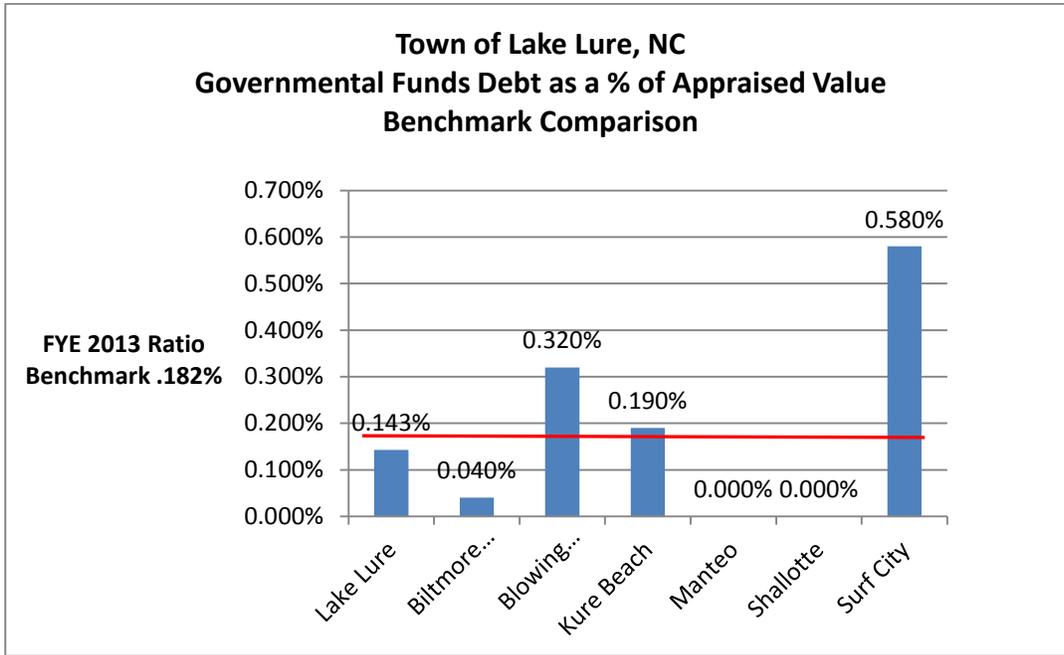


The following graphs provide information regarding recent historical trends for the Town on Governmental Fund debt as a percent of appraised property value as well as a ratio comparison to specific benchmark peers. In selecting the Town’s peers to use in this analysis, we considered population, property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

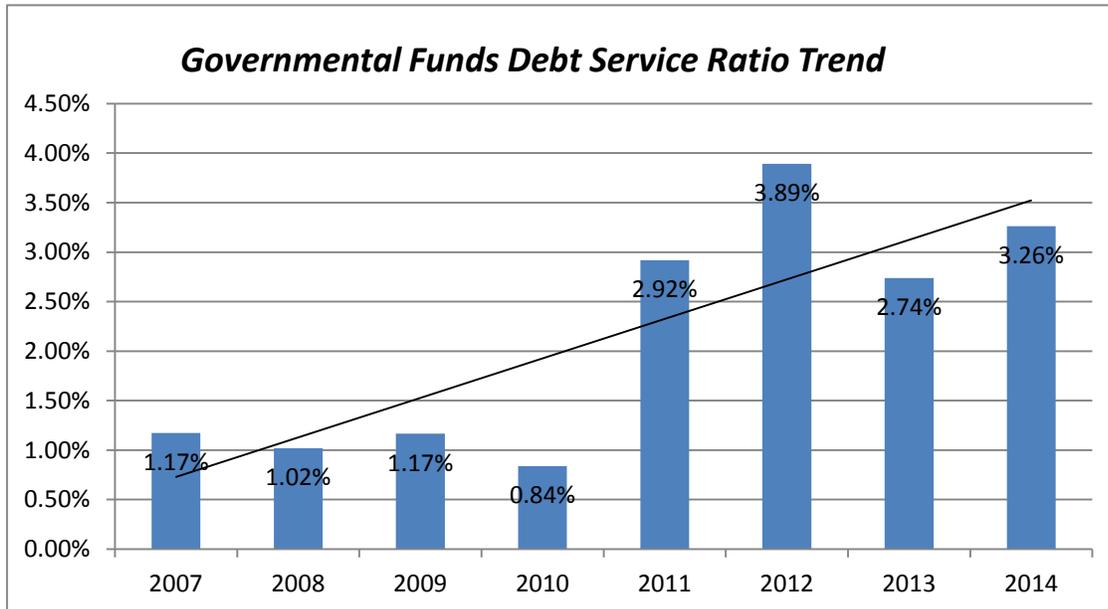
The Town’s trend for this ratio from 2007 to 2014 is shown on the following page. As depicted in the graph, Lake Lure’s governmental-type debt as a percent of appraised value declined in 2010 and 2011. The increase in 2012 is due to the \$650,000 installment purchase financing of improvements to and the expansion of the Town’s Marina.



The chart below compares the Town’s debt as a percent of appraised value as of June 30, 2014 to selected benchmarking peers as of June 30, 2013 (the latest information available). The Town’s ratio as of June 30, 2014 (.143%) as compared to benchmark peers is the fourth lowest. The Town’s ratio is well below the average (.182%) of the peer group selected. This indicates that, as of June 30, 2014, the Town has more governmental fund debt capacity than that of its peers on average.

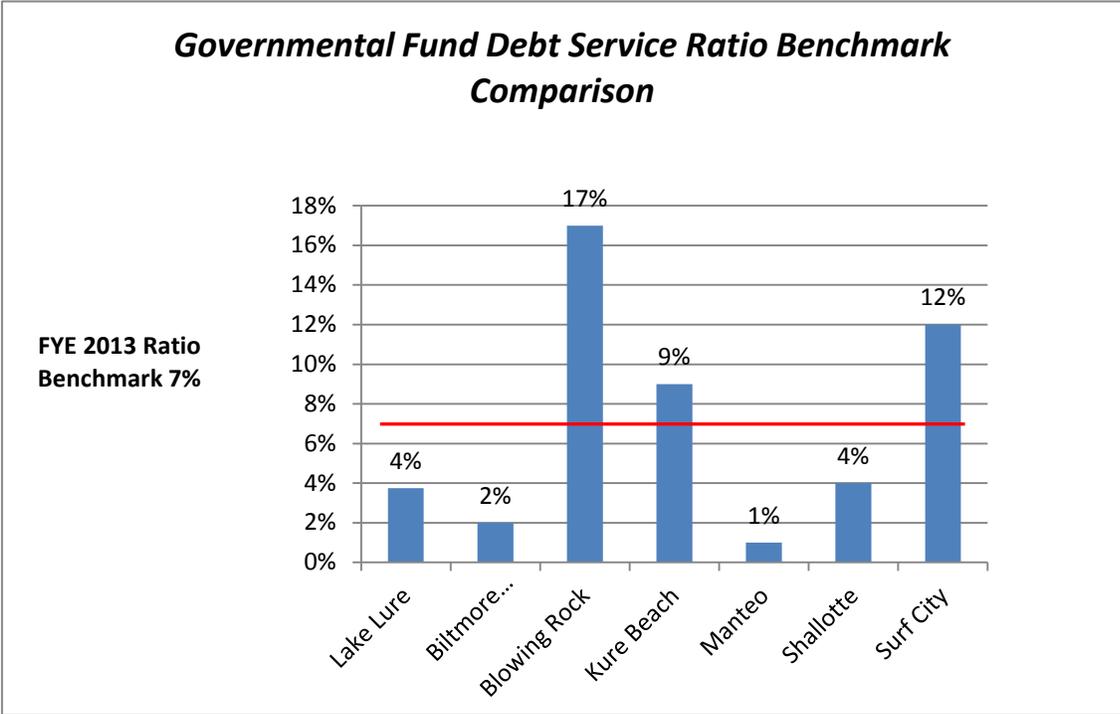


Debt service as a percentage of total expenditures is another ratio to consider when analyzing debt capacity. The **debt service ratio** measures service flexibility or the amount of expenditures committed to annual debt service. With this ratio, a lower number is preferred as a lower number means less 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 2007 to 2014 is shown below:



As shown on the chart above, Lake Lure’s debt service ratio hovered around 1% in 2009 and 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. It then fell back to 2.74% in 2013, and increased to 3.26% in 2014 with the addition of financing agreement for police vehicle and a fire engine. 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, 2014 to selected benchmarking peers as of June 30, 2013 (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 17%.



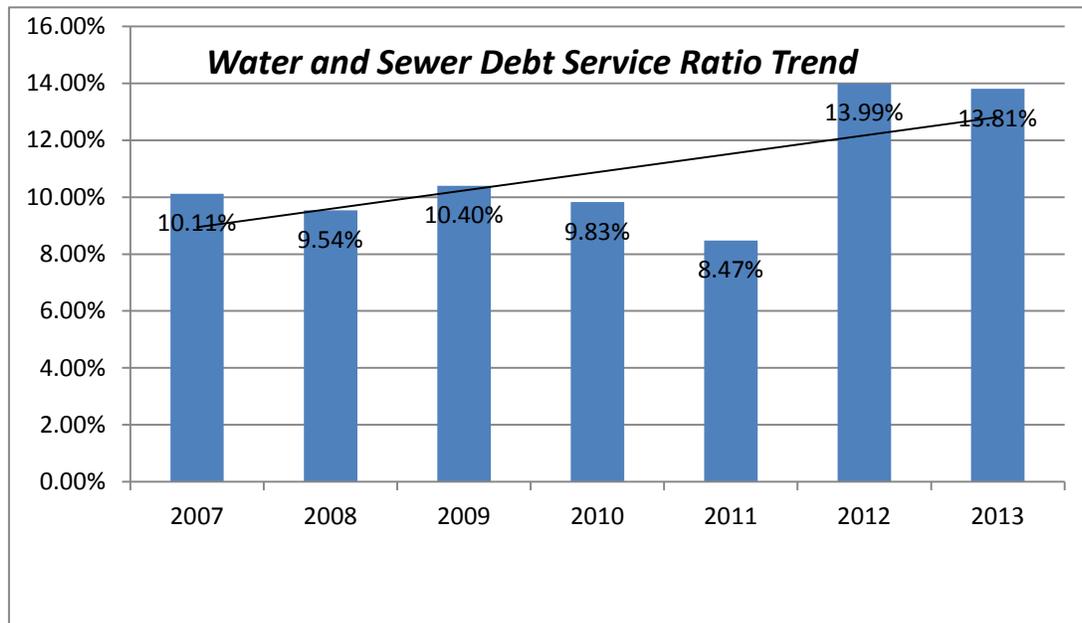
**ANALYSIS:** While low debt is a laudable and fiscally conservative strategy, we should continue to evaluate our effective use of debt as a tool to meet current needs. Debt allows a municipality (or a business) to make investments today without having to incur the full cash outlay in one year’s budget. 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, 2013 is comprised of the following, excluding accrued vacation, pension and other post-employment benefits:

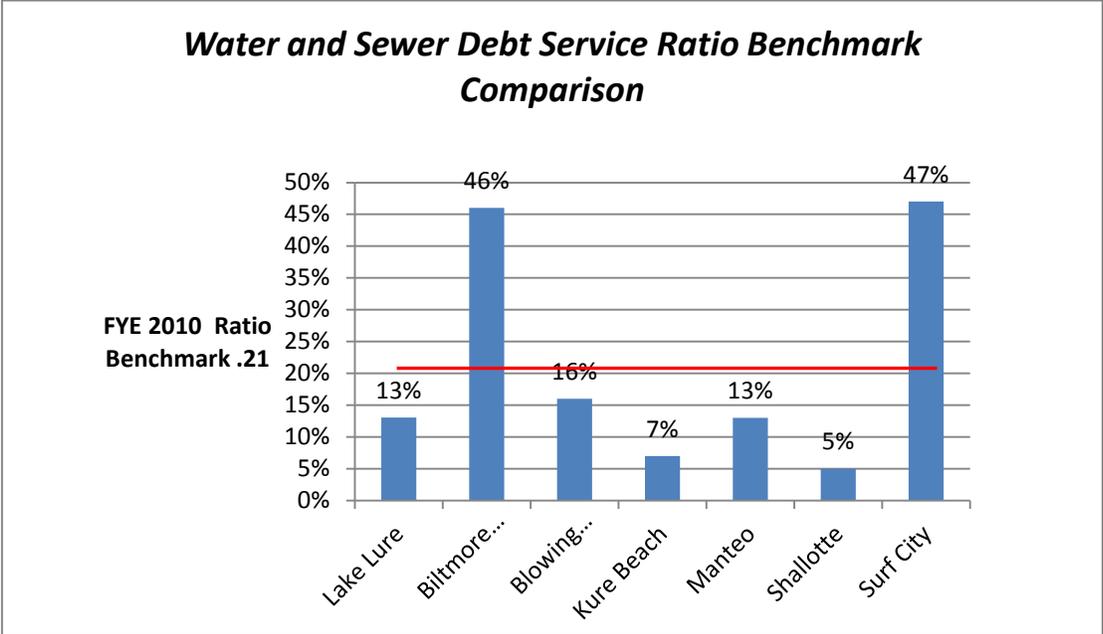
Description	Outstanding June 30, 2014
2006 State Revolving Loan for Storage Tank and Water Line – Issued \$1,119,085 for 20 years at 2.305%	\$671,447
DENR ARRA Pipe Wrapping Sewer Project – Drew down \$2,559,588 from line of credit with 50% “Principal Forgiveness”. Remaining 50% to be repaid at 0% interest for 20 years in annual equal installments through May 1, 2031.	\$1,087,824
<b>Total</b>	<b>\$1,759,271</b>

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.

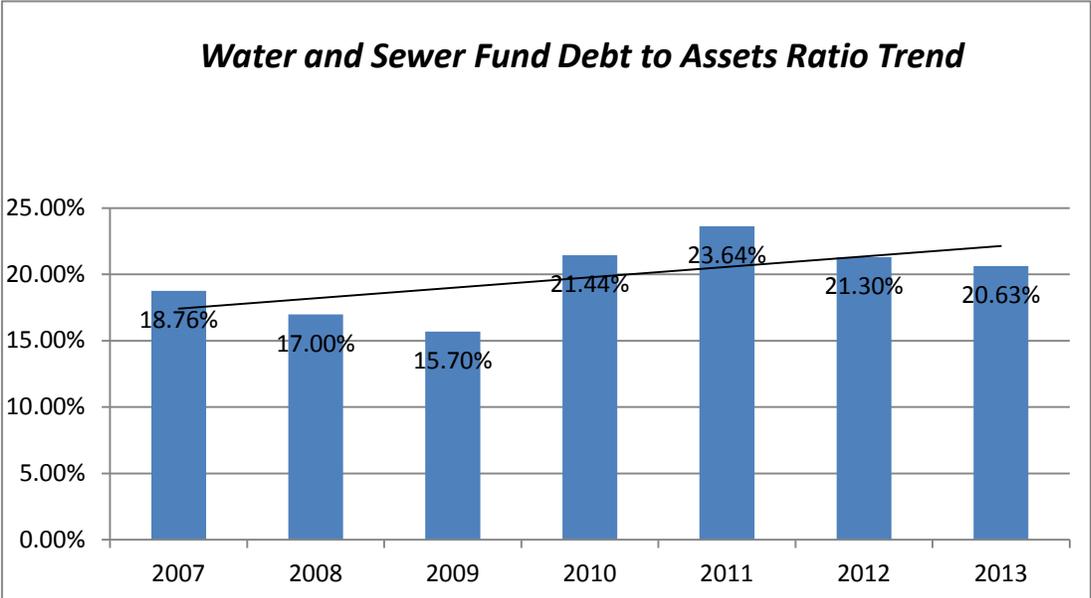


As the chart above indicates, the Water and Sewer Fund debt ratio hovered around 10% from 2007 to 2011 as the only debt outstanding at that time was related to the financing of the Storage Tank and Water Line expansion to Ingles in 2006. In Fiscal Year 2012, the sewer pipe wrapping project was completed and the Town began paying back the \$1.2 million ARRA loan which is now reflected in the debt service ratio.

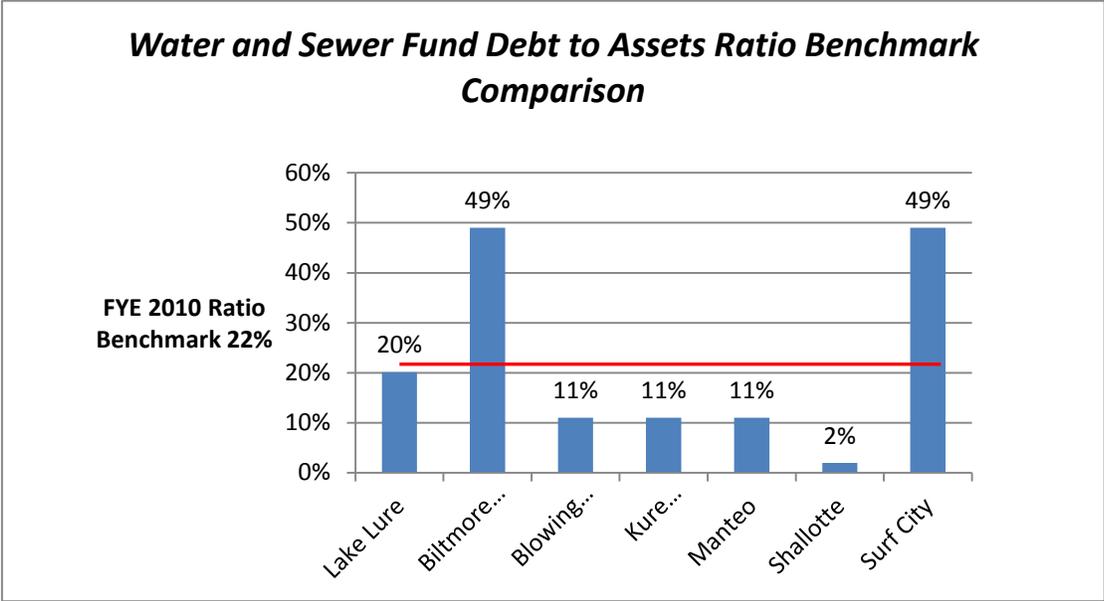
The chart below compares the Town’s Water and Sewer Fund debt service ratio as of June 30, 2014 to selected benchmarking peers as of June 30, 2013 (the latest information available). There are three peers with higher ratios, one peer with an equal ratio and two peers with lower ratios. The Town’s ratio of 13% is lower than the average of 21%. The high ratio of the peer group is Surf City with 47%.



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 2007 to 2013.



The chart below compares the Town’s Water and Sewer Fund debt to assets ratio as of June 30, 2014 to selected benchmarking peers as of June 30, 2013 (the latest information available). There are two peers with higher ratios and four 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 20% is lower than the average of 22%. The high ratios of the peer group are Biltmore Forest and Surf City with 49%.



**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. In FY 2014-2015, we will once again be utilizing additional tax revenues earmarked for capital improvements to address some needed water and sewer improvements, and we plan to utilize debt to leverage the impact of these funds.



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2948 Memorial Highway | Po Box 255 | Lake Lure, NC 28746

November 10, 2014

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, 2014 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, CPA's, P.A. and that firm's unmodified 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 Letter of Transmittal omits some important information that is covered in the MD&A to avoid duplication. The Town's MD&A can be found immediately following the report of independent auditors. The MD&A relates only to the Town's Basic Financial Statements.

## **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, 2014 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. Out of 100 counties in North Carolina, Rutherford County ranked 28<sup>th</sup> for travel impact. Approximately 75% of the County's occupancy tax revenues are generated in the Lake Lure area. The County tourism industry employs more than 1,140 people and generated \$150.51 million in revenues in 2013. 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. For this upcoming school year, the school will have approximately 398 students ranging from K-11. The school will add a grade each year (through 12<sup>th</sup> grade) and will be building permanent facilities in town off of the Highway 9 Corridor. 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 2013-2014 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 continues 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 are 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 9% increase in water utility rates and a flat rate for sewer in FY 2014-2015, 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, and is currently considering adoption of an increased utility rate to meet this need.

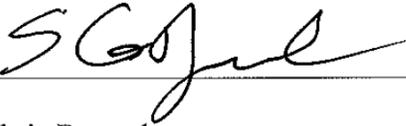
### **Major Initiatives**

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

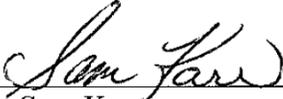
- Purchased land and dilapidated structures at the Town’s Gateway area for approximately \$245,000 to enhance Lake Lure’s appearance and image to “create a sense of arrival”.
- The Town completed phase one of the Town Center master plan. The finalized comprehensive plan will define the vision, coordinate 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, was completed.
- The Town initiated and completed the first loop portion of a new a 5 mile multi-use trail system at the town’s new Buffalo Creek Park, which will be mostly funded with grant funds.
- The Town spent approximately \$95,627 on bearing repairs and cleaning to make sure the hydro-electric units are running efficiently and maximizing revenues.
- Purchase a new tractor for public works for approximately \$52,720 to cut rights of way along town owned roads.
- Purchased over \$13,000 of mobile data terminals through a grant from Facebook for the police department.
- Installed a safety net in front lake side of the dam.
- The Town initiated repairs to the Dam road area that will make a safer ingress/egress access to the Hydro-electric plant.

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,



Chris Braund  
Town Manager



Sam Karr  
Finance Director

**TOWN OF LAKE LURE, NORTH CAROLINA**

**PRINCIPAL OFFICERS**

**JUNE 30, 2014**

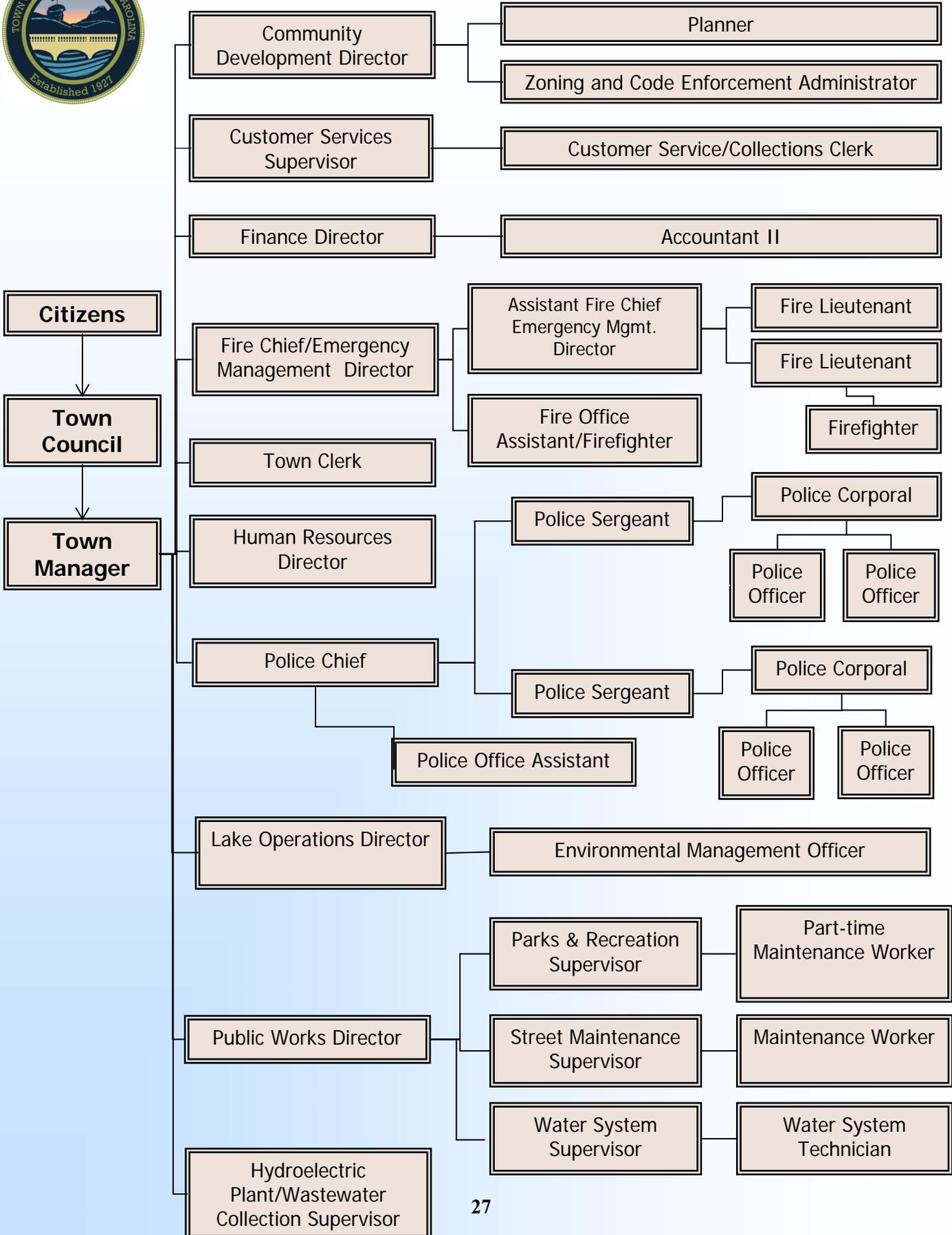
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<b>ELECTED OFFICIALS</b>			
<b>Title</b>	<b>Name</b>	<b>Total Length Of Service</b>	<b>Term Expires</b>
Mayor	Bob Keith	2 years	November 2015
Mayor Pro Tem	John Moore	4 years	November 2017
Councilperson	Mary Ann Silvey	4 years	November 2017
Councilperson	Diane Barrett	4 years	November 2015
Councilperson	Bob Cameron	4 years	November 2015

<b>ADMINISTRATIVE OFFICIALS</b>	
Chris Braund	Town Manager
Sam Karr	Finance Officer
Andi Calvert	Clerk to the Board



# Town of Lake Lure Organizational Chart



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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Lake Lure's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Lake Lure ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, and 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 the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economical, 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Lure's basic financial statements. The fiscal performance and analysis information, introductory information, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem 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 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The fiscal performance and analysis information, introductory section, and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, on our consideration of the Town of Lake Lure's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lake Lure's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
November 10, 2014

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## Management's Discussion and Analysis

As management of the Town of Lake Lure, we offer readers 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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

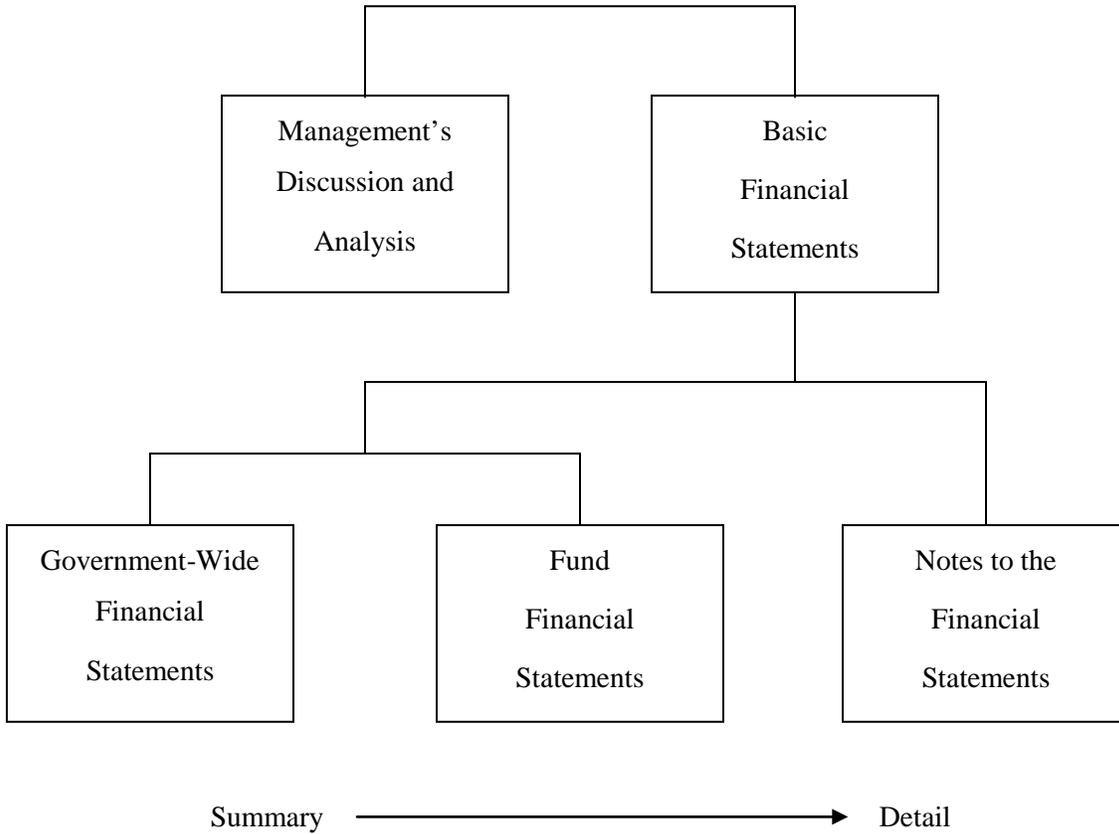
- The assets and deferred outflows of resources of the Town of Lake Lure exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,329,371 (*net position*).
- The government's total net position increased by \$500,612, primarily due to increases in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Lake Lure's governmental funds reported an ending fund balance of \$2,112,302, an increase of \$36,791 in comparison with the prior year. Approximately 74.0 percent of this total amount, or \$1,563,117, is available for spending at the government's discretion (*available fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,005,419, or 23.8 percent, of total General Fund expenditures for the fiscal year.
- The Town's outstanding debt obligations increased by \$233,604.

### Overview of the Financial Statements

This discussion and analysis are 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 statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Lake Lure.

## Required Components of the 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 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 statements, (2) the budgetary comparison statements, and (3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **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 a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements are divided into two categories: (1) governmental activities and (2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, economic and physical development, streets and public works, and general administration. Property taxes and State and Federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Lake Lure.

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

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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, such as the General Statutes or 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*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of 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.

**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 water and sewer operations and electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**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 follow Exhibit J of this report.

## Government-Wide Financial Analysis

### Town of Lake Lure's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets:</b>						
Current and other assets	\$ 2,271,050	\$ 2,218,678	\$ 1,150,358	\$ 843,148	\$ 3,421,408	\$ 3,061,826
Capital assets	6,471,110	5,665,353	8,573,678	8,946,254	15,044,788	14,611,607
Total assets	8,742,160	7,884,031	9,724,036	9,789,402	18,466,196	17,673,433
<b>Liabilities:</b>						
Current liabilities	231,826	176,499	181,831	171,676	413,657	348,175
Other liabilities	1,059,406	725,297	1,663,762	1,771,202	2,723,168	2,496,499
Total liabilities	1,291,232	901,796	1,845,593	1,942,878	3,136,825	2,844,674
<b>Net Position:</b>						
Net investment in capital assets	5,554,117	5,111,765	6,814,407	7,067,034	12,368,524	12,178,799
Stabilization for State statute	548,405	339,966	-	-	548,405	339,966
Other restricted	72,204	107,023	-	-	72,204	107,023
Unrestricted	1,276,202	1,423,481	1,064,036	779,490	2,340,238	2,202,971
Total net position	\$ 7,450,928	\$ 6,982,235	\$ 7,878,443	\$ 7,846,524	\$ 15,329,371	\$ 14,828,759

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Lake Lure exceeded liabilities and deferred inflows by \$15,329,371 as of June 30, 2014. The Town's net position increased by \$500,612 for the fiscal year ended June 30, 2014. The largest portion of net position (81%) reflects the Town's net investment in capital assets (e.g., land, buildings, 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 net 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 position represents resources that are subject to external restrictions on how they may be used. The total amount restricted for the year ended June 30, 2014, was \$620,609. The remaining balance of \$2,340,238 is unrestricted.

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

- Major increases in Electric Fund operating revenues
- Delaying major capital improvements and expansions

## Town of Lake Lure's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 541,750	\$ 470,887	\$ 1,423,417	\$ 1,242,078	\$ 1,965,167	\$ 1,712,965
Operating grants and contributions	123,115	141,120	-	342,500	123,115	483,620
Capital grants and contributions	67,500	4,000	-	-	67,500	4,000
General revenues:						
Property taxes	2,348,373	2,107,654	-	-	2,348,373	2,107,654
Grants and contributions not restricted to specific programs	992,222	1,016,902	-	-	992,222	1,016,902
Other	989	1,390	630	490	1,619	1,880
Total revenues	4,073,949	3,741,953	1,424,047	1,585,068	5,497,996	5,327,021
<b>Expenses:</b>						
General government	987,541	986,294	-	-	987,541	986,294
Public safety	1,448,070	1,387,532	-	-	1,448,070	1,387,532
Transportation and physical development	327,062	386,085	-	-	327,062	386,085
Environmental protection	204,443	202,160	-	-	204,443	202,160
Cultural and recreation	645,417	979,066	-	-	645,417	979,066
Interest on long-term debt	20,703	15,474	-	-	20,703	15,474
Water and sewer	-	-	929,460	879,690	929,460	879,690
Electric	-	-	434,688	334,918	434,688	334,918
Total expenses	3,633,236	3,956,611	1,364,148	1,214,608	4,997,384	5,171,219
Change in net position before transfers	440,713	(214,658)	59,899	370,460	500,612	155,802
Transfers	27,980	70,000	(27,980)	(70,000)	-	-
Change in net position	468,693	(144,658)	31,919	300,460	500,612	155,802
<b>Net Position:</b>						
Beginning of year - July 1	6,982,235	7,126,893	7,846,524	7,546,064	14,828,759	14,672,957
End of year - June 30	\$ 7,450,928	\$ 6,982,235	\$ 7,878,443	\$ 7,846,524	\$ 15,329,371	\$ 14,828,759

**Governmental Activities.** Governmental activities increased the Town of Lake Lure's net position by \$468,693. Key elements of this increase are as follows:

- Increase of charges for services by about 15%
- Increased property taxes

**Business-Type Activities.** Business-type activities increased the Town of Lake Lure's net position by \$31,919. Key elements of this increase are as follows:

- Major increase in the Hydroelectric Fund revenues from operations
- Sewer operational costs continue to run high due to efforts to bring the system into compliance with environmental regulations
- Increased water customer base

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

The General Fund is the chief operating fund of the Town of Lake Lure. At the end of the current fiscal year, available fund balance of the General Fund was \$1,067,623, while total fund balance was \$1,549,308. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 25.6 percent of total General Fund expenditures, while total fund balance represents 37.1 percent of total General Fund expenditures.

**General Fund Budgetary Highlights.** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund decreased revenues by approximately \$117,000.

**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. Total net position of the Water and Sewer Fund at the end of the fiscal year totaled \$6,422,467. Factors concerning the finances of the enterprise fund have already been addressed in the discussion of the Town of Lake Lure's business-type activities. The total net position of the Town's Electric Fund at year-end was \$1,455,976, with \$940,949 of that amount being unrestricted.

## Capital Assets and Debt Administration

**Capital Assets.** The Town of Lake Lure’s capital assets for its governmental and business-type activities as of June 30, 2014, totals \$15,044,788 (net of accumulated depreciation and amortization). These assets include buildings, land, improvements, equipment, water capacity, and construction in progress.

### Town of Lake Lure’s Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,914,481	\$ 2,078,616	\$ 90,189	\$ 90,189	\$ 3,004,670	\$ 2,168,805
Buildings and system	2,600,544	2,600,544	3,872,931	3,872,931	6,473,475	6,473,475
Other improvements	1,631,227	1,611,794	58,517	58,517	1,689,744	1,670,311
Equipment and furniture	238,216	151,406	1,935,075	1,935,075	2,173,291	2,086,481
Infrastructure	953,628	953,628	6,349,885	6,349,885	7,303,513	7,303,513
Vehicles and motorized equipment	1,419,239	1,385,489	151,567	151,567	1,570,806	1,537,056
Accumulated depreciation	<u>(3,286,225)</u>	<u>(3,116,124)</u>	<u>(3,884,486)</u>	<u>(3,511,910)</u>	<u>(7,170,711)</u>	<u>(6,628,034)</u>
Total	<u>\$ 6,471,110</u>	<u>\$ 5,665,353</u>	<u>\$ 8,573,678</u>	<u>\$ 8,946,254</u>	<u>\$ 15,044,788</u>	<u>\$ 14,611,607</u>

Additional information on the Town’s capital assets can be found in the notes of the financial statements.

**Long-Term Debt.** As of June 30, 2014, the Town of Lake Lure had total notes payable outstanding of \$2,682,197 all of which is secured by assets of the Town.

### Town of Lake Lure’s Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Installment obligations	\$ 922,926	\$ 569,373	\$ -	\$ -	\$ 922,926	\$ 569,373
General obligation indebtedness	-	-	1,759,271	1,879,220	1,759,271	1,879,220
Total	<u>\$ 922,926</u>	<u>\$ 569,373</u>	<u>\$ 1,759,271</u>	<u>\$ 1,879,220</u>	<u>\$ 2,682,197</u>	<u>\$ 2,448,593</u>

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 approximately \$65,838,000.

Additional information regarding the Town of Lake Lure’s long-term debt can be found in the notes of this audited financial report.

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

The following is an economic indicator affecting 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 has broken ground on the new permanent school structure, in anticipation of full use prior to the beginning of the coming academic year.

## **Budget Highlights for the Fiscal Year Ending June 30, 2015**

**Governmental Activities.** A portion of tax monies were earmarked for the Capital Reserve Fund and are restricted for government-wide capital improvements, equipment replacements, engineering for grants and loans, and additions of capital assets deemed necessary. In addition, the Town is not planning on any major General Fund projects requiring grant monies from Federal or State agencies to be started in the new fiscal year.

**Business-Type Activities.** Overall, water and sewer revenues are budgeted greater than 2014-2015 amounts due to a budgeted water rate increase of 9%, new rental revenues, and new grant monies as the Town continues to administer and complete existing projects. A flat rate for sewer usage was adopted for all customers. The Town is working with Rutherford County and surrounding municipalities to establish a regional sewer collection and treatment system. Monies to fund this projects are expected to come through grants and no or low interest loans.

## **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, 2948 Memorial Highway, Lake Lure, North Carolina 28746.

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## TOWN OF LAKE LURE, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2014

	Primary Government			Town of Lake Lure ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 1,764,940	\$ 995,168	\$ 2,760,108	\$ 128,046
Taxes receivable, net	89,632	-	89,632	-
Accounts receivable, net	50,239	124,067	174,306	-
Due from other governments	357,322	-	357,322	-
Inventories	780	31,123	31,903	106,893
Prepaid expenses	-	-	-	4,894
Total current assets	<u>2,262,913</u>	<u>1,150,358</u>	<u>3,413,271</u>	<u>239,833</u>
Non-current assets:				
Restricted assets:				
Cash and cash equivalents, restricted	8,137	-	8,137	-
Capital assets:				
Land and other non-depreciable capital assets	2,914,481	90,189	3,004,670	-
Depreciable capital assets, net	<u>3,556,629</u>	<u>8,483,489</u>	<u>12,040,118</u>	<u>20,934</u>
Total non-current assets	<u>6,479,247</u>	<u>8,573,678</u>	<u>15,052,925</u>	<u>20,934</u>
Total assets	<u>8,742,160</u>	<u>9,724,036</u>	<u>18,466,196</u>	<u>260,767</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued expenses	60,200	56,666	116,866	86,981
Prepaid cleanup fees	8,916	-	8,916	-
Current portion of compensated absences	35,218	5,221	40,439	-
Current portion of long-term liabilities	<u>127,492</u>	<u>119,944</u>	<u>247,436</u>	<u>-</u>
Total current liabilities	<u>231,826</u>	<u>181,831</u>	<u>413,657</u>	<u>86,981</u>
Long-term liabilities:				
Compensated absences	105,652	15,664	121,316	-
Due in more than one year	<u>953,754</u>	<u>1,648,098</u>	<u>2,601,852</u>	<u>-</u>
Total long-term liabilities	<u>1,059,406</u>	<u>1,663,762</u>	<u>2,723,168</u>	<u>-</u>
Total liabilities	<u>1,291,232</u>	<u>1,845,593</u>	<u>3,136,825</u>	<u>86,981</u>
<b>Net Position:</b>				
Net investment in capital assets	5,554,117	6,814,407	12,368,524	20,934
Restricted for:				
Stabilization by State statute	548,405	-	548,405	-
Working capital	-	-	-	21,506
Public safety	2,204	-	2,204	-
Cultural and recreation	70,000	-	70,000	-
Unrestricted	<u>1,276,202</u>	<u>1,064,036</u>	<u>2,340,238</u>	<u>131,346</u>
Total net position	<u>\$ 7,450,928</u>	<u>\$ 7,878,443</u>	<u>\$ 15,329,371</u>	<u>\$ 173,786</u>

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, 2014**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 987,541	\$ 45,653	\$ 12,472	\$ -
Public safety	1,448,070	514	41,848	-
Transportation and physical development	327,062	-	68,795	-
Environmental protection	204,443	24,218	-	-
Cultural and recreation	645,417	471,365	-	67,500
Interest on long-term debt	20,703	-	-	-
Total governmental activities	<u>3,633,236</u>	<u>541,750</u>	<u>123,115</u>	<u>67,500</u>
<b>Business-Type Activities:</b>				
Electric	434,688	701,086	-	-
Water and sewer	929,460	722,331	-	-
Total business-type activities	<u>1,364,148</u>	<u>1,423,417</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 4,997,384</u>	<u>\$ 1,965,167</u>	<u>\$ 123,115</u>	<u>\$ 67,500</u>
<b>Component Unit:</b>				
ABC Board	<u>\$ 761,656</u>	<u>\$ 730,574</u>	<u>\$ -</u>	<u>\$ -</u>

**General Revenues:**

Ad valorem taxes  
Unrestricted intergovernmental  
Investment earnings  
Total general revenues

Transfers

Total general revenues and transfers

Change in net position

**Net Position:**

Beginning of year - July 1

End of year - June 30

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

Exhibit B

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			<b>Town of Lake Lure ABC Board</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
\$ (929,416)	\$ -	\$ (929,416)	
(1,405,708)	-	(1,405,708)	
(258,267)	-	(258,267)	
(180,225)	-	(180,225)	
(106,552)	-	(106,552)	
(20,703)	-	(20,703)	
<u>(2,900,871)</u>	<u>-</u>	<u>(2,900,871)</u>	
-	266,398	266,398	
<u>-</u>	<u>(207,129)</u>	<u>(207,129)</u>	
<u>-</u>	<u>59,269</u>	<u>59,269</u>	
<u>(2,900,871)</u>	<u>59,269</u>	<u>(2,841,602)</u>	
			\$ <u>(31,082)</u>
2,348,373	-	2,348,373	-
992,222	-	992,222	-
<u>989</u>	<u>630</u>	<u>1,619</u>	<u>1,039</u>
3,341,584	630	3,342,214	1,039
<u>27,980</u>	<u>(27,980)</u>	<u>-</u>	<u>-</u>
<u>3,369,564</u>	<u>(27,350)</u>	<u>3,342,214</u>	<u>1,039</u>
468,693	31,919	500,612	(30,043)
<u>6,982,235</u>	<u>7,846,524</u>	<u>14,828,759</u>	<u>203,829</u>
<u>\$ 7,450,928</u>	<u>\$ 7,878,443</u>	<u>\$ 15,329,371</u>	<u>\$ 173,786</u>

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

## TOWN OF LAKE LURE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Fund	Buffalo Creek Park Capital Project Fund	Other Governmental Funds	
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,134,535	\$ -	\$ 630,405	\$ 1,764,940
Taxes receivable, net	89,632	-	-	89,632
Accounts receivable, net	50,239	-	-	50,239
Inventories	780	-	-	780
Due from other governments	289,822	67,500	-	357,322
Due from other funds	140,844	-	-	140,844
Restricted cash and cash equivalents	2,204	-	5,933	8,137
Total assets	<u>\$ 1,708,056</u>	<u>\$ 67,500</u>	<u>\$ 636,338</u>	<u>\$ 2,411,894</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 60,200	\$ -	\$ -	\$ 60,200
Prepaid clean up fees	8,916	-	-	8,916
Due to other funds	-	140,844	-	140,844
Total liabilities	<u>69,116</u>	<u>140,844</u>	<u>-</u>	<u>209,960</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	<u>89,632</u>	<u>-</u>	<u>-</u>	<u>89,632</u>
<b>Fund Balances:</b>				
Non-spendable, not in spendable form:				
Inventories	780	-	-	780
Restricted:				
Stabilization by State statute	480,905	67,500	-	548,405
Restricted, other	2,204	-	75,933	78,137
Committed	-	-	560,405	560,405
Assigned	60,000	-	-	60,000
Unassigned	1,005,419	(140,844)	-	864,575
Total fund balances	<u>1,549,308</u>	<u>(73,344)</u>	<u>636,338</u>	<u>2,112,302</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,708,056</u>	<u>\$ 67,500</u>	<u>\$ 636,338</u>	
Amounts reported for governmental activities in the Statement of Net Position (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.				6,471,110
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.				(1,222,116)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be received within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Position.				<u>89,632</u>
Net position of governmental activities per Exhibit A				<u>\$ 7,450,928</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, 2014

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Fund	Buffalo Creek Park Capital Project Fund	Other Governmental Funds	
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,335,023	\$ -	\$ -	\$ 2,335,023
Unrestricted intergovernmental	992,222	-	-	992,222
Restricted intergovernmental	94,093	67,500	-	161,593
Permits and fees	312,014	-	-	312,014
Sales and service	184,863	-	-	184,863
Investment earnings	754	-	235	989
Miscellaneous	80,533	-	-	80,533
Total revenues	<u>3,999,502</u>	<u>67,500</u>	<u>235</u>	<u>4,067,237</u>
<b>Expenditures:</b>				
Current:				
General government	703,223	-	-	703,223
Public safety	1,355,312	-	425,000	1,780,312
Transportation and physical development	343,090	-	-	343,090
Environmental protection	204,443	-	-	204,443
Cultural and recreation	620,064	140,844	10,087	770,995
Unemployment and insurance	117,618	-	-	117,618
Special projects	471,595	-	-	471,595
Debt service:				
Principal retirement	127,447	-	-	127,447
Interest and other charges	20,703	-	-	20,703
Total expenditures	<u>3,963,495</u>	<u>140,844</u>	<u>435,087</u>	<u>4,539,426</u>
Revenues over (under) expenditures	<u>36,007</u>	<u>(73,344)</u>	<u>(434,852)</u>	<u>(472,189)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(267,000)	-	(48,940)	(315,940)
Transfers from other funds	28,720	-	315,200	343,920
Debt issued	56,000	-	425,000	481,000
Total other financing sources (uses)	<u>(182,280)</u>	<u>-</u>	<u>691,260</u>	<u>508,980</u>
Net change in fund balances	(146,273)	(73,344)	256,408	36,791
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>1,695,581</u>	<u>-</u>	<u>379,930</u>	<u>2,075,511</u>
End of year - June 30	<u>\$ 1,549,308</u>	<u>\$ (73,344)</u>	<u>\$ 636,338</u>	<u>\$ 2,112,302</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, 2014**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit D) \$ 36,791

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 90 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 13,350

Expenses related to compensated absences, other post-employment benefits , and the Law Enforcement Separation Allowance do not require current financial resources and are not reported as expenditures in the governmental funds statement. (33,652)

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. 1,063,888

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (251,493)

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. 127,447

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. (481,000)

A loss from the disposal of capital assets is reported in the Statement of Activities; however, this loss is not recognized in the governmental funds statement. (6,638)

Change in net position in governmental activities per Exhibit B \$ 468,693

*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, 2014

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,368,916	\$ 2,368,916	\$ 2,335,023	\$ (33,893)
Unrestricted intergovernmental	1,059,000	1,059,000	992,222	(66,778)
Restricted intergovernmental	255,235	91,485	94,093	2,608
Permits and fees	242,000	242,000	312,014	70,014
Sales and services	167,000	167,000	184,863	17,863
Investment earnings	1,200	1,200	754	(446)
Miscellaneous	3,745	50,486	80,533	30,047
Total revenues	<u>4,097,096</u>	<u>3,980,087</u>	<u>3,999,502</u>	<u>19,415</u>
<b>Expenditures:</b>				
Current:				
General government	746,378	746,378	703,223	43,155
Public safety	1,376,521	1,378,345	1,355,312	23,033
Transportation and physical development	306,381	351,421	343,090	8,331
Environmental protection	207,300	207,300	204,443	2,857
Cultural and recreation	693,257	684,836	620,064	64,772
Unemployment and insurance	143,650	121,650	117,618	4,032
Special projects	294,714	500,298	471,595	28,703
Debt service:				
Principal retirement	136,837	136,837	127,447	9,390
Interest and other charges	21,358	21,358	20,703	655
Total expenditures	<u>3,926,396</u>	<u>4,148,423</u>	<u>3,963,495</u>	<u>184,928</u>
Revenues over (under) expenditures	<u>170,700</u>	<u>(168,336)</u>	<u>36,007</u>	<u>204,343</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(249,000)	(267,000)	(267,000)	-
Transfers from other funds	10,000	28,720	28,720	-
Debt issued	56,000	56,000	56,000	-
Appropriated fund balance	12,300	350,616	-	(350,616)
Total other financing sources (uses)	<u>(170,700)</u>	<u>168,336</u>	<u>(182,280)</u>	<u>(350,616)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(146,273)</u>	<u>\$ (146,273)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>1,695,581</u>	
End of year - June 30			<u>\$ 1,549,308</u>	

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

## TOWN OF LAKE LURE, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	<u>Major Funds</u>		<u>Total</u>
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 974,586	\$ 20,582	\$ 995,168
Accounts receivable, net	-	124,067	124,067
Inventories	-	31,123	31,123
Total current assets	<u>974,586</u>	<u>175,772</u>	<u>1,150,358</u>
Capital assets:			
Land	57,889	32,300	90,189
Depreciable capital assets, net	457,138	8,026,351	8,483,489
Capital assets, net	<u>515,027</u>	<u>8,058,651</u>	<u>8,573,678</u>
Total assets	<u>1,489,613</u>	<u>8,234,423</u>	<u>9,724,036</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	25,381	31,285	56,666
Compensated absences, current	1,885	3,336	5,221
Current portion of long-term debt	-	119,944	119,944
Total current liabilities	<u>27,266</u>	<u>154,565</u>	<u>181,831</u>
Non-current liabilities:			
Other post-employment benefits	714	8,057	8,771
Compensated absences	5,657	10,007	15,664
Installment obligations payable	-	1,639,327	1,639,327
Total non-current liabilities	<u>6,371</u>	<u>1,657,391</u>	<u>1,663,762</u>
Total liabilities	<u>33,637</u>	<u>1,811,956</u>	<u>1,845,593</u>
<b>Net Position:</b>			
Net investment in capital assets	515,027	6,299,380	6,814,407
Unrestricted	940,949	123,087	1,064,036
Total net position	<u>\$ 1,455,976</u>	<u>\$ 6,422,467</u>	<u>\$ 7,878,443</u>

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 POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Major Funds</u>		<u>Total</u>
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	
<b>Operating Revenues:</b>			
Charges for services	\$ 701,086	\$ 661,598	\$ 1,362,684
Water and sewer taps	-	14,429	14,429
Other operating revenues	-	46,304	46,304
Total operating revenues	<u>701,086</u>	<u>722,331</u>	<u>1,423,417</u>
<b>Operating Expenses:</b>			
Salaries and benefits	63,986	146,017	210,003
General operations	302,939	461,863	764,802
Depreciation	67,763	304,813	372,576
Total operating expenses	<u>434,688</u>	<u>912,693</u>	<u>1,347,381</u>
Operating income (loss)	<u>266,398</u>	<u>(190,362)</u>	<u>76,036</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	588	42	630
Interest and other charges	-	(16,767)	(16,767)
Total non-operating revenues (expenses)	<u>588</u>	<u>(16,725)</u>	<u>(16,137)</u>
Income (loss) before transfers	<u>266,986</u>	<u>(207,087)</u>	<u>59,899</u>
<b>Transfers:</b>			
Transfers to other funds	(48,200)	-	(48,200)
Transfers from other funds	-	20,220	20,220
Total transfers	<u>(48,200)</u>	<u>20,220</u>	<u>(27,980)</u>
Change in net position	218,786	(186,867)	31,919
<b>Net Position:</b>			
Beginning of year - July 1	<u>1,237,190</u>	<u>6,609,334</u>	<u>7,846,524</u>
End of year - June 30	<u>\$ 1,455,976</u>	<u>\$ 6,422,467</u>	<u>\$ 7,878,443</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, 2014

	<u>Major Funds</u>		
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 701,086	\$ 709,193	\$ 1,410,279
Cash paid for goods and services	(293,196)	(462,949)	(756,145)
Cash paid to or on behalf of employees for services	(63,610)	(134,867)	(198,477)
Net cash provided by (used) operating activities	<u>344,280</u>	<u>111,377</u>	<u>455,657</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers to other funds	(48,200)	-	(48,200)
Transfers from other funds	-	20,220	20,220
Net cash provided (used) by non-capital financing activities	<u>(48,200)</u>	<u>20,220</u>	<u>(27,980)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal paid on installment note	-	(119,949)	(119,949)
Interest paid on installment note	-	(16,767)	(16,767)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(136,716)</u>	<u>(136,716)</u>
<b>Cash Flows from Investing Activities:</b>			
Investment earnings	588	42	630
Net increase (decrease) in cash and cash equivalents	296,668	(5,077)	291,591
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>677,918</u>	<u>25,659</u>	<u>703,577</u>
End of year - June 30	<u>\$ 974,586</u>	<u>\$ 20,582</u>	<u>\$ 995,168</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 266,398	\$ (190,362)	\$ 76,036
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	67,763	304,813	372,576
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	(13,138)	(13,138)
(Increase) decrease in inventory	-	(2,481)	(2,481)
Increase (decrease) in accrued vacation pay	3,585	6,826	10,411
Increase (decrease) in accounts payable and accrued liabilities	6,158	1,395	7,553
Increase (decrease) OPEB	376	4,324	4,700
Net cash provided (used) by operating activities	<u>\$ 344,280</u>	<u>\$ 111,377</u>	<u>\$ 455,657</u>

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

**TOWN OF LAKE LURE, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION**

**FIDUCIARY FUND**

**JUNE 30, 2014**

	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 6,941
Receivables	<u>12,631</u>
Total assets	<u>\$ 19,572</u>
 <b>Liabilities:</b>	
Miscellaneous liabilities	<u>\$ 19,572</u>

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

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# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 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 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 the Town of Lake Lure ABC Board, Lake Lure, North Carolina 28746.

#### B. Basis of Presentation

*Government-Wide Statements.* The Statement of Net Position 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, 2014

*Fund Financial Statements.* The fund financial statements provide information about the Town's funds, including the fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – 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 funds 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.

**Buffalo Creek Park Capital Project Fund.** This fund is used to account for capital related activities for park construction and improvements.

The Town reports the following nonmajor governmental funds:

**Bridge Preservation Reserve Fund.** 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 Fund.** This fund is used to account for funds that are reserved to be used to purchase future fire equipment.

**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.

**Capital Reserve Capital Project Fund.** This fund is used for the accumulation of resources for future capital related activities.

**Fire Truck Capital Project Fund.** This fund is used to account for the acquisition of a new fire truck.

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

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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

Sales taxes and certain intergovernmental revenues, such as 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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

### **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 Fund, Reserve for Fire Equipment Fund, Capital Reserve and Silt Removal Fund, Capital Reserve Capital Project Fund, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Buffalo Creek Park Capital Project Fund, Fire Truck Capital Project Fund, and the Marina Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. 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 amendments must be approved by the governing board. During the year,

# **TOWN OF LAKE LURE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

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, Deferred Outflows/Inflows of Resources, and Fund Equity**

#### **Deposits and Investments**

All deposits of the Town and the ABC Board are made in Board-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 Marina Capital Project Fund of \$5,711 and the Fire Truck Capital Project Fund of \$222 are classified as restricted assets for the fund because their use is restricted to the purpose for which the notes were originally issued. Unspent proceeds for drug and alcohol education of \$2,204 are shown as restricted assets in the General Fund because their use is externally restricted for those purposes.

# **TOWN OF LAKE LURE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

### **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, 2013. 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.

### **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; building 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.

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
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:

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

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to future period and so will not be recognized as revenues until then. The Town has one item that meet this criterion – property taxes receivable.

# **TOWN OF LAKE LURE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

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

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

### **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 Position/Fund Balances**

#### **Net Position**

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

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### 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 intact.

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

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

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

*Restricted for Public Safety* – portion of general fund balance that is restricted by revenue source for the purpose of alcohol and drug education. The portion of fund balance shown as restricted for public safety in the other governmental funds represents unspent monies restricted for the acquisition of a fire truck.

*Restricted for Cultural 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, 2014, is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Buffalo Creek Park Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted, all other:				
Stabilization by State statute	\$ 480,905	\$ 67,500	\$ -	\$ 548,405
Public safety	2,204	-	222	2,426
Cultural and recreation	-	-	75,711	75,711
Total	<u>\$ 483,109</u>	<u>\$ 67,500</u>	<u>\$ 75,933</u>	<u>\$ 626,542</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$5,933 as of June 30, 2014.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

**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 Reserve and Silt Removal* – portion of fund balance available for appropriation but legally segregated to be held for silt removal.

*Committed for General Capital Reserve* – portion of fund balance available for appropriation in the Capital Reserve Capital Project Fund but legally segregated to be held for future capital activities.

<b>Purpose</b>	<b>Other Governmental Funds</b>
Committed:	
Silt removal capital reserve	\$ 336,345
General capital reserve	224,060
Total	\$ 560,405

**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.

*Subsequent Year’s Expenditures* – portion of fund balance assigned to next year's budget.

*Council Protection* – portion of fund balance designated by the Council 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, 2014, is as follows:

<b>Purpose</b>	<b>General Fund</b>
Assigned:	
Council protection	\$ 50,000
Subsequent year's expenditures	10,000
Total	\$ 60,000

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

**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 or other funds.

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 non-Town 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	\$	1,549,308
<b>Less:</b>		
Stabilization by State statute		480,905
Inventories		780
Total available fund balance	\$	<u>1,067,623</u>

### F. Stewardship, Compliance, and Accountability

#### Deficit Fund Balance

The following fund reported a deficit fund balance at June 30, 2014:

Buffalo Creek Park Capital Project Fund	\$	<u>(73,344)</u>
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**Corrective Action Plan:** Management expects the grants to be received during fiscal year 2015, correcting the deficit fund balance and making any further action unnecessary. However, management will monitor the progress of the grant funding and transfer any funds required to support the project in advance of grant funding as necessary.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### G. 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, 2014, the Town's deposits had a carrying amount of \$2,742,958 and a bank balance of \$2,764,181. Of the bank balance, \$256,325 was covered by federal depository insurance, and \$2,507,856 was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$128,046, and the bank balance was \$216,947, all of which was covered by federal depository insurance. At June 30, 2014, the Town's petty cash totaled \$475.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Investments

At June 30, 2014, the Town had \$31,753 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, 2014, were as follows:

Type of Receivable	Amount (Net of Allowance)		
	Governmental Activities	Business-Type Activities	Total
<b>Accounts Receivable:</b>			
Taxes receivable	\$ 89,632	\$ -	\$ 89,632
Other accounts receivable	50,239	-	50,239
Customer/client billings	-	124,067	124,067
Total	\$ 139,871	\$ 124,067	\$ 263,938
<b>Due from Other Governments:</b>			
Sales and use tax, sales tax refund	\$ 289,822	\$ -	\$ 289,822
Grants	67,500	-	67,500
Total	\$ 357,322	\$ -	\$ 357,322

### Allowances for Doubtful Accounts

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

	Allowance Amount
<b>Governmental Activities:</b>	
Taxes receivable	\$ 34,104
<b>Business-Type Activities:</b>	
Water and sewer receivables	8,019
Total	\$ 42,123

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Capital Assets

#### Governmental Capital Assets

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

	<b>July 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2014</b>
<b>Non-Depreciable Assets:</b>				
Land	\$ 2,038,057	\$ 270,022	\$ -	\$ 2,308,079
Construction in progress	40,559	565,843	-	606,402
Total non-depreciable capital assets	2,078,616	835,865	-	2,914,481
<b>Depreciable Assets:</b>				
Buildings	2,600,544	-	-	2,600,544
Other improvements	1,611,794	19,433	-	1,631,227
Equipment and furniture	151,406	86,810	-	238,216
Infrastructure	953,628	-	-	953,628
Vehicles and equipment	1,385,489	121,780	88,030	1,419,239
Total depreciable assets	6,702,861	228,023	88,030	6,842,854
<b>Less Accumulated Depreciation:</b>				
Buildings	1,229,298	50,616	-	1,279,914
Other improvements	335,083	79,895	-	414,978
Equipment and furniture	111,821	19,549	-	131,370
Infrastructure	188,863	42,596	-	231,459
Vehicles and equipment	1,251,059	58,837	81,392	1,228,504
Total accumulated depreciation	3,116,124	\$ 251,493	\$ 81,392	3,286,225
Total depreciable capital assets, net	3,586,737			3,556,629
Governmental capital assets, net	\$ 5,665,353			\$ 6,471,110

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

#### Governmental Activities:

General government	\$ 158,287
Public safety	75,932
Cultural and recreation	17,274
Total	\$ 251,493

**TOWN OF LAKE LURE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Proprietary Capital Assets**

The capital assets of the proprietary funds at June 30, 2014, are as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
<b>Water and Sewer Fund:</b>				
<b>Non-Depreciable Assets:</b>				
Total non-depreciable assets	\$ 32,300	\$ -	\$ -	\$ 32,300
<b>Depreciable Assets:</b>				
Water plant and lines	3,814,230	-	-	3,814,230
Water reservoir	24,722	-	-	24,722
Waste treatment plant and lines	6,349,885	-	-	6,349,885
Equipment	289,692	-	-	289,692
Vehicles	151,567	-	-	151,567
Total depreciable capital assets	<u>10,630,096</u>	<u>-</u>	<u>-</u>	<u>10,630,096</u>
<b>Less Accumulated Depreciation:</b>				
Water plant and lines	761,740	74,767	-	836,507
Water reservoir	14,974	494	-	15,468
Waste treatment plant and lines	1,132,050	216,565	-	1,348,615
Equipment	238,602	12,987	-	251,589
Vehicles	151,566	-	-	151,566
Total accumulated depreciation	<u>2,298,932</u>	<u>\$ 304,813</u>	<u>\$ -</u>	<u>2,603,745</u>
Total depreciable capital assets, net	<u>8,331,164</u>			<u>8,026,351</u>
Capital assets, net	<u>\$ 8,363,464</u>			<u>\$ 8,058,651</u>

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
<b>Electric Power Facility:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 57,889	\$ -	\$ -	\$ 57,889
<b>Depreciable Assets:</b>				
Buildings	58,701	-	-	58,701
Furniture and equipment	33,795	-	-	33,795
Improvements	1,645,383	-	-	1,645,383
Total depreciable capital assets	1,737,879	-	-	1,737,879
<b>Less Accumulated Depreciation:</b>				
Buildings	6,847	2,935	-	9,782
Furniture and equipment	20,561	3,380	-	23,941
Improvements	1,185,570	61,448	-	1,247,018
Total accumulated depreciation	1,212,978	\$ 67,763	\$ -	1,280,741
Total depreciable capital assets, net	524,901			457,138
Capital assets, net	582,790			515,027
Total business-type activities capital assets, net	\$ 8,946,254			\$ 8,573,678

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
<b>ABC Board:</b>				
<b>Depreciable Assets:</b>				
Equipment	\$ 74,520	\$ -	\$ -	\$ 74,520
Leasehold improvements	10,365	-	-	10,365
Total depreciable capital assets	84,885	-	-	84,885
<b>Less Accumulated Depreciation:</b>				
Equipment	47,507	6,352	-	53,859
Leasehold improvements	9,918	174	-	10,092
Total accumulated depreciation	57,425	\$ 6,526	\$ -	63,951
ABC Board capital assets, net	\$ 27,460			\$ 20,934

**TOWN OF LAKE LURE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2014, is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 6,471,110	\$ 8,573,678
Long-term debt	(922,926)	(1,759,271)
Unspent debt proceeds	5,933	-
Net investment in capital assets	\$ 5,554,117	\$ 6,814,407

**B. Liabilities**

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2014:

	<b>Vendors</b>
Governmental activities	\$ 60,200
Business-type activities	\$ 56,666

**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.

*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 7.06% and 7.40%, 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, 2014, 2013, and 2012 were

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

\$105,062, \$103,149, and \$106,723, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 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% 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 December 30, 2013, the Separation Allowance's membership consisted of:

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

*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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. There were no contributions made by employees.

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The annual required contribution for the current year was determined as part of the December 31, 2012, 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, 2012, was 18 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	\$	14,843
Interest on net pension obligation		5,816
Adjustment to annual required contribution		(9,477)
Annual pension cost		11,182
Contributions made		15,408
Change in net pension obligation		(4,226)
Net Pension Obligation:		
Beginning of year - July 1		116,327
End of year - June 30	\$	112,101

#### Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 14,617	105.36%	\$ 117,109
2013	14,626	105.35%	116,327
2014	11,182	137.79%	112,101

*Funded Status and Funding Progress.* As of December 31, 2013, 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 \$81,597. The covered payroll (annual payroll of active employees covered by the plan) was \$375,209, and the ratio of the UAAL to the covered payroll was 21.75%.

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.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### **Supplemental Retirement Income Plan**

#### **Law Enforcement Officers**

*Plan Description.* The Town makes contributions to the Supplemental Retirement Income Plan (the "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, 2014, were \$23,555, which consisted of \$20,108 from the Town and \$3,447 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, 2013, were \$107,125, which consisted of \$49,639 from the Town and \$57,486 from the employees.

#### **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

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 the Board of Trustees of the Plan, which establishes 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 10 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, 2014, 2013, and 2012, the Town paid all annual required contributions to the Plan for post-employment healthcare benefits of \$82,081, \$76,429, and \$77,038, respectively. These contributions represent 5.49%, 5.3%, and 5.0% of covered payroll.

#### **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.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

Membership of the Retiree Health Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

Retirees receiving benefits:	9
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>33</u>
Total	<u>42</u>

*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, 2014, the Town's contributions were \$4,430.

*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 2.35% of annual covered payroll. For the current year, the Town contributed \$4,430, or 0.31%, 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 Retiree Health 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, and 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 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, 2014

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	\$	33,759
Interest on net OPEB obligation		1,025
Adjustment to annual required contribution		(979)
Annual OPEB cost		33,805
Contributions made		(4,430)
Increase in net OPEB obligation		29,375
Net OPEB Obligation:		
Beginning of year - July 1		25,615
End of year - June 30	\$	54,990

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, 2014, were as follows:

<b>Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2011	\$ 9,524	15.60%	\$ 14,805
2012	9,160	32.61%	20,978
2013	8,827	47.47%	25,615
2014	33,805	13.10%	54,990

*Funded Status and Funding Progress.* As of December 31, 2013, 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 \$283,960. The covered payroll (annual payroll of active employees covered by the plan) was \$1,435,280, and the ratio of the UAAL to the covered payroll was 19.8%. 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, 2014

*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.

In the December 31, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual trend increase for dental and vision claims of 4.5% and 3.5%, respectively. The investment rate included a 3.0% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 30 years.

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

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

### Group Life Insurance

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 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 Outflows and Inflows of Resources

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

	<u>Unavailable Revenue</u>
<b>General Fund:</b>	
Taxes receivable (net)	\$ 89,632
Total	<u>\$ 89,632</u>

### 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 liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. 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. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Except for the Welcome Center Building, 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. The Welcome Center Building is insured through the National Flood Insurance Program (NFIP).

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 altercation, and \$5,000 for theft of money and securities per occurrence.

### Claims, Judgments, and Contingent Liabilities

At June 30, 2014, 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 includes the following installment purchases:

	<u>Balance</u>
Note payable, bearing interest at 1.81% per annum, with 20 semi-annual principal and interest payments of \$23,326.86, beginning December 2013 and ending June 2023; collateralized by the fire engine	\$ 385,862
Note payable, bearing interest at 2.12% per annum, with 36 equal monthly payments of principal and interest of \$1,606.92, beginning January 2014 and ending December 2016; collateralized by the police vehicles	45,388
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	4,176
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>487,500</u>
Total installment debt	<u>\$ 922,926</u>

**TOWN OF LAKE LURE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

Annual debt service payments are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2015	\$ 127,492	\$ 18,632
2016	124,436	15,862
2017	114,370	13,285
2018	107,062	10,972
2019	107,827	8,706
2020-2023	341,739	12,396
Total	\$ 922,926	\$ 79,853

At June 30, 2014, the Town had a legal debt margin of approximately \$65,838,000.

**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:

	<b>Balance</b>
State revolving loan of \$1,119,085 for storage tank and water lines 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%.	\$ 671,447
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.	1,087,824
Total	\$ 1,759,271

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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
2015	\$ 119,944	\$ 15,477
2016	119,944	14,187
2017	119,944	12,897
2018	119,944	11,608
2019	119,944	10,318
2020-2024	599,721	32,244
2025-2029	431,859	4,200
2030-2031	127,971	-
Total	\$ 1,759,271	\$ 100,931

### Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	July 1, 2013	Increases	Decreases	June 30, 2014	Current
<b>Governmental Activities:</b>					
Installment purchases	\$ 569,373	\$ 481,000	\$ (127,447)	\$ 922,926	\$ 127,492
Other post-employment benefits	21,544	28,396	(3,721)	46,219	-
Law enforcement separation	116,327	11,182	(15,408)	112,101	-
Compensated absences	127,667	76,800	(63,597)	140,870	35,218
Total governmental activities	\$ 834,911	\$ 597,378	\$ (210,173)	\$ 1,222,116	\$ 162,710
<b>Business-Type Activities:</b>					
<b>Water and Sewer Fund:</b>					
Notes payable	\$ 1,879,220	\$ -	\$ (119,949)	\$ 1,759,271	\$ 119,944
Other post-employment benefits	3,733	4,976	(652)	8,057	-
Compensated absences	6,517	8,584	(1,758)	13,343	3,336
Total Water and Sewer Fund	1,889,470	13,560	(122,359)	1,780,671	123,280
<b>Electric Fund:</b>					
Other post-employment benefits	338	433	(57)	714	-
Compensated absences	3,957	5,216	(1,631)	7,542	1,885
Total Electric Fund	4,295	5,649	(1,688)	8,256	1,885
Total business-type activities	\$ 1,893,765	\$ 19,209	\$ (124,047)	\$ 1,788,927	\$ 125,165

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

### Interfund Balances and Activity

#### Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2014, consist of the following:

<u>Fund</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund	\$ 267,000	\$ -	
Capital Reserve Capital Project Fund	-	249,000	Future capital needs
Silt Removal Capital Project Fund	-	18,000	To finance lake maintenance
Fire Equipment Capital Project Fund	14,000	-	
Capital Reserve Capital Project Fund	4,720	-	
Bridge Preservation Fund	10,000	-	
General Fund	-	28,720	Capital, maintenance related purposes
Capital Reserve Capital Project Fund	20,220	-	
Water and Sewer Fund	-	20,220	Sewer line study
Electric Power Facility Fund	48,200	-	
Silt Removal Capital Project Fund	-	48,200	Capital related purposes
	<u>\$ 364,140</u>	<u>\$ 364,140</u>	

### Internal Balances

The due to/from balance of \$140,844 is due to a cash shortage (deficit cash) in the Buffalo Creek Park Capital Project Fund at year-end.

### 3. Jointly Governed Organization

The Town generates hydroelectricity which it sells to Duke Energy on a contractual agreement. The Town's purchases of power for the fiscal year ended June 30, 2014, were \$701,086.

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, 2014, the Town reported revenues and expenditures of \$8,513 made to the Firemen's Relief Fund. The participating governments do not have any equity

# **TOWN OF LAKE LURE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

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.

### **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 not involved in a beneficial relationship with a member of the Town Council.

### **5. 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.

## TOWN OF LAKE LURE, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014

## Schedule of Funding Progress

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%
12/31/2012	-	116,657	116,657	0.00%	416,519	28.01%
12/31/2013	-	81,597	81,597	0.00%	375,209	21.75%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2012	\$ 16,059	95.90%
2013	16,059	95.95%
2014	14,843	103.81%

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	12/31/13
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	17 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, 2014

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
		Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
6/30/2011	\$ -	\$ 76,971	\$ 76,971	0.00%	\$ 1,581,517	4.9%
6/30/2012	-	74,649	74,649	0.00%	1,540,760	4.8%
6/30/2013	-	76,757	76,757	0.00%	1,423,573	5.4%
12/31/2013	-	283,960	283,960	0.00%	1,435,280	19.8%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage of ARC Contributed
2011	\$ 9,567	15.50%
2012	9,342	31.97%
2013	9,003	46.54%
2014	33,759	13.12%

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	12/31/13
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Dental cost trend rates*	4.50%
Vision cost trend rates*	3.50%
Cost-of-living adjustments	None

\*Includes inflation at 3.00 %

**Notes to Required Supplementary Information:**

Prior to the December 31, 2013, valuation, the Town 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 100 total plan members.

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Taxes	\$ 2,356,916	\$ 2,325,875	\$ (31,041)
Penalties and interest	12,000	9,148	(2,852)
Total	<u>2,368,916</u>	<u>2,335,023</u>	<u>(33,893)</u>
<b>Unrestricted Intergovernmental:</b>			
Local option sales tax	897,000	829,706	(67,294)
Utilities franchise tax	128,000	129,812	1,812
Video franchise tax	29,000	27,446	(1,554)
Beer and wine tax	5,000	5,258	258
Total	<u>1,059,000</u>	<u>992,222</u>	<u>(66,778)</u>
<b>Restricted Intergovernmental:</b>			
Powell Bill allocation	67,800	68,795	995
Solid waste disposal tax	725	676	(49)
ABC revenue for law enforcement	300	84	(216)
ABC revenue for alcohol education	10,500	12,472	1,972
Other grants	12,160	12,066	(94)
Total	<u>91,485</u>	<u>94,093</u>	<u>2,608</u>
<b>Permits and Fees:</b>			
Boating permits	220,000	274,858	54,858
Zoning permits	21,675	29,324	7,649
Vacation rental fees	250	7,402	7,152
Fire inspection fees	75	430	355
Total	<u>242,000</u>	<u>312,014</u>	<u>70,014</u>
<b>Sales and Services:</b>			
Marina sales and fees	83,500	106,765	23,265
Beach sales and fees	43,000	35,866	(7,134)
Other lake fees	40,500	42,232	1,732
Total	<u>167,000</u>	<u>184,863</u>	<u>17,863</u>
<b>Investment Earnings:</b>			
Interest income	<u>1,200</u>	<u>754</u>	<u>(446)</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Miscellaneous:</b>			
Rents received	32,270	34,940	2,670
Contributions	15,000	15,000	-
Miscellaneous	3,216	30,593	27,377
Total	<u>50,486</u>	<u>80,533</u>	<u>30,047</u>
 Total revenues	 <u>3,980,087</u>	 <u>3,999,502</u>	 <u>19,415</u>
<b>Expenditures:</b>			
<b>General Government:</b>			
<b>Governing Body:</b>			
Salaries and benefits	14,210	14,210	-
Operating expenses	15,000	13,282	1,718
Total	<u>29,210</u>	<u>27,492</u>	<u>1,718</u>
<b>Administration:</b>			
Salaries and benefits	522,538	489,155	33,383
Operating expenses	84,130	76,261	7,869
Contract services	64,800	65,795	(995)
Administrative reimbursement	(20,000)	(20,000)	-
Total	<u>651,468</u>	<u>611,211</u>	<u>40,257</u>
<b>Central Services:</b>			
Operating expenditures	<u>65,700</u>	<u>64,520</u>	<u>1,180</u>
 Total general government	 <u>746,378</u>	 <u>703,223</u>	 <u>43,155</u>
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries and benefits	581,209	576,746	4,463
Operating expenses	107,374	94,487	12,887
Total	<u>688,583</u>	<u>671,233</u>	<u>17,350</u>
<b>Fire and EMS:</b>			
Salaries and benefits	394,612	394,349	263
Operating expenses	90,750	85,395	5,355
Contract services	202,400	202,400	-
Capital outlay	2,000	1,935	65
Total	<u>689,762</u>	<u>684,079</u>	<u>5,683</u>
 Total public safety	 <u>1,378,345</u>	 <u>1,355,312</u>	 <u>23,033</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Transportation and Physical Development:</b>			
<b>Streets and Highways:</b>			
Salaries and benefits	190,031	187,458	2,573
Operating expenses	137,490	130,811	6,679
Contracted services	900	818	82
Capital outlay	<u>23,000</u>	<u>24,003</u>	<u>(1,003)</u>
Total transportation and physical development	<u>351,421</u>	<u>343,090</u>	<u>8,331</u>
<b>Environmental Protection:</b>			
<b>Sanitation:</b>			
Contracted services	204,000	202,376	1,624
Tipping fees	<u>3,300</u>	<u>2,067</u>	<u>1,233</u>
Total environmental protection	<u>207,300</u>	<u>204,443</u>	<u>2,857</u>
<b>Cultural and Recreation:</b>			
<b>Community Development:</b>			
Salaries and benefits	170,243	155,068	15,175
Operating expenses	43,400	35,495	7,905
Contracted services	<u>73,578</u>	<u>49,508</u>	<u>24,070</u>
Total	<u>287,221</u>	<u>240,071</u>	<u>47,150</u>
<b>Parks:</b>			
Salaries and benefits	57,533	57,579	(46)
Operating expenditures	<u>45,079</u>	<u>38,839</u>	<u>6,240</u>
Total	<u>102,612</u>	<u>96,418</u>	<u>6,194</u>
<b>Beach and Marina:</b>			
Operating expenditures	<u>12,000</u>	<u>11,522</u>	<u>478</u>
<b>Golf Course:</b>			
Operating expenditures	5,000	3,632	1,368
Contracted services	<u>76,000</u>	<u>75,520</u>	<u>480</u>
Total	<u>81,000</u>	<u>79,152</u>	<u>1,848</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Lake:</b>			
Salaries and benefits	132,690	132,110	580
Operating expenditures	41,970	36,329	5,641
Contracted services	14,100	12,504	1,596
Silt removal	13,243	11,958	1,285
Total	<u>202,003</u>	<u>192,901</u>	<u>9,102</u>
 Total cultural and recreation	 <u>684,836</u>	 <u>620,064</u>	 <u>64,772</u>
 <b>Unemployment and Insurance:</b>			
Operating expenditures	<u>121,650</u>	<u>117,618</u>	<u>4,032</u>
 <b>Special Projects:</b>			
Operating expenditures	<u>500,298</u>	<u>471,595</u>	<u>28,703</u>
 <b>Debt Service:</b>			
Principal retirement	136,837	127,447	9,390
Interest and other charges	<u>21,358</u>	<u>20,703</u>	<u>655</u>
Total	<u>158,195</u>	<u>148,150</u>	<u>10,045</u>
 Total expenditures	 <u>4,148,423</u>	 <u>3,963,495</u>	 <u>184,928</u>
 Revenues over (under) expenditures	 <u>(168,336)</u>	 <u>36,007</u>	 <u>204,343</u>
 <b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(267,000)	(267,000)	-
Transfers from other funds	28,720	28,720	-
Proceeds from long-term debt	56,000	56,000	-
Appropriated fund balance	<u>350,616</u>	<u>-</u>	<u>(350,616)</u>
Total other financing sources (uses)	<u>168,336</u>	<u>(182,280)</u>	<u>(350,616)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>(146,273)</u>	 <u>\$ (146,273)</u>
 <b>Fund Balance:</b>			
Beginning of year - July 1		<u>1,695,581</u>	
 End of year - June 30		 <u>\$ 1,549,308</u>	

## TOWN OF LAKE LURE, NORTH CAROLINA

**BUFFALO CREEK PARK CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total To Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues:</b>					
Restricted intergovernmental	\$ 168,478	\$ -	\$ 67,500	\$ 67,500	\$ (100,978)
<b>Expenditures:</b>					
Cultural and recreation:					
Construction	174,988	-	140,844	140,844	34,144
Revenues over (under) expenditures	(6,510)	-	(73,344)	(73,344)	(66,834)
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	18,478	-	-	-	(18,478)
Contingency	(11,968)	-	-	-	11,968
Total	6,510	-	-	-	(6,510)
Net change in fund balance	\$ -	\$ -	\$ (73,344)	\$ (73,344)	\$ (73,344)

## TOWN OF LAKE LURE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2014

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 70,000	\$ 560,405	\$ 630,405
Restricted cash	-	5,933	5,933
Total assets	<u>\$ 70,000</u>	<u>\$ 566,338</u>	<u>\$ 636,338</u>
<b>Fund Balances:</b>			
Restricted, all other	\$ 70,000	\$ 5,933	\$ 75,933
Committed	-	560,405	560,405
Total fund balances	<u>\$ 70,000</u>	<u>\$ 566,338</u>	<u>\$ 636,338</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, 2014**

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 235	\$ 235
<b>Expenditures:</b>			
Current:			
Public safety	-	425,000	425,000
Cultural and recreation	-	10,087	10,087
Total expenditures	-	435,087	435,087
Revenues over (under) expenditures	-	(434,852)	(434,852)
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	-	315,200	315,200
Transfers to other funds	(10,000)	(38,940)	(48,940)
Installment purchase proceeds	-	425,000	425,000
Total other financing sources (uses)	(10,000)	701,260	691,260
Net change in fund balances	(10,000)	266,408	256,408
<b>Fund Balances:</b>			
Beginning of year - July 1	80,000	299,930	379,930
End of year - June 30	\$ 70,000	\$ 566,338	\$ 636,338

## 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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to General Fund	\$ (10,000)	\$ (10,000)	\$ -
Appropriated fund balance	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(10,000)</u>	<u>\$ (10,000)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>80,000</u>	
End of year - June 30		<u>\$ 70,000</u>	

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**TOWN OF LAKE LURE, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2014**

	<u>Capital Reserve and Silt Removal Capital Project Fund</u>	<u>Capital Reserve Capital Project Fund</u>	<u>Fire Truck Capital Project Fund</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 336,345	\$ 224,060	\$ -
Restricted cash	<u>-</u>	<u>-</u>	<u>222</u>
Total assets	<u>\$ 336,345</u>	<u>\$ 224,060</u>	<u>\$ 222</u>
<b>Fund Balances:</b>			
Restricted, all other	\$ -	\$ -	\$ 222
Committed	<u>336,345</u>	<u>224,060</u>	<u>-</u>
Total fund balances	<u>\$ 336,345</u>	<u>\$ 224,060</u>	<u>\$ 222</u>

Schedule 6

<u>Marina Capital Project Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
\$ -	\$ 560,405
<u>5,711</u>	<u>5,933</u>
<u><u>\$ 5,711</u></u>	<u><u>\$ 566,338</u></u>
\$ 5,711	\$ 5,933
<u>-</u>	<u>560,405</u>
<u><u>\$ 5,711</u></u>	<u><u>\$ 566,338</u></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, 2014**

	<u>Reserve for Fire Equipment Capital Project Fund</u>	<u>Capital Reserve and Silt Removal Capital Project Fund</u>
<b>Revenues:</b>		
Investment earnings	\$ -	\$ -
<b>Expenditures:</b>		
Current:		
Public safety	-	-
Cultural and recreation	-	-
Total expenditures	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>		
Transfers from other funds	-	66,200
Transfers to other funds	(14,000)	-
Installment purchase proceeds	-	-
Total other financing sources (uses)	<u>(14,000)</u>	<u>66,200</u>
Net change in fund balances	(14,000)	66,200
<b>Fund Balances:</b>		
Beginning of year - July 1	<u>14,000</u>	<u>270,145</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 336,345</u>

Schedule 7

<u>Capital Reserve Capital Project Fund</u>	<u>Fire Truck Capital Project Fund</u>	<u>Marina Capital Project Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
\$ -	\$ 222	\$ 13	\$ 235
-	425,000	-	425,000
-	-	10,087	10,087
<u>-</u>	<u>425,000</u>	<u>10,087</u>	<u>435,087</u>
<u>-</u>	<u>(424,778)</u>	<u>(10,074)</u>	<u>(434,852)</u>
249,000	-	-	315,200
(24,940)	-	-	(38,940)
<u>-</u>	<u>425,000</u>	<u>-</u>	<u>425,000</u>
<u>224,060</u>	<u>425,000</u>	<u>-</u>	<u>701,260</u>
224,060	222	(10,074)	266,408
<u>-</u>	<u>-</u>	<u>15,785</u>	<u>299,930</u>
<u>\$ 224,060</u>	<u>\$ 222</u>	<u>\$ 5,711</u>	<u>\$ 566,338</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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	\$ (14,000)	\$ (14,000)	\$ -
Appropriated fund balance	<u>14,000</u>	<u>-</u>	<u>(14,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>(14,000)</u>	<u>(14,000)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>(14,000)</u>	 <u>\$ (14,000)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>14,000</u>	
End of year - June 30		<u><u>\$ -</u></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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	\$ 48,200	\$ 66,200	\$ 18,000
Transfers to other funds	<u>(48,200)</u>	<u>-</u>	<u>48,200</u>
Total other financing sources (uses)	<u>-</u>	<u>66,200</u>	<u>66,200</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>66,200</u>	 <u>\$ 66,200</u>
 <b>Fund Balance:</b>			
Beginning of year - July 1		<u>270,145</u>	
 End of year - June 30		 <u>\$ 336,345</u>	

## TOWN OF LAKE LURE, NORTH CAROLINA

**CAPITAL RESERVE CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	\$ 249,000	\$ 249,000	\$ -
Transfers to other funds	<u>(249,000)</u>	<u>(24,940)</u>	<u>224,060</u>
Total other financing sources (uses)	<u>-</u>	<u>224,060</u>	<u>224,060</u>
Net change in fund balance	<u>\$ -</u>	224,060	<u>\$ 224,060</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u>\$ 224,060</u>	

## TOWN OF LAKE LURE, NORTH CAROLINA

**FIRE TRUCK CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Interest revenue	\$ -	\$ -	\$ 222	\$ 222	\$ 222
<b>Expenditures:</b>					
Public safety:					
Equipment	425,000	-	425,000	425,000	-
Revenues over (under) expenditures	(425,000)	-	(424,778)	(424,778)	222
<b>Other Financing Sources (Uses):</b>					
Installment debt issued	425,000	-	425,000	425,000	-
Net change in fund balance	\$ -	\$ -	\$ 222	\$ 222	\$ 222

## TOWN OF LAKE LURE, NORTH CAROLINA

MARINA CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues:</b>					
Interest revenue	\$ -	\$ 186	\$ 13	\$ 199	\$ 199
<b>Expenditures:</b>					
Cultural and recreation:					
Construction	645,276	629,677	10,087	639,764	5,512
Revenues over (under) expenditures	(645,276)	(629,491)	(10,074)	(639,565)	5,711
<b>Other Financing Sources (Uses):</b>					
Installment debt issued	650,000	650,000	-	650,000	-
Debt issuance cost	(4,724)	(4,724)	-	(4,724)	-
Total	645,276	645,276	-	645,276	-
Net change in fund balance	\$ -	\$ 15,785	\$ (10,074)	\$ 5,711	\$ 5,711

## TOWN OF LAKE LURE, NORTH CAROLINA

**ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 464,434	\$ 701,086	\$ 236,652
Non-operating revenues:			
Interest earnings	100	588	488
Total revenues	<u>464,534</u>	<u>701,674</u>	<u>237,140</u>
<b>Expenditures:</b>			
Operations:			
Salaries and employee benefits	60,240	60,025	215
Operating expenditures	456,094	302,939	153,155
Total expenditures	<u>516,334</u>	<u>362,964</u>	<u>153,370</u>
Revenues over (under) expenditures	<u>(51,800)</u>	<u>338,710</u>	<u>390,510</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	100,000	-	(100,000)
Transfers out	(48,200)	(48,200)	-
Total other financing sources (uses)	<u>51,800</u>	<u>(48,200)</u>	<u>(100,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>290,510</u>	<u>\$ 290,510</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Reconciling items:			
(Increase) decrease in compensated absences		(3,585)	
(Increase) decrease in OPEB		(376)	
Depreciation		(67,763)	
Change in net position		<u>\$ 218,786</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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for service	\$ 660,962	\$ 661,598	\$ 636
Restricted intergovernmental	17,500	-	(17,500)
Water and sewer taps	9,500	14,429	4,929
Other operating revenues	<u>19,000</u>	<u>46,304</u>	<u>27,304</u>
Total operating revenues	<u>706,962</u>	<u>722,331</u>	<u>15,369</u>
Non-operating revenues:			
Interest earnings	<u>17,026</u>	<u>42</u>	<u>(16,984)</u>
Total revenues	<u>723,988</u>	<u>722,373</u>	<u>(1,615)</u>
<b>Expenditures:</b>			
Water administration and operations:			
Salaries and employee benefits	91,485	90,395	1,090
Operating expenditures	<u>147,603</u>	<u>151,897</u>	<u>(4,294)</u>
Total water administration and operations	<u>239,088</u>	<u>242,292</u>	<u>(3,204)</u>
Sewer administration and operations:			
Salaries and employee benefits	50,105	44,477	5,628
Operating expenditures	<u>330,304</u>	<u>309,966</u>	<u>20,338</u>
Total sewer administration and operations	<u>380,409</u>	<u>354,443</u>	<u>25,966</u>
Debt service:			
Principal	119,944	119,949	5
Interest	<u>16,767</u>	<u>16,762</u>	<u>(5)</u>
Total debt service	<u>136,711</u>	<u>136,711</u>	<u>-</u>
Total expenditures	<u>756,208</u>	<u>733,446</u>	<u>22,762</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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	(32,220)	(11,073)	21,147
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	20,220	20,220	-
Appropriated fund balance	12,000	-	(12,000)
Total other financing sources (uses)	<u>32,220</u>	<u>20,220</u>	<u>(12,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	9,147	<u>\$ 9,147</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Reconciling items:			
Depreciation		(304,813)	
Principal retirement		119,949	
(Increase) decrease in compensated absences		(6,826)	
(Increase) decrease in OPEB		<u>(4,324)</u>	
Change in net position		<u>\$ (186,867)</u>	

## TOWN OF LAKE LURE, NORTH CAROLINA

AGENCY FUNDS  
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Chimney Rock:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 6,536	\$ 51,816	\$ 51,411	\$ 6,941
Accounts receivable	17,094	-	4,463	12,631
Total assets	<u>\$ 23,630</u>	<u>\$ 51,816</u>	<u>\$ 55,874</u>	<u>\$ 19,572</u>
<b>Liabilities:</b>				
Miscellaneous liabilities	<u>\$ 23,630</u>	<u>\$ 51,816</u>	<u>\$ 55,874</u>	<u>\$ 19,572</u>

## TOWN OF LAKE LURE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2014

<u>Year Ended June 30</u>	<u>Uncollected Balance July 1, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 2,365,215	\$ 2,314,574	\$ 50,641
2012-2013	39,201	-	19,414	19,787
2011-2012	19,515	-	4,982	14,533
2010-2011	16,849	-	3,473	13,376
2009-2010	11,102	-	1,191	9,911
2008-2009	4,610	-	178	4,432
2007-2008	3,531	-	4	3,527
2006-2007	2,635	-	7	2,628
2005-2006	2,865	-	7	2,858
2004-2005	2,051	-	8	2,043
2003-2004	1,912	-	1,912	-
Total	<u>\$ 104,271</u>	<u>\$ 2,365,215</u>	<u>\$ 2,345,750</u>	<u>123,736</u>
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(34,104)</u>
Ad valorem taxes receivable, net				<u>\$ 89,632</u>
<b>Reconciliation with Revenues:</b>				
Taxes - ad valorem				\$ 2,335,023
Reconciling items:				
Interest collected				(9,148)
Miscellaneous adjustments				17,963
Amounts written off for tax years per Statute of Limitations				1,912
Total collections and credit				<u>\$ 2,345,750</u>

## TOWN OF LAKE LURE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
TOWN-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Town-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 855,008,333	0.276	\$ 2,359,823	\$ 2,327,953	\$ 31,870
<b>Discoveries</b>	1,935,864		7,014	7,014	-
<b>Abatements</b>	<u>(447,672)</u>		<u>(1,622)</u>	<u>(1,336)</u>	<u>(286)</u>
Total property valuation	<u>\$ 856,496,525</u>				
<b>Net Levy</b>			2,365,215	2,333,631	31,584
Uncollected taxes at June 30, 2014			<u>(50,641)</u>	<u>(49,954)</u>	<u>(687)</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 2,314,574</u>	<u>\$ 2,283,677</u>	<u>\$ 30,897</u>
<b>Current Levy Collection Percentage</b>			<u>97.86%</u>	<u>97.86%</u>	<u>97.82%</u>

## 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 Position by Components**

*Last Ten Fiscal Years*

(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities				
Net investment in capital assets	\$ 2,959,020	\$ 3,217,914	\$ 3,499,733	\$ 3,997,082
Restricted	31,838	-	8,492	7,140
Unrestricted	1,899,949	1,431,053	1,565,053	1,496,785
Total governmental activities net position	<u>\$ 4,890,807</u>	<u>\$ 4,648,967</u>	<u>\$ 5,073,278</u>	<u>\$ 5,501,007</u>
Business-type activities				
Net investment in capital assets	\$ 4,481,644	\$ 3,827,876	\$ 4,194,655	\$ 5,100,279
Unrestricted	(474,930)	2,036,822	1,182,025	427,906
Total business-type activities net position	<u>\$ 4,006,714</u>	<u>\$ 5,864,698</u>	<u>\$ 5,376,680</u>	<u>\$ 5,528,185</u>
Primary government				
Net investment in capital assets	\$ 7,440,664	\$ 7,045,790	\$ 7,694,388	\$ 9,097,361
Restricted	31,838	-	8,492	7,140
Unrestricted	1,425,019	3,467,875	2,747,078	1,924,691
Total primary government net position	<u>\$ 8,897,521</u>	<u>\$ 10,513,665</u>	<u>\$ 10,449,958</u>	<u>\$ 11,029,192</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 3,940,484	\$ 4,018,392	\$ 4,889,543	\$ 5,109,089	\$ 5,111,765	\$ 5,554,117
9,684	13,495	383,580	454,017	446,989	620,609
1,620,029	1,688,193	1,568,992	1,563,787	1,423,481	1,276,202
<u>\$ 5,570,197</u>	<u>\$ 5,720,080</u>	<u>\$ 6,842,115</u>	<u>\$ 7,126,893</u>	<u>\$ 6,982,235</u>	<u>\$ 7,450,928</u>
\$ 5,013,130	\$ 5,761,989	\$ 6,700,538	\$ 7,276,253	\$ 7,067,034	\$ 6,814,407
268,160	568,790	648,948	269,811	779,490	1,064,036
<u>\$ 5,281,290</u>	<u>\$ 6,330,779</u>	<u>\$ 7,349,486</u>	<u>\$ 7,546,064</u>	<u>\$ 7,846,524</u>	<u>\$ 7,878,443</u>
\$ 8,953,614	\$ 9,780,381	\$ 11,590,081	\$ 12,385,342	\$ 12,178,799	\$ 12,368,524
9,684	13,495	383,580	454,017	446,989	620,609
1,888,189	2,256,983	2,217,940	1,833,598	2,202,971	2,340,238
<u>\$ 10,851,487</u>	<u>\$ 12,050,859</u>	<u>\$ 14,191,601</u>	<u>\$ 14,672,957</u>	<u>\$ 14,828,759</u>	<u>\$ 15,329,371</u>

**Town of Lake Lure, North Carolina**

**Changes in Net Position**

*Last Ten Fiscal Years*

(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Program Expenses</b>				
Governmental activities:				
General government	\$ 689,093	\$ 881,762	\$ 802,897	\$ 860,790
Public safety	879,714	963,716	1,070,603	1,161,336
Transportation and physical development	420,801	427,980	398,474	449,101
Environmental protection	122,930	130,939	144,425	152,862
Cultural and recreation	628,708	792,738	754,650	1,225,646
Interest on long-term debt	7,199	5,423	4,441	3,445
Total governmental activities expenses	<u>2,748,445</u>	<u>3,202,558</u>	<u>3,175,490</u>	<u>3,853,180</u>
Business-type activities:				
Water and sewer	486,215	525,956	773,296	787,564
Electric power facility	196,142	229,562	330,308	133,611
Total business-type activities expenses	<u>682,357</u>	<u>755,518</u>	<u>1,103,604</u>	<u>921,175</u>
Total primary governmental program expenses	<u>\$ 3,430,802</u>	<u>\$ 3,958,076</u>	<u>\$ 4,279,094</u>	<u>\$ 4,774,355</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 19,047	\$ 32,558	\$ 40,454	\$ 35,483
Public safety	-	-	-	-
Environmental protection	-	-	-	-
Cultural and recreation	314,325	293,198	238,582	303,003
Operating grants and contributions	447,412	109,644	294,187	79,851
Capital grants and contributions	-	-	-	337,492
Total governmental activities revenues	<u>780,784</u>	<u>435,400</u>	<u>573,223</u>	<u>755,829</u>
Business-type activities:				
Charges for services:				
Water and sewer	554,149	741,573	550,763	567,209
Electric power facility	402,430	268,202	326,210	94,989
Operating grants and contributions	45,211	-	-	117,000
Capital grants and contributions	-	1,603,588	-	305,000
Total business-type activities revenue	<u>1,001,790</u>	<u>2,613,363</u>	<u>876,973</u>	<u>1,084,198</u>
Total primary governmental program revenues	<u>\$ 1,782,574</u>	<u>\$ 3,048,763</u>	<u>\$ 1,450,196</u>	<u>\$ 1,840,027</u>
Net (expense)/revenue				
Governmental activities	\$ (1,967,661)	\$ (2,767,158)	\$ (2,602,267)	\$ (3,097,351)
Business-type activities	319,433	1,857,845	(226,631)	163,023
Total primary governmental net expense	<u>\$ (1,648,228)</u>	<u>\$ (909,313)</u>	<u>\$ (2,828,898)</u>	<u>\$ (2,934,328)</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 821,137	\$ 888,860	\$ 977,301	\$ 1,179,454	\$ 987,225	\$ 987,541
1,340,760	1,365,439	1,441,353	1,446,320	1,387,532	1,448,070
437,613	455,310	465,524	372,122	386,085	327,062
163,880	169,695	181,886	140,329	202,160	204,443
960,429	699,801	680,843	765,580	979,066	645,417
2,435	1,853	11,597	10,423	15,474	20,703
<u>3,726,254</u>	<u>3,580,958</u>	<u>3,758,504</u>	<u>3,914,228</u>	<u>3,957,542</u>	<u>3,633,236</u>
705,568	736,600	847,902	875,902	879,038	929,460
260,726	161,502	196,980	234,944	334,918	434,688
<u>966,294</u>	<u>898,102</u>	<u>1,044,882</u>	<u>1,110,846</u>	<u>1,213,956</u>	<u>1,364,148</u>
<u>\$ 4,692,548</u>	<u>\$ 4,479,060</u>	<u>\$ 4,803,386</u>	<u>\$ 5,025,074</u>	<u>\$ 5,171,498</u>	<u>\$ 4,997,384</u>
\$ 28,197	\$ 282,017	\$ 254,783	\$ 34,748	\$ 45,050	\$ 45,653
-	-	-	30	366	514
-	-	-	18,233	21,392	24,218
240,383	176,438	122,263	524,711	404,079	471,365
71,635	66,699	69,170	89,147	141,120	-
-	18,226	968,421	250,000	4,000	-
<u>340,215</u>	<u>543,380</u>	<u>1,414,637</u>	<u>916,869</u>	<u>616,007</u>	<u>541,750</u>
541,844	663,792	648,919	641,643	671,746	722,331
224,475	578,193	334,094	206,631	570,332	701,086
-	-	50,000	-	342,500	-
-	-	426,095	478,328	-	-
<u>766,319</u>	<u>1,241,985</u>	<u>1,459,108</u>	<u>1,326,602</u>	<u>1,584,578</u>	<u>1,423,417</u>
<u>\$ 1,106,534</u>	<u>\$ 1,785,365</u>	<u>\$ 2,873,745</u>	<u>\$ 2,243,471</u>	<u>\$ 2,200,585</u>	<u>\$ 1,965,167</u>
\$ (3,386,039)	\$ (3,037,578)	\$ (2,343,867)	\$ (2,997,359)	\$ (3,341,535)	\$ (3,091,486)
(199,975)	343,883	414,226	215,756	370,622	59,269
<u>\$ (3,586,014)</u>	<u>\$ (2,693,695)</u>	<u>\$ (1,929,641)</u>	<u>\$ (2,781,603)</u>	<u>\$ (2,970,913)</u>	<u>\$ (3,032,217)</u>

**Town of Lake Lure, North Carolina**

**Changes in Net Position**

*Last Ten Fiscal Years*

(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 1,288,153	\$ 1,368,996	\$ 1,436,102	\$ 2,104,547
Unrestricted intergovernmental	903,939	963,816	1,092,624	1,121,241
Unrestricted investment earnings	25,003	35,145	50,520	33,009
Miscellaneous	93,475	157,360	68,905	83,230
Sale of capital assets	-	-	328,428	133,053
Transfers	-	-	50,000	50,000
Total governmental activities	<u>2,310,570</u>	<u>2,525,317</u>	<u>3,026,579</u>	<u>3,525,080</u>
Business-type activities:				
Unrestricted investment earnings	8,947	140	34,464	38,482
Forgiveness of debt	-	-	-	-
Lawsuit settlement	-	-	-	-
Transfers	-	-	(50,000)	(50,000)
Total business-type activities	<u>8,947</u>	<u>140</u>	<u>(15,536)</u>	<u>(11,518)</u>
Total primary government	<u>\$ 2,319,517</u>	<u>\$ 2,525,457</u>	<u>\$ 3,011,043</u>	<u>\$ 3,513,562</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 342,909	\$ (241,841)	\$ 424,312	\$ 427,729
Governmental activities - prior period adjustment	-	-	(245,852)	-
Total governmental activities change in net position	<u>342,909</u>	<u>(241,841)</u>	<u>178,460</u>	<u>427,729</u>
Business-type activities	328,380	1,857,985	(242,167)	151,505
Business-type activities - prior period adjustment	-	-	-	-
Total primary government	<u>\$ 671,289</u>	<u>\$ 1,616,144</u>	<u>\$ (63,707)</u>	<u>\$ 579,234</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 2,107,706	\$ 2,136,418	\$ 2,168,202	\$ 2,129,999	\$ 2,107,654	\$ 2,348,373
1,226,435	999,448	1,007,711	1,100,505	1,016,902	992,222
16,780	2,030	1,449	1,633	1,390	989
49,058	34,769	36,828	-	-	-
5,250	11,653	36,674	-	-	-
50,000	3,143	146,433	50,000	70,000	27,980
<u>3,455,229</u>	<u>3,187,461</u>	<u>3,397,297</u>	<u>3,282,137</u>	<u>3,195,946</u>	<u>3,369,564</u>
3,080	820	1,129	725	490	630
-	707,929	559,657	-	-	-
-	-	190,128	-	-	-
<u>(50,000)</u>	<u>(3,143)</u>	<u>(146,433)</u>	<u>(50,000)</u>	<u>(70,000)</u>	<u>(27,980)</u>
<u>(46,920)</u>	<u>705,606</u>	<u>604,481</u>	<u>(49,275)</u>	<u>(69,510)</u>	<u>(27,350)</u>
<u>\$ 3,408,309</u>	<u>\$ 3,893,067</u>	<u>\$ 4,001,778</u>	<u>\$ 3,232,862</u>	<u>\$ 3,126,436</u>	<u>\$ 3,342,214</u>
\$ 69,190	\$ 149,883	\$ 1,053,430	\$ 284,778	\$ (144,658)	\$ 468,693
-	-	68,605	-	-	-
<u>69,190</u>	<u>149,883</u>	<u>1,122,035</u>	<u>284,778</u>	<u>(144,658)</u>	<u>468,693</u>
<u>(246,895)</u>	<u>1,049,489</u>	<u>1,018,707</u>	<u>166,481</u>	<u>301,112</u>	<u>31,919</u>
-	-	-	30,097	-	-
<u>\$ (177,705)</u>	<u>\$ 1,199,372</u>	<u>\$ 2,140,742</u>	<u>\$ 451,259</u>	<u>\$ 156,454</u>	<u>\$ 500,612</u>

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

<b>Fiscal Year</b>	<b>Ad Valorem Taxes (1)</b>	<b>Unrestricted Inter-Governmental (2)</b>	<b>Restricted Inter-Governmental (3)</b>	<b>Permits and Fees (4)</b>	<b>Sales and Services (5)</b>
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
2013	2,124,073	1,016,902	123,055	270,338	155,295
2014	2,335,023	992,222	161,593	312,014	184,863

- (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 present.
- (6) Includes interest earned on all governmental fund balances.
- (7) Includes transfers from other funds, proceeds from debt issuance, and sale of assets.

<b>Investment</b>		<b>Other Financing</b>	<b>Fiscal Year</b>
<b>Earnings (6)</b>	<b>Miscellaneous</b>	<b>Sources (7)</b>	<b>Totals</b>
\$ 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
1,390	67,319	132,500	3,890,872
989	80,533	508,980	4,576,217

**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			Cultural and Recreation (5)
			Development (3)	Environmental Protection (4)		
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	
2013	716,635	1,387,834	385,144	202,129	618,821	
2014	703,223	1,780,312	343,090	204,443	770,995	

- (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 and unemployment insurance starting in FY ending 2012.
- (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.

<b>Capital and Insurance (6)</b>	<b>Debt Service (7)</b>	<b>Other Financing Uses (8)</b>	<b>Fiscal Year Totals</b>
\$ 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
332,509	145,896	24,724	4,377,291
225,959	99,557	62,500	3,698,579
589,213	148,150	315,940	4,855,366

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>General Fund</b>				
Reserved	\$ 170,922	\$ 1,189,806	\$ 208,806	\$ 448,736
Unreserved	1,619,190	142,542	1,127,758	997,059
Total General Fund	<u>\$ 1,790,112</u>	<u>\$ 1,332,348</u>	<u>\$ 1,336,564</u>	<u>\$ 1,445,795</u>

<b>All other governmental funds</b>				
Reserved - fire station	\$ 31,839	\$ -	\$ -	\$ -
Unreserved - capital reserve and silt removal	110,663	110,663	288,215	127,645
Total all other governmental funds	<u>\$ 142,502</u>	<u>\$ 110,663</u>	<u>\$ 288,215</u>	<u>\$ 127,645</u>

**General Fund**  
Non-spendable  
Restricted  
Assigned  
Unassigned  
Total General Fund

**All other governmental funds**  
Restricted - Marina Capital Project Fund  
Restricted - Buffalo Creek Capital Project Fund  
Restricted - Bridge Preservation Fund  
Committed - Capital Reserve Capital Project Fund  
Committed - Fire Capital Fund  
Committed - Capital Reserve and Silt Removal  
Unassigned - Buffalo Creek Capital Project Fund  
Total all other governmental funds

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

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 374,352	\$ 360,967				
812,295	893,667				
<u>\$ 1,186,647</u>	<u>\$ 1,254,634</u>				

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

\$ 6,021	\$ 752	\$ 780	\$ 780
383,580	354,017	351,204	483,109
50,000	50,000	50,000	60,000
999,689	1,173,882	1,293,597	1,005,419
<u>\$ 1,439,290</u>	<u>\$ 1,578,651</u>	<u>\$ 1,695,581</u>	<u>\$ 1,549,308</u>

\$ -	\$ 16,922	\$ 15,785	\$ -
-	-	-	67,500
-	100,000	80,000	75,933
-	-	-	224,060
6,000	10,000	14,000	-
177,645	177,645	270,145	336,345
-	-	-	(140,844)
<u>\$ 183,645</u>	<u>\$ 304,567</u>	<u>\$ 379,930</u>	<u>\$ 562,994</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>			
Ad valorem taxes	\$ 1,305,365	\$ 1,374,710	\$ 1,446,784
Unrestricted intergovernmental	724,765	783,962	855,846
Restricted intergovernmental	447,412	109,644	290,147
Permits and fees	198,220	212,411	277,232
Sales and services	314,325	293,199	238,582
Investment earnings	25,003	35,145	50,520
Miscellaneous	92,169	95,253	68,905
Total revenues	<u>3,107,259</u>	<u>2,904,324</u>	<u>3,228,016</u>
<b>Expenditures</b>			
General government	634,258	823,629	747,940
Public safety	789,076	867,307	929,770
Transportation and physical development	295,231	323,368	356,465
Environmental protection	122,930	130,938	144,425
Cultural and recreation	341,480	364,879	686,198
Unemployment and insurance	-	-	-
Capital/special projects	602,124	908,615	542,358
Debt service	119,376	40,896	40,460
Total expenditures	<u>2,904,475</u>	<u>3,459,632</u>	<u>3,447,616</u>
Excess of revenues over (under) expenditures	<u>202,784</u>	<u>(555,308)</u>	<u>(219,600)</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds	95,163	2,206	227,552
Transfers to other funds	(95,163)	(2,206)	(177,552)
Sale of capital assets	-	69,916	351,368
Installment agreement issued	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>69,916</u>	<u>401,368</u>
Net change in fund balances	<u>\$ 202,784</u>	<u>\$ (485,392)</u>	<u>\$ 181,768</u>
Debt service as a percentage of noncapital expenditures	<u>5.18%</u>	<u>1.60%</u>	<u>1.39%</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 2,105,476	\$ 2,060,812	\$ 2,112,710	\$ 2,156,324	\$ 2,158,569	\$ 2,124,073	\$ 2,335,023
897,349	1,011,007	999,448	1,007,711	1,100,505	1,016,902	992,222
420,176	70,298	85,086	567,573	200,692	123,055	161,593
259,375	243,625	282,017	254,783	271,771	270,338	312,014
303,003	240,383	176,438	122,263	156,188	155,295	184,863
33,009	16,780	2,030	1,449	1,633	1,390	989
83,230	49,058	34,769	41,137	52,940	67,319	80,533
<b>4,101,618</b>	<b>3,691,963</b>	<b>3,692,498</b>	<b>4,151,240</b>	<b>3,942,298</b>	<b>3,758,372</b>	<b>4,067,237</b>
796,160	775,103	830,323	932,348	729,830	716,635	703,223
1,060,111	1,208,807	1,255,347	1,371,498	1,313,360	1,387,834	1,780,312
407,147	385,586	373,264	414,349	335,448	385,144	343,090
152,862	163,880	169,695	181,886	195,695	202,129	204,443
825,941	802,629	606,011	543,747	1,324,553	618,821	770,995
-	-	-	-	142,273	128,313	117,618
1,053,765	342,387	578,927	619,049	190,236	97,646	471,595
40,024	42,774	30,523	121,448	150,620	99,557	148,150
<b>4,336,010</b>	<b>3,721,166</b>	<b>3,844,090</b>	<b>4,184,325</b>	<b>4,382,015</b>	<b>3,636,079</b>	<b>4,539,426</b>
<b>(234,392)</b>	<b>(29,203)</b>	<b>(151,592)</b>	<b>(33,085)</b>	<b>(439,717)</b>	<b>122,293</b>	<b>(472,189)</b>
118,962	50,000	50,000	164,200	70,000	132,500	343,920
(68,962)	(342,500)	(46,857)	(17,767)	(20,000)	(62,500)	(315,940)
133,053	5,250	16,436	36,674	-	-	-
-	57,305	200,000	22,029	650,000	-	481,000
<b>183,053</b>	<b>(229,945)</b>	<b>219,579</b>	<b>205,136</b>	<b>700,000</b>	<b>70,000</b>	<b>508,980</b>
<b>\$ (51,339)</b>	<b>\$ (259,148)</b>	<b>\$ 67,987</b>	<b>\$ 172,051</b>	<b>\$ 260,283</b>	<b>\$ 192,293</b>	<b>\$ 36,791</b>
1.22%	1.27%	0.93%	3.41%	3.59%	2.81%	3.64%

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

Fiscal Year	Assessed Value in Thousands					Total Taxable Assessed Value	Total Direct Tax Rate per \$100
	Personal Property			Public Service Companies			
	Real Property	Motor Vehicles	Other				
2005	\$ 437,351	\$ 11,357	\$ 11,554	\$ 6,607	\$ 466,869	\$ 0.280	
2006	459,533	12,557	11,309	5,996	489,395	0.280	
2007	482,361	13,393	12,799	8,171	516,724	0.280	
2008	956,146	13,320	17,121	9,806	996,393	0.210	
2009	963,423	11,875	18,377	8,865	1,002,540	0.210	
2010	986,683	10,574	11,098	8,388	1,016,743	0.210	
2011	994,334	10,629	14,767	9,281	1,029,011	0.210	
2012	988,659	10,904	12,243	9,006	1,020,812	0.210	
2013	963,377	11,394	14,250	9,254	998,424	0.246	
2014	829,629	12,987	4,561	9,320	856,497	0.276	

General Note - Property was revalued in fiscal year 2003, 2008 and 2012.

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

Fiscal Year	Tax Rate is per \$100 of Assessed Value		
	Town of Lake Lure	Rutherford County	Combined
2005	\$ 0.280	\$ 0.620	\$ 0.900
2006	0.280	0.620	0.900
2007	0.280	0.610	0.890
2008	0.210	0.530	0.740
2009	0.210	0.530	0.740
2010	0.210	0.530	0.740
2011	0.210	0.530	0.740
2012	0.210	0.530	0.740
2013	0.246	0.607	0.853
2014	0.276	0.607	0.883

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)	
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	5,983,370,000	17.06%
2013	998,423,541	5,815,917,884	17.17%
2014	856,496,525	*Not Available	

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

\*At time of CAFR issuance, County data could not be provided.

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**Town of Lake Lure, North Carolina**  
**Principal Property Taxpayers**  
*June 30, 2014 and Ten Years Prior*

**2014**

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Duke Energy Carolinas LLC	421,718,347	1	42.24%
Andale Inc. FKA	405,049,646	2	40.57%
Horsehead Metal Products Inc.	125,228,570	3	12.54%
Dell Equipment Funding LP	82,705,480	4	8.28%
Andale Inc. FKA	70,965,300	5	7.11%
Andale Inc. FKA	66,269,600	6	6.64%
CSX Transportation Inc.	30,539,621	7	3.06%
Rutherford Electric Membership Corp	29,123,333	8	2.92%
Bellsouth Tel Co	20,640,753	9	2.07%
Andale Inc. FKA	16,872,130	10	1.69%
Totals	<u>\$ 1,269,112,780</u>		<u>127.11%</u>
Total Taxable Assessed Value	<u>\$ 998,423,541</u>		

**Source:** Rutherford County Tax Assessor's Office

2004

<b>Taxpayer</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
<i>Not Available</i>		1	0.00%
<i>Not Available</i>		2	0.00%
<i>Not Available</i>		3	0.00%
<i>Not Available</i>		4	0.00%
<i>Not Available</i>		5	0.00%
<i>Not Available</i>		6	0.00%
<i>Not Available</i>		7	0.00%
<i>Not Available</i>		8	0.00%
<i>Not Available</i>		9	0.00%
<i>Not Available</i>		10	0.00%
	<u>\$ -</u>		<u>0.00%</u>
	<u>\$ 432,060,504</u>		

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

<b>Fiscal Year Ended June 30</b>	<b>Total Levy for Fiscal Year</b>	<b>Collected Within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2005	\$ 1,307,233	\$ 1,291,670	98.81%	\$ 13,520	\$ 1,305,190	99.84%
2006	1,370,307	1,349,313	98.47%	18,136	1,367,449	99.79%
2007	1,446,827	1,432,790	99.03%	11,409	1,444,199	99.82%
2008	2,095,782	2,074,863	99.00%	17,392	2,092,255	99.83%
2009	2,105,335	2,044,577	97.11%	56,326	2,100,903	99.79%
2010	2,135,378	2,052,263	96.11%	73,204	2,125,467	99.54%
2011	2,160,923	2,087,080	96.58%	60,467	2,147,547	99.38%
2012	2,139,290	2,094,920	97.93%	29,837	2,124,757	99.32%
2013	2,093,001	2,053,800	98.13%	19,414	2,073,214	99.05%
2014	2,365,215	2,314,574	97.86%	-	2,314,574	97.86%

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

Fiscal Year	Governmental Activities			Total Governmental Activities	Business-Type Activities	
	Notes Payable	Installment Contracts	Capital Leases		State Revolving Loan	ARRA Revolving Loan
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
2013	-	559,335	10,038	569,373	727,405	1,151,815
2014	-	918,750	4,176	922,926	671,447	1,087,824

**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.

<b>Total Business- Type Activities</b>	<b>Total Primary Government</b>	<b>Population (1)</b>	<b>Debt Per Capita</b>
\$ -	\$ 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
1,879,220	2,448,593	1,202	2,037
1,759,271	2,682,197	1,210	2,217

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Assessed value	\$ 466,868,804	\$ 489,395,393	\$ 516,723,834	\$ 996,392,798
Debt limit (8% of assessed value)	\$ 37,349,504	\$ 39,151,631	\$ 41,337,907	\$ 79,711,424
Debt applicable to limit	194,925	1,278,537	1,186,564	1,094,031
Legal debt margin	\$ 37,154,579	\$ 37,873,094	\$ 40,151,343	\$ 78,617,393
Debt applicable to limit as a percentage of debt limit	<u>0.52%</u>	<u>3.27%</u>	<u>2.87%</u>	<u>1.37%</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 1,002,540,477	\$ 1,016,743,396	\$ 1,029,011,000	\$ 1,020,811,896	\$ 998,423,541	\$ 856,496,525
\$ 80,203,238	\$ 81,339,472	\$ 82,320,880	\$ 81,664,952	\$ 79,873,883	\$ 68,519,722
1,055,043	1,878,349	2,294,229	2,652,619	2,448,593	2,682,197
\$ 79,148,195	\$ 79,461,123	\$ 80,026,651	\$ 79,012,333	\$ 77,425,290	\$ 65,837,525
<u>1.32%</u>	<u>2.31%</u>	<u>2.79%</u>	<u>3.25%</u>	<u>3.07%</u>	<u>3.91%</u>

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<b>North Carolina</b> <b>Per Capita</b> <u>Personal Income (2)</u>	<b>Rutherford County</b> <b>Per Capita</b> <u>Personal Income (2)</u>	<b>Lake Lure</b> <b>Per Capita</b> <u>Personal Income (2)</u>
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	25,640	42,295
2013	1,202	37,049	<i>Not available</i>	<i>Not available</i>
2014	1,210	38,457	<i>Not available</i>	34,629

(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. personal income information is from [www.city-data.com](http://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 U.S. Bureau of Labor Statistics

<b>Median Age (1)</b>	<b>School Enrollment (3)</b>	<b>Rutherford County Unemployment Rate (4)</b>
<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%
62.4	267	14.5%
<i>Not available</i>	320	12.7%
62.4	397	8.7%

**Town of Lake Lure, North Carolina**  
**Rutherford County, NC Principal Employers**  
*Current Year and Nine Years Ago*

	<u>2005</u>	<u>2014</u>
<b>1</b>	Rutherford County Schools	Rutherford County Schools
<b>2</b>	Wal-Mart Associates Inc.	Rutherford Hospital Inc.
<b>3</b>	Rutherford Hospital Inc.	County Of Rutherford
<b>4</b>	National Textiles LLC	Isothermal Community College
<b>5</b>	American Greetings Corporation	American Greetings Corporation
<b>6</b>	County of Rutherford	Wal-Mart Associates Inc.
<b>7</b>	Wlr Cliffside Denim LLC	A G Industries Inc.
<b>8</b>	Isothermal Community College	Professional Transporation Inc.
<b>9</b>	Watts Regulator Company (A Corp)	Ingles Markets Inc.
<b>10</b>	A G Industries Inc.	The Timken Company
<b>11</b>	Broyhill Furniture Industries Inc.	Watts Regulator Company (A Corp)
<b>12</b>	Parker Hannifin Corporation	Heritage Healthcare Inc.
<b>13</b>	Reeves Brothers Inc.	Ameridial Inc.
<b>14</b>	The Torrington Company	Rutherford Management Corp.
<b>15</b>	All American Homes of N.C., LLC	Parker Hannifin Corporation
<b>16</b>	Mako Marine International Inc.	Town Of Forest City
<b>17</b>	Joan Fabrics Corp.	Duke Energy Carolinas LLC
<b>18</b>	Cone Jacquards LLC	Aallied Die Casting Co Of NC
<b>19</b>	United Southern Industries Inc.	Reeves Brothers Inc.
<b>20</b>	Aeroquip Corp.	Hospice Of Rutherford County Inc.
<b>21</b>	Tanner Companies Limited	Rumbling Bald Resort
<b>22</b>	Afa Acquisition Corp.	Staffmasters Inc.
<b>23</b>	Duke Energy Corporation	Peoplease Corporation
<b>24</b>	Rutherford Management Corp.	Wilbert Plastic Service Acquisition
<b>25</b>	Willow Ridge of NC LLC	Parton Lumber Co. Inc.

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>General Government</b>					
Administration	5	6	6	6	6
<b>Public Safety</b>					
Police	10	10	10	11	11
Fire	3	3	3	3	6
<b>Transportation and Physical Development</b>					
Public works and streets	5	5	5	5	5
<b>Cultural and Recreation</b>					
Community development	2.5	3	4	5	4
Youth Center	1	1	1	1	1
Golf course	4	4	4	4.5	4.5
Lake operations	-	-	-	-	1
Parks and recreation	-	-	-	-	-
<b>Water</b>	2.5	2.5	2.5	2.5	2.5
<b>Sewer</b>	1.5	1.5	1.5	1.5	1.5
<b>Hydroelectric</b>	1	1	1	1	1
<b>Total</b>	<u>35.5</u>	<u>37</u>	<u>38</u>	<u>40.5</u>	<u>43.5</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
6	6	6	6	6
11	11	11	11	10
6	6	6	6	6
5	5	3	3	3
4	3	3	2.5	2.5
1	1	-	-	-
4.5	-	-	-	-
1	2	2	2	2
-	-	1.5	1.5	2
2.5	2.5	2.5	1.5	1.0
1.5	0.75	0.75	0.75	0.75
1	0.75	0.75	0.75	0.75
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
43.5	38	36.5	35.0	34.0
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**Town of Lake Lure, North Carolina**  
**Operating Indicators by Function (1)**

	<u>2008</u>	<u>2009</u>
<b>Public Safety</b>		
<b>Police(2)</b>		
# Accidents (motor vehicle accidents)	71	88
# Assaults	5	5
# Breaking/entering	13	14
# Disorderly conducts	12	13
# Drug violations	30	1
# DWIs	51	32
# Frauds	14	14
# Homicides	-	-
# Larcenies	43	38
# Vandalisms	12	4
# Investigations (total cases)	97	78
Case clearing rate	6%	12%
<b>Fire</b>		
Fire, rescue, and medical calls		
Inspections		
Community assistance calls		
# Students educated on fire prevention		
Town firefighter training hours		
Hydrants inspected/flow tested		
<b>Transportation and Physical Development</b>		
<b>Public Works and Streets</b>		
Road miles maintained		
Number of streetlights		
<b>Cultural and Recreation</b>		
<b>Community Development</b>		
Total parcels in Town limits		
Improved parcels in Town limits		
Total # housing units (note: more than one housing unit can be on an improved parcel)		
# Housing units occupied full time		
% Housing units occupied full time		
# Housing units classified as vacation rentals		
% Housing units classified as vacation rentals		

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
78	66	80	53	47
4	4	11	5	2
19	17	32	17	14
4	10	15	9	9
12	16	27	6	26
31	29	18	18	19
10	17	94	11	4
-	-	-	-	-
33	32	48	37	12
10	6	7	11	5
95	106	181	107	138
19%	13%	49%	16%	32%
430	573	437	477	464
50	31	12	15	15
49	71	67	70	50
293	412	500	651	500
4,661	6,013	5,647	4,273	4,497
580	580	580	514	580
		27.57	26.95	26.95
		129	129	133
		5,264	5,360	5,378
		1,931	2,123	2,124
		2,211	2,252	2,272
		606	617	610
		27%	27%	27%
		202	210	237
		9%	9%	10%

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

	<u>2008</u>	<u>2009</u>
# Housing units - part-time occupied, non-vacation rental		
% Housing units - part-time occupied, non-vacation rental		
Certificates of Zoning Compliance Issued		
Certificates of occupancy issued		
Sign permits issued		
Zoning complaints investigated		
Site visits performed		
<b>Lake Operations (2)</b>		
# Annual motorized boat permits <b>calendar year 2013 numbers</b>	1,103	1,094
# Weekly motorized boat permits <b>calendar year 2013 numbers</b>	105	58
# Daily motorized boat permits <b>calendar year 2013 numbers</b>	54	58
# Fishing boat permits <b>calendar year 2013 numbers</b>	38	43
# Annual non-motorized boat permits <b>calendar year 2013 numbers</b>	618	730
# Daily/weekly non-motorized boat permits <b>calendar year 2013 numbers</b>	186	218
Boat permit revenues		\$ 218,801
<b>Water</b>		
Number of utility customers		
Number of gallons used (in millions)		
<b>Sewer</b>		
Number of utility customers		
Average daily sewer treatment (in gallons)	774,000	727,000

(1) Please note that these indicators represent quantitative data for a few areas that each department is responsible for performing. These indicators are not intended to represent a comprehensive analysis of the functions that each department performs, especially from a qualitative perspective. Information not shown for any year displayed is not readily available.

(2) Information is by calendar year and reported in the following fiscal year. For example, figures reported for Fiscal Year 2012 are from calendar year 2011.

**Sources:** Various government departments.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
		1,403	1,425	1,425
		64%	63%	63%
78	66	76	82	90
		44	100	54
		24	24	12
		48	37	14
		182	199	218
1,066	1,031	1,038	1062	1065
80	83	69	44	40
58	55	54	69	31
47	41	47	51	47
853	900	981	1006	1067
304	270	418	603	617
\$ 226,091	\$ 220,327	\$ 227,294	\$ 241,359	\$251,321
		456	443	466
		15.8	15.0	15.9
		979	996	1,007
618,000	502,000	350,000	324,600	290,000

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Public Safety</b>			
Police			
Police stations	1	1	1
Patrol vehicles	12	13	13
Fire			
Fire stations	1	1	1
Contracted volunteer fire departments	3	3	3
<b>Transportation and Physical Development</b>			
Public works and streets			
Town maintained road miles	27.57	26.95	26.95
State maintained road miles	14.65	14.65	14.65
Private street road miles	72.28	69.13	71.4
Total road miles (public and private)	114.5	110.73	113
<b>Cultural and Recreation</b>			
Parks and recreation			
Golf courses	1	1	1
Miles of lake shoreline	24	24	24
Acreage in lake	812	812	812
Park acreage	438	438	438
Park trail miles	3.57	3.57	8.57
<b>Water</b>			
Miles of water line maintained	29.71	29.71	29.71
<b>Sewer</b>			
Wastewater Treatment Plant capacity (GPD flow)	995,000	995,000	995,000
Miles of sewer line maintained	15.4	15.4	15.4

**Sources:** Various government departments.

**Note:** This data was not tracked and therefore not available prior to 2012.

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

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

## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

### **Independent Auditor's Report**

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

We have audited, 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 10, 2014. The financial statements of the Town of Lake Lure ABC Board were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Lake Lure's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lake Lure's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency 2014-001 described in the accompanying Schedule of Findings and Responses to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Lake Lure's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Responses as item 2014-002.

## **Town of Lake Lure's Responses to Findings**

The Town of Lake Lure's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
November 10, 2014

**TOWN OF LAKE LURE, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**1. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency identified that is not considered a material weakness? None noted

Non-compliance material to financial statements noted? Yes

# TOWN OF LAKE LURE, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

### 2. Findings Related to the Audit of the Basic Financial Statements

#### **Finding 2014-001:**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board (GAAP) requires a level of technical expertise not typically required to perform normal day-to-day operations. The Town's personnel does not prepare full accrual, full disclosure GAAP financial statements.

**Context:** Full accrual, full disclosure financial statements were prepared by the external auditor.

**Effect:** Errors in financial reporting could occur.

**Cause:** There are limited Town resources as it relates to the preparation of full accrual, full disclosure, year-end financial statements.

**Recommendation:** The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears prohibitive. Therefore, the Town should exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

**Name of Contact Person:** Sam Karr

**Management's Response:** Management is aware that drafting full disclosure GAAP financial statements is not a typical requirement for day-to-day financial operations of the Town and that most smaller governmental units do not typically possess the required expertise to comply with this requirement. Management has and will continue to exercise due care in reviewing the financial statements drafted by the external auditor, as the Town is responsible for the accuracy of the audited financial statements.

## TOWN OF LAKE LURE, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

#### **Finding 2014-002:**

**Criteria:** Management should have a system in place to reduce the likelihood that violations of General Statutes occur and go undetected. North Carolina General Statutes preclude units from having funds that operate in a deficit.

**Condition:** In the current year, there was a violation of the General Statutes regarding deficit fund equity in the Buffalo Creek Park Capital Project Fund.

**Context:** While reviewing financial statements and budget reports, we noted the condition described above.

**Effect:** The Town was in violation of certain North Carolina General Statutes.

**Cause:** The Town adopted a balanced budget; however, the fund is currently at a deficit balance until grant reimbursements are received.

**Recommendation:** The Town should transfer funds to these projects to cover the deficit until reimbursement revenues become available.

**Name of Contact Person:** Sam Karr

**Management's Response:** Management expects the grants to be received during fiscal year 2015, correcting the deficit fund balance and making any further action unnecessary. However, management will monitor the progress of the grant funding and transfer any funds required to support the project in advance of grant funding as necessary.

**TOWN OF LAKE LURE, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Finding 2013-001:**

**Status:** Repeated as 2014-001

**Finding 2013-002:**

**Status:** Resolved

**Finding 2013-003:**

**Status:** Modified, repeated as 2014-002