

**TOWN OF LAKE LURE  
NORTH CAROLINA**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**



# TOWN OF LAKE LURE, NORTH CAROLINA

## BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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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, 2017, 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 did not audit the financial statements of the Town of Lake Lure ABC Board. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Lake Lure ABC Board, is based solely on the report of the other auditors. 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 Town of 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, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2017, 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 Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, and Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and 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 and the other auditors 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 combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem schedules 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 by us and the other auditors. In our opinion based on our audit, the procedures performed as described above, and the report of the other auditor, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Lake Lure's 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  
October 31, 2017

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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, 2017. 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**

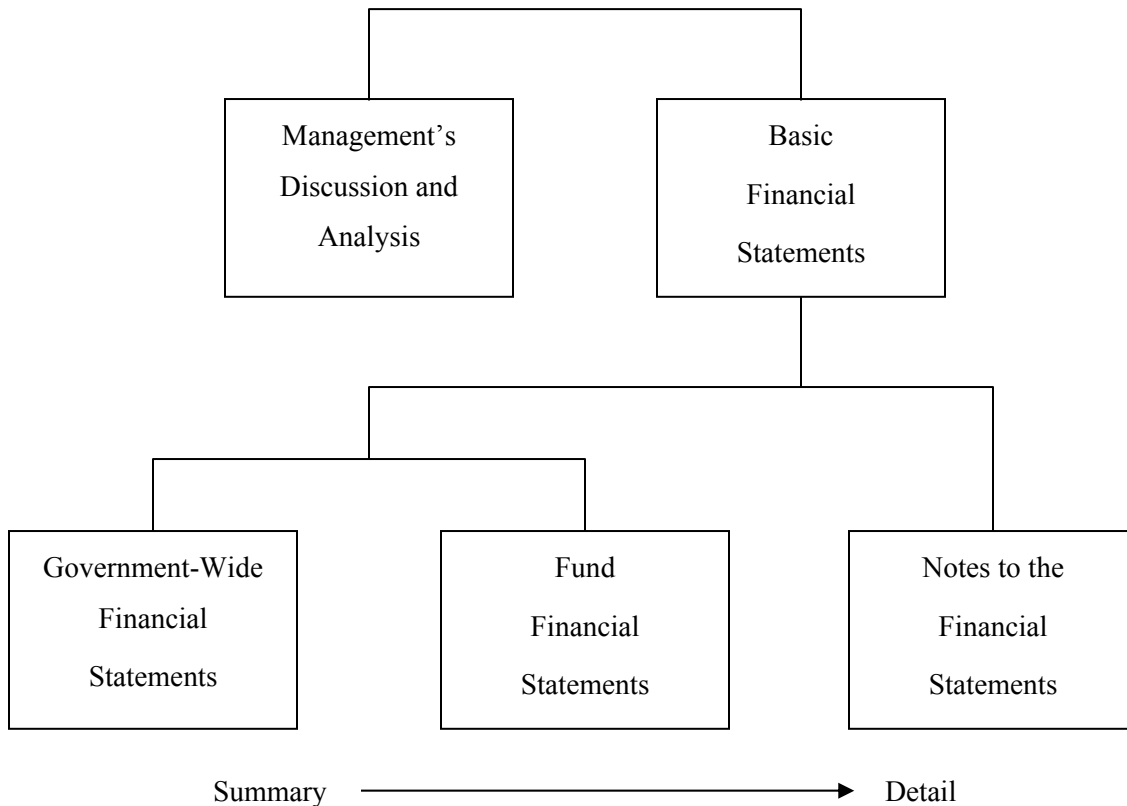
- The assets and deferred outflows of resources of the Town of Lake Lure exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$16,204,853 (*net position*).
- The government's total net position increased by \$370,556, primarily due to increases in the governmental 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 \$2,934,555, an increase of \$290,915 in comparison with the prior year. Approximately 67% of this total amount, or \$1,969,025, 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 \$1,498,927, or 33.46%, of total General Fund expenditures for the fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Lake Lure's basic financial statements. The Town's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide 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	
	2017	2016	2017	2016	2017	2016
<b>Assets and Deferred</b>						
<b>Outflows of Resources:</b>						
Current and other assets	\$ 3,212,156	\$ 2,851,780	\$ 415,137	\$ 1,181,352	\$ 3,627,293	\$ 4,033,132
Capital assets	7,214,330	7,035,863	8,735,977	8,204,391	15,950,307	15,240,254
Deferred outflows of resources	554,173	107,920	47,830	9,385	602,003	117,305
Total assets and deferred outflows of resources	10,980,659	9,995,563	9,198,944	9,395,128	20,179,603	19,390,691
<b>Liabilities and Deferred</b>						
<b>Inflows of Resources:</b>						
Current liabilities	410,036	292,723	166,794	145,493	576,830	438,216
Other liabilities	1,971,465	1,459,044	1,354,642	1,436,300	3,326,107	2,895,344
Deferred inflows of resources	66,462	107,465	5,351	9,345	71,813	116,810
Total liabilities and deferred inflows of resources	2,447,963	1,859,232	1,526,787	1,591,138	3,974,750	3,450,370
<b>Net Position:</b>						
Net investment in capital assets	6,214,207	5,988,080	7,336,538	6,685,008	13,550,745	12,673,088
Stabilization for State statute	964,750	360,176	-	-	964,750	360,176
Other restricted	80,631	77,893	-	-	80,631	77,893
Unrestricted	1,273,108	1,710,182	335,619	1,118,982	1,608,727	2,829,164
Total net position	\$ 8,532,696	\$ 8,136,331	\$ 7,672,157	\$ 7,803,990	\$ 16,204,853	\$ 15,940,321

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 \$16,204,853 as of June 30, 2017. The Town's net position increased by \$370,556 for the fiscal year ended June 30, 2017. The largest portion of net position (84%) 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, 2017 was \$1,045,381. The remaining balance of \$1,608,727 is unrestricted.

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

- Purchasing additional capital assets and equipment
- Increase in Water & Sewer Fund operating revenues

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

**Figure 3**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 749,156	\$ 621,554	\$ 1,499,739	\$ 1,547,391	\$ 2,248,895	\$ 2,168,945
Operating grants and contributions	241,586	103,489	50,000	-	291,586	103,489
Capital grants and contributions	200,000	-	-	-	200,000	-
General revenues:						
Property taxes	2,377,404	2,360,043	-	-	2,377,404	2,360,043
Other taxes	1,192,997	1,252,073	-	-	1,192,997	1,252,073
Other	2,268	1,593	1,197	1,204	3,465	2,797
Total revenues	<u>4,763,411</u>	<u>4,338,752</u>	<u>1,550,936</u>	<u>1,548,595</u>	<u>6,314,347</u>	<u>5,887,347</u>
<b>Expenses:</b>						
General government	914,077	930,102	-	-	914,077	930,102
Public safety	1,551,447	1,431,199	-	-	1,551,447	1,431,199
Transportation and physical development	395,248	341,314	-	-	395,248	341,314
Environmental protection	218,446	213,299	-	-	218,446	213,299
Cultural and recreation	1,198,245	989,401	-	-	1,198,245	989,401
Interest on long-term debt	33,560	18,512	-	-	33,560	18,512
Water and sewer	-	-	1,043,209	911,963	1,043,209	911,963
Electric	-	-	589,560	411,871	589,560	411,871
Total expenses	<u>4,311,022</u>	<u>3,923,826</u>	<u>1,632,769</u>	<u>1,323,834</u>	<u>5,943,791</u>	<u>5,247,660</u>
Change in net position before transfers	452,389	414,926	(81,833)	224,761	370,556	639,687
Transfers	<u>50,000</u>	<u>50,000</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>502,389</u>	<u>464,926</u>	<u>(131,833)</u>	<u>174,761</u>	<u>370,556</u>	<u>639,687</u>
<b>Net Position:</b>						
Beginning of year - July 1	8,136,331	7,671,405	7,803,990	7,629,229	15,940,321	15,300,634
Restatement	<u>(106,024)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106,024)</u>	<u>-</u>
Beginning of year, as restated	<u>8,030,307</u>	<u>7,671,405</u>	<u>7,803,990</u>	<u>7,629,229</u>	<u>15,834,297</u>	<u>15,300,634</u>
End of year - June 30	<u>\$ 8,532,696</u>	<u>\$ 8,136,331</u>	<u>\$ 7,672,157</u>	<u>\$ 7,803,990</u>	<u>\$ 16,204,853</u>	<u>\$ 15,940,321</u>



**Governmental Activities.** Governmental activities increased the Town of Lake Lure's net position by \$502,389. Key elements of this increase are as follows:

- Decrease in expenditures in personnel staffing
- Decrease in expenditures for special projects
- Increase Boat Permit fee revenue

**Business-Type Activities.** Business-type activities decreased the Town of Lake Lure's net position by \$131,833. Key elements of this decrease are as follows:

- Decrease in the Hydroelectric Fund revenues from operations
- Increase of sewer engineering cost due to efforts to bring system into compliance and capital expansion

### **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 \$1,704,558, while total fund balance was \$2,470,088. 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 36% of total General Fund expenditures and transfers out, while total fund balance represents 52% 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 increased revenues by \$108,869.

**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 \$6,613,180 with \$37,963 being unrestricted. 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 \$1,058,977 with \$297,656 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, 2017 totals \$15,950,307 (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	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,308,079	\$ 2,308,079	\$ 90,189	\$ 90,189	\$ 2,398,268	\$ 2,398,268
Construction in progress	706,897	500,967	688,854	15,375	1,395,751	516,342
Buildings and system	2,600,544	2,600,544	4,016,987	4,016,987	6,617,531	6,617,531
Other improvements	1,652,227	1,652,227	2,106,489	1,899,494	3,758,716	3,551,721
Equipment and furniture	311,830	266,302	323,487	323,487	635,317	589,789
Infrastructure	1,701,264	1,559,513	6,349,885	6,349,885	8,051,149	7,909,398
Vehicles and motorized equipment	2,006,163	1,953,220	190,132	151,567	2,196,295	2,104,787
Accumulated depreciation	(4,072,674)	(3,804,989)	(5,030,046)	(4,642,593)	(9,102,720)	(8,447,582)
Total	<u>\$ 7,214,330</u>	<u>\$ 7,035,863</u>	<u>\$ 8,735,977</u>	<u>\$ 8,204,391</u>	<u>\$ 15,950,307</u>	<u>\$ 15,240,254</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, 2017, the Town of Lake Lure had total notes payable outstanding of \$2,563,904, 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	
	2017	2016	2017	2016	2017	2016
Installment obligations	\$ 1,164,465	\$ 1,236,557	\$ -	\$ -	\$ 1,164,465	\$ 1,236,557
General obligation indebtedness	-	-	1,399,439	1,519,383	1,399,439	1,519,383
Total	<u>\$ 1,164,465</u>	<u>\$ 1,236,557</u>	<u>\$ 1,399,439</u>	<u>\$ 1,519,383</u>	<u>\$ 2,563,904</u>	<u>\$ 2,755,940</u>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% 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 \$65,930,000.

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 of Lake Lure will be accepting new bids to run the recreation Beach, Marina and Tours and accept an upgraded service
- The Town has experienced a steady increase in tourism.

## **Budget Highlights for the Fiscal Year Ending June 30, 2018**

**Governmental Activities.** The tax rate levied to generate funds for governmental activities remains steady at \$.276 per \$100 of property value. A portion of tax monies (equivalent to 3 cents of the tax rate) continue to be 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 has appropriated \$325,000 toward dredging and silt removal in Lake Operations.

**Business-Type Activities.** The Town has entered an agreement with the Town of Spindale to build a sewer pipeline to Spindale's larger more modern facility. The project is estimated to cost over 13.5 million dollars. Monies to fund this project are expected to come through grants and zero 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, 2017

	Primary Government			Town of Lake Lure ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 2,154,738	\$ 323,333	\$ 2,478,071	\$ 173,792
Taxes receivable, net	91,778	-	91,778	-
Accounts receivable, net	49,334	221,418	270,752	-
Internal balances	161,879	(161,879)	-	-
Due from other governments	583,674	-	583,674	-
Inventories	780	32,265	33,045	118,361
Prepaid expenses	-	-	-	3,388
Total current assets	3,042,183	415,137	3,457,320	295,541
Non-current assets:				
Restricted assets:				
Cash and cash equivalents, restricted	169,973	-	169,973	-
Capital assets:				
Land and other non-depreciable capital assets	3,014,976	779,043	3,794,019	-
Depreciable capital assets, net	4,199,354	7,956,934	12,156,288	18,610
Total capital assets	7,214,330	8,735,977	15,950,307	18,610
Total non-current assets	7,384,303	8,735,977	16,120,280	18,610
Total assets	10,426,486	9,151,114	19,577,600	314,151
<b>Deferred Outflows of Resources:</b>				
Pension deferrals	554,173	47,830	602,003	-
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued expenses	155,686	43,404	199,090	63,706
Current portion of compensated absences	37,519	3,446	40,965	-
Current portion of long-term liabilities	216,831	119,944	336,775	-
Total current liabilities	410,036	166,794	576,830	63,706
Long-term liabilities:				
Total pension liability (LEOSSA)	221,542	-	221,542	-
Net pension liability (LGRS)	577,368	50,206	627,574	-
Compensated absences	112,555	10,339	122,894	-
Due in more than one year	1,060,000	1,294,097	2,354,097	-
Total long-term liabilities	1,971,465	1,354,642	3,326,107	-
Total liabilities	2,381,501	1,521,436	3,902,937	63,706
<b>Deferred Inflows of Resources:</b>				
Pension deferrals	66,462	5,351	71,813	-
<b>Net Position:</b>				
Net investment in capital assets	6,214,207	7,336,538	13,550,745	18,610
Restricted for:				
Stabilization by State statute	964,750	-	964,750	-
Working capital	-	-	-	26,359
Municipality profit distribution	-	-	-	32,143
Public safety	5,631	-	5,631	-
Cultural and recreation	75,000	-	75,000	-
Unrestricted	1,273,108	335,619	1,608,727	173,333
Total net position	\$ 8,532,696	\$ 7,672,157	\$ 16,204,853	\$ 250,445

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, 2017**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 914,077	\$ 91,403	\$ 79,170	\$ -
Public safety	1,551,447	3,001	94,395	-
Transportation and physical development	395,248	-	68,021	-
Environmental protection	218,446	21,431	-	-
Cultural and recreation	1,198,245	633,321	-	200,000
Interest on long-term debt	33,560	-	-	-
Total governmental activities	<u>4,311,022</u>	<u>749,156</u>	<u>241,586</u>	<u>200,000</u>
<b>Business-Type Activities:</b>				
Electric	589,560	234,538	-	-
Water and sewer	<u>1,043,209</u>	<u>1,265,201</u>	<u>50,000</u>	<u>-</u>
Total business-type activities	<u>1,632,769</u>	<u>1,499,739</u>	<u>50,000</u>	<u>-</u>
Total primary government	<u>\$ 5,943,791</u>	<u>\$ 2,248,895</u>	<u>\$ 291,586</u>	<u>\$ 200,000</u>
<b>Component Unit:</b>				
ABC Board	<u>\$ 897,416</u>	<u>\$ 894,007</u>	<u>\$ -</u>	<u>\$ -</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, 2017**

	<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>	
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ (743,504)	\$ -	\$ (743,504)	
Public safety	(1,454,051)	-	(1,454,051)	
Transportation and physical development	(327,227)	-	(327,227)	
Environmental protection	(197,015)	-	(197,015)	
Cultural and recreation	(364,924)	-	(364,924)	
Interest on long-term debt	(33,560)	-	(33,560)	
Total governmental activities	<u>(3,120,280)</u>	<u>-</u>	<u>(3,120,280)</u>	
<b>Business-Type Activities:</b>				
Electric	-	(355,022)	(355,022)	
Water and sewer	<u>-</u>	<u>271,992</u>	<u>271,992</u>	
Total business-type activities	<u>-</u>	<u>(83,030)</u>	<u>(83,030)</u>	
Total primary government	<u>(3,120,280)</u>	<u>(83,030)</u>	<u>(3,203,310)</u>	
<b>Component Unit:</b>				
ABC Board				<u>\$ (3,409)</u>
<b>General Revenues:</b>				
Ad valorem taxes	2,377,404	-	2,377,404	-
Local option sales tax	933,414	-	933,414	-
Utilities franchise tax	226,553	-	226,553	-
Video franchise tax	27,553	-	27,553	-
Beer and wine tax	5,477	-	5,477	-
Investment earnings	<u>2,268</u>	<u>1,197</u>	<u>3,465</u>	<u>1,251</u>
Total general revenues	3,572,669	1,197	3,573,866	1,251
Transfers	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>3,622,669</u>	<u>(48,803)</u>	<u>3,573,866</u>	<u>1,251</u>
Change in net position	<u>502,389</u>	<u>(131,833)</u>	<u>370,556</u>	<u>(2,158)</u>
<b>Net Position:</b>				
Beginning of year - July 1	8,136,331	7,803,990	15,940,321	252,603
Restatement	<u>(106,024)</u>	<u>-</u>	<u>(106,024)</u>	<u>-</u>
Beginning of year, as restated	<u>8,030,307</u>	<u>7,803,990</u>	<u>15,834,297</u>	<u>252,603</u>
End of year - June 30	<u>\$ 8,532,696</u>	<u>\$ 7,672,157</u>	<u>\$ 16,204,853</u>	<u>\$ 250,445</u>

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

## TOWN OF LAKE LURE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>Major Fund</u>		<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Buffalo Creek Park Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,854,613	\$ -	\$ 300,125	\$ 2,154,738
Taxes receivable, net	91,778	-	-	91,778
Accounts receivable, net	49,334	-	-	49,334
Inventories	780	-	-	780
Due from other governments	383,674	200,000	-	583,674
Due from other funds	361,879	-	-	361,879
Restricted cash and cash equivalents	5,631	-	164,342	169,973
Total assets	<u>\$ 2,747,689</u>	<u>\$ 200,000</u>	<u>\$ 464,467</u>	<u>\$ 3,412,156</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 155,686	\$ -	\$ -	\$ 155,686
Due to other funds	-	200,000	-	200,000
Total liabilities	<u>155,686</u>	<u>200,000</u>	<u>-</u>	<u>355,686</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	91,778	-	-	91,778
Clean-up fees receivable	30,137	-	-	30,137
Total deferred inflows of resources	<u>121,915</u>	<u>-</u>	<u>-</u>	<u>121,915</u>
<b>Fund Balances:</b>				
Non-spendable, not in spendable form:				
Inventories	780	-	-	780
Restricted:				
Stabilization by State statute	764,750	200,000	-	964,750
Restricted, other	5,631	-	239,342	244,973
Committed	-	-	225,125	225,125
Assigned	200,000	-	-	200,000
Unassigned	1,498,927	(200,000)	-	1,298,927
Total fund balances	<u>2,470,088</u>	<u>-</u>	<u>464,467</u>	<u>2,934,555</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,747,689</u>	<u>\$ 200,000</u>	<u>\$ 464,467</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.				7,214,330
Net pension liability - LGERS				(577,368)
Net pension liability - LEOSSA				(221,542)
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.				4,147
Contributions to pension plans in the current fiscal year and pension related deferrals are deferred outflows of resources on the Statement of Net Position.				550,026
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.				121,915
Pension related deferrals				(66,462)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.				(1,426,905)
Net position of governmental activities per Exhibit A				<u>\$ 8,532,696</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, 2017

	<u>Major Fund</u>		<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Buffalo Creek Park Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,390,014	\$ -	\$ -	\$ 2,390,014
Unrestricted intergovernmental	1,192,997	-	-	1,192,997
Restricted intergovernmental	197,039	200,000	-	397,039
Permits and fees	438,900	-	-	438,900
Sales and service	215,966	-	-	215,966
Investment earnings	2,250	-	18	2,268
Miscellaneous	155,433	-	2,472	157,905
Total revenues	<u>4,592,599</u>	<u>200,000</u>	<u>2,490</u>	<u>4,795,089</u>
<b>Expenditures:</b>				
Current:				
General government	595,823	-	-	595,823
Public safety	1,573,702	-	-	1,573,702
Transportation and physical development	536,999	-	26,922	563,921
Environmental protection	218,446	-	-	218,446
Cultural and recreation	1,185,275	179,008	-	1,364,283
Unemployment and insurance	115,947	-	-	115,947
Special projects	16,400	-	-	16,400
Debt service:				
Principal retirement	203,392	-	-	203,392
Interest and other charges	33,560	-	-	33,560
Total expenditures	<u>4,479,544</u>	<u>179,008</u>	<u>26,922</u>	<u>4,685,474</u>
Revenues over (under) expenditures	<u>113,055</u>	<u>20,992</u>	<u>(24,432)</u>	<u>109,615</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(255,831)	-	(292,947)	(548,778)
Transfers from other funds	292,947	-	305,831	598,778
Debt issued	131,300	-	-	131,300
Total other financing sources (uses)	<u>168,416</u>	<u>-</u>	<u>12,884</u>	<u>181,300</u>
Net change in fund balances	281,471	20,992	(11,548)	290,915
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>2,188,617</u>	<u>(20,992)</u>	<u>476,015</u>	<u>2,643,640</u>
End of year - June 30	<u>\$ 2,470,088</u>	<u>\$ -</u>	<u>\$ 464,467</u>	<u>\$ 2,934,555</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, 2017

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)	\$ 290,915
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	(12,610)
User clean-up fees	(19,068)
Expenses related to compensated absences and OPEB that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(29,611)
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.	523,866
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(345,399)
Change in deferred outflow - pension	442,106
Change in deferred inflows - pension	45,926
Change in net pension asset and liability	(450,982)
Pension expense - LEOSA	(14,846)
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.	203,392
Proceeds from issuance of debt are reported as revenues in the governmental funds statement; however, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	<u>(131,300)</u>
Change in net position in governmental activities per Exhibit B	<u>\$ 502,389</u>

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

## TOWN OF LAKE LURE, NORTH CAROLINA

**MAJOR GOVERNMENTAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund			
	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,384,146	\$ 2,384,146	\$ 2,390,014	\$ 5,868
Unrestricted intergovernmental	1,190,600	1,190,600	1,192,997	2,397
Restricted intergovernmental	88,291	161,652	197,039	35,387
Permits and fees	326,025	326,025	438,900	112,875
Sales and services	200,800	200,800	215,966	15,166
Investment earnings	500	500	2,250	1,750
Miscellaneous	51,030	86,538	155,433	68,895
Total revenues	4,241,392	4,350,261	4,592,599	242,338
<b>Expenditures:</b>				
Current:				
General government	634,041	684,305	595,823	88,482
Public safety	1,536,005	1,583,792	1,573,702	10,090
Transportation and physical development	597,109	609,789	536,999	72,790
Environmental protection	216,720	216,720	218,446	(1,726)
Cultural and recreation	1,272,866	1,368,584	1,185,275	183,309
Unemployment and insurance	129,000	129,000	115,947	13,053
Special projects	-	19,000	16,400	2,600
Debt service:				
Principal retirement	231,309	231,309	203,392	27,917
Interest and other charges	35,212	35,212	33,560	1,652
Total expenditures	4,652,262	4,877,711	4,479,544	398,167
Revenues over (under) expenditures	(410,870)	(527,450)	113,055	640,505
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(255,831)	(255,831)	(255,831)	-
Transfers from other funds	331,747	292,947	292,947	-
Debt issued	182,595	182,595	131,300	(51,295)
Appropriated fund balance	152,359	307,739	-	(307,739)
Total other financing sources (uses)	410,870	527,450	168,416	(359,034)
Net change in fund balance	\$ -	\$ -	281,471	\$ 281,471
<b>Fund Balance:</b>				
Beginning of year - July 1			2,188,617	
End of year - June 30			\$ 2,470,088	

*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, 2017

	Major Funds		
	Electric Fund	Water and Sewer Fund	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 323,333	\$ -	\$ 323,333
Accounts receivable, net	-	221,418	221,418
Inventories	-	32,265	32,265
Total current assets	<u>323,333</u>	<u>253,683</u>	<u>577,016</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	57,889	721,154	779,043
Depreciable capital assets, net	<u>703,432</u>	<u>7,253,502</u>	<u>7,956,934</u>
Capital assets, net	<u>761,321</u>	<u>7,974,656</u>	<u>8,735,977</u>
Total non-current assets	<u>761,321</u>	<u>7,974,656</u>	<u>8,735,977</u>
Total assets	<u>1,084,654</u>	<u>8,228,339</u>	<u>9,312,993</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	<u>17,936</u>	<u>29,894</u>	<u>47,830</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	15,595	27,809	43,404
Due to other funds	-	161,879	161,879
Compensated absences, current	1,063	2,383	3,446
Current portion of long-term debt	<u>-</u>	<u>119,944</u>	<u>119,944</u>
Total current liabilities	<u>16,658</u>	<u>312,015</u>	<u>328,673</u>
Non-current liabilities:			
Other post-employment benefits	2,931	11,671	14,602
Compensated absences	3,190	7,149	10,339
Net pension liability	18,827	31,379	50,206
Installment obligations payable	<u>-</u>	<u>1,279,495</u>	<u>1,279,495</u>
Total non-current liabilities	<u>24,948</u>	<u>1,329,694</u>	<u>1,354,642</u>
Total liabilities	<u>41,606</u>	<u>1,641,709</u>	<u>1,683,315</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	<u>2,007</u>	<u>3,344</u>	<u>5,351</u>
<b>Net Position:</b>			
Net investment in capital assets	761,321	6,575,217	7,336,538
Unrestricted	<u>297,656</u>	<u>37,963</u>	<u>335,619</u>
Total net position	<u>\$ 1,058,977</u>	<u>\$ 6,613,180</u>	<u>\$ 7,672,157</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, 2017

	Major Funds		
	Electric Fund	Water and Sewer Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 234,538	\$ 1,234,002	\$ 1,468,540
Water and sewer taps	-	8,470	8,470
Other operating revenues	-	22,729	22,729
Total operating revenues	<u>234,538</u>	<u>1,265,201</u>	<u>1,499,739</u>
<b>Operating Expenses:</b>			
Salaries and benefits	74,673	122,791	197,464
General operations	433,009	601,946	1,034,955
Depreciation	<u>81,878</u>	<u>305,575</u>	<u>387,453</u>
Total operating expenses	<u>589,560</u>	<u>1,030,312</u>	<u>1,619,872</u>
Operating income (loss)	<u>(355,022)</u>	<u>234,889</u>	<u>(120,133)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	786	411	1,197
Restricted intergovernmental	-	50,000	50,000
Interest and other charges	<u>-</u>	<u>(12,897)</u>	<u>(12,897)</u>
Total non-operating revenues (expenses)	<u>786</u>	<u>37,514</u>	<u>38,300</u>
Income (loss) before transfers	(354,236)	272,403	(81,833)
<b>Transfers:</b>			
Transfers to other funds	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Change in net position	(404,236)	272,403	(131,833)
<b>Net Position:</b>			
Beginning of year - July 1	<u>1,463,213</u>	<u>6,340,777</u>	<u>7,803,990</u>
End of year - June 30	<u>\$ 1,058,977</u>	<u>\$ 6,613,180</u>	<u>\$ 7,672,157</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, 2017

	Major Funds		
	Electric Fund	Water and Sewer Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 234,538	\$ 1,201,212	\$ 1,435,750
Cash paid for goods and services	(407,794)	(427,754)	(835,548)
Cash paid to or on behalf of employees for services	(78,835)	(123,634)	(202,469)
Net cash provided by (used) operating activities	(252,091)	649,824	397,733
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers to other funds	(50,000)	-	(50,000)
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(245,560)	(688,854)	(934,414)
Federal and state grants	-	50,000	50,000
Principal paid on installment note	-	(119,944)	(119,944)
Interest paid on installment note	-	(12,897)	(12,897)
Net cash provided (used) by capital and related financing activities	(245,560)	(771,695)	(1,017,255)
<b>Cash Flows from Investing Activities:</b>			
Investment earnings	786	411	1,197
Net increase (decrease) in cash and cash equivalents	(546,865)	(121,460)	(668,325)
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	870,198	121,460	991,658
End of year - June 30	\$ 323,333	\$ -	\$ 323,333
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (355,022)	\$ 234,889	\$ (120,133)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	81,878	305,575	387,453
Changes in assets and liabilities:			
(Increase) decrease in net pension asset	(4,121)	(6,869)	(10,990)
Increase (decrease) in net pension liability	18,827	31,379	50,206
(Increase) decrease in deferred outflows of resources for pensions	(14,417)	(24,028)	(38,445)
Increase (decrease) in deferred inflows of resources for pensions	(1,498)	(2,496)	(3,994)
(Increase) decrease in accounts receivable	-	(63,989)	(63,989)
(Increase) decrease in construction in process	15,375	-	15,375
Increase (decrease) in accrued vacation pay	(3,562)	156	(3,406)
Increase (decrease) in accounts payable and accrued liabilities	9,840	174,192	184,032
Increase (decrease) OPEB	609	1,015	1,624
Net cash provided (used) by operating activities	\$ (252,091)	\$ 649,824	\$ 397,733

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, 2017**

	<b>Agency Fund</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 21,507
Receivables	<u>12,745</u>
Total assets	<u><u>\$ 34,252</u></u>
<b>Liabilities:</b>	
Miscellaneous liabilities	<u><u>\$ 34,252</u></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, 2017**

### **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, 2017

*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 Special Revenue 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.

**Capital Reserve and Silt Removal Capital Project 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.

**Strip Center Mall Capital Project Fund.** This fund is used to account for capital related activities for park construction and improvements.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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. A Water and Sewer Capital Project Fund (Greenline) has been consolidated into the Water and Sewer Fund Capital for financial reporting purposes. The budgetary comparison for the Greenline Capital Project Fund has been included in the supplemental information.

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.

### 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, 2017**

*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. Sales taxes are considered shared revenue for the Town of Lake Lure because the tax is levied by Rutherford County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then 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, 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, the Strip Center Mall Capital Project Fund, and the Greenline Enterprise Fund Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting.

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

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, 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 Government Portfolio, an SEC registered (2a-7) external investment pool, is measured at amortized cost, 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 Strip Center Mall Capital Project Fund of \$164,342 are classified as restricted assets for the fund because their use is restricted to the purpose for which the notes were originally issued. Unspent grant proceeds for drug and alcohol education of \$5,631 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, 2017**

### **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, 2016. 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 received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network 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, 2017

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:

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

<b><u>Asset</u></b>	<b><u>Estimated Useful Lives</u></b>
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. The Town has one item that meets this criterion, pension deferrals. 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 three items that meet this criteria – property taxes receivable, user clean-up fee receivables, and deferrals of pension expense that result from the implementation of GASB Statement 68.

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### **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, 2017

### 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 Economic Development* – portion of General Fund balance that is restricted by revenue source for the purpose for which the note was originally issued. The amount in other governmental funds represents the balance of the total unexpended funds for the issuance of installment debt in the Strip Center Mall Capital Project Fund.

*Restricted for Public Safety* – portion of General Fund balance that is restricted by revenue source for the purpose of alcohol and drug education. This amount represents the balance of the unexpended grant proceeds.

*Restricted for Cultural and Recreation* – portion of fund balance restricted by revenue source for the construction of a new marina and bridge beautification.

Restricted fund balance at June 30, 2017 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	\$ 764,750	\$ 200,000	\$ -	\$ 964,750
Economic development	-	-	164,342	164,342
Public safety	5,631	-	-	5,631
Cultural and recreation	-	-	75,000	75,000
Total	<u>\$ 770,381</u>	<u>\$ 200,000</u>	<u>\$ 239,342</u>	<u>\$ 1,209,723</u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$164,342 as of June 30, 2017.

**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 body 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.

<u>Purpose</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Committed:		
Silt removal capital reserve	\$ 147,265	\$ 147,265
General capital reserve	77,860	77,860
Total	<u>\$ 225,125</u>	<u>\$ 225,125</u>

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

*Council Protection* – portion of fund balance designated by the 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.

*Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Assigned fund balance at June 30, 2017 is as follows:

<u>Purpose</u>	<u>General Fund</u>
Assigned:	
Council protection	\$ 50,000
Subsequent year's expenditures	150,000
Total	<u>\$ 200,000</u>

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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. Only the General Fund may report a positive unassigned fund balance.

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	\$	2,470,088
<b>Less:</b>		
Stabilization by State statute		764,750
Inventories		<u>780</u>
Total available fund balance	\$	<u><u>1,704,558</u></u>

#### F. Significant Violations of Finance-Related Legal and Contractual Provisions

##### Excess Expenditures Over Appropriations

For the fiscal year ended June 30, 2017, the Town made expenditures in excess of the approved budget in the General Fund – Environmental Protection department, the Buffalo Creek Park Capital Project Fund, and the Greenline Enterprise Fund Capital Project Fund in the amounts of \$1,726, \$168,740, and \$638,854, respectively.

The Town will be more diligent in the future in monitoring the budget of the General Fund – Environmental Protection department, the Buffalo Creek Capital Project Fund, and the Greenline Enterprise Fund Capital Project Fund along with pre-auditing before approval.

#### G. Defined Benefit Cost-Sharing Plans

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

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### **H. 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, 2017, the Town's deposits had a carrying amount of \$2,489,454 and a bank balance of \$2,579,426. Of the bank balance, \$419,443 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board \$173,792, and the bank balance was \$183,550, all of which was covered by federal depository insurance. At June 30, 2017, the Town's petty cash totaled \$375.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Investments

At June 30, 2017, the Town had \$179,722 invested with the North Carolina Capital Management Trust's Government 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, 2017 were as follows:

<u>Type of Receivable</u>	<u>Amount (Net of Allowance)</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Accounts Receivable:</b>			
Taxes receivable	\$ 91,778	\$ -	\$ 91,778
Other accounts receivable	49,334	-	49,334
Customer/client billings	-	221,418	221,418
Total	<u>\$ 141,112</u>	<u>\$ 221,418</u>	<u>\$ 362,530</u>
<b>Due from Other Governments:</b>			
Sales and use tax, sales tax refund	\$ 383,674	\$ -	\$ 383,674
Recreational Trail Program Grant	200,000	-	200,000
Total	<u>\$ 583,674</u>	<u>\$ -</u>	<u>\$ 583,674</u>

### 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:

	<u>Allowance Amount</u>
<b>Governmental Activities:</b>	
Taxes receivable	\$ 44,051
<b>Business-Type Activities:</b>	
Water and sewer receivables	<u>13,127</u>
Total	<u>\$ 57,178</u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Capital Assets

#### Governmental Capital Assets

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

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<b>Non-Depreciable Assets:</b>				
Land	\$ 2,308,079	\$ -	\$ -	\$ 2,308,079
Construction in progress	<u>500,967</u>	<u>205,930</u>	<u>-</u>	<u>706,897</u>
Total non-depreciable capital assets	<u>2,809,046</u>	<u>205,930</u>	<u>-</u>	<u>3,014,976</u>
<b>Depreciable Assets:</b>				
Buildings	2,600,544	-	-	2,600,544
Other improvements	1,652,227	-	-	1,652,227
Equipment and furniture	266,302	45,528	-	311,830
Infrastructure	1,559,513	141,751	-	1,701,264
Vehicles and equipment	<u>1,953,220</u>	<u>130,657</u>	<u>77,714</u>	<u>2,006,163</u>
Total depreciable assets	<u>8,031,806</u>	<u>317,936</u>	<u>77,714</u>	<u>8,272,028</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	1,380,840	50,616	-	1,431,456
Other improvements	577,684	81,628	-	659,312
Equipment and furniture	170,505	26,525	-	197,030
Infrastructure	332,767	100,188	-	432,955
Vehicles and equipment	<u>1,343,193</u>	<u>86,442</u>	<u>77,714</u>	<u>1,351,921</u>
Total accumulated depreciation	<u>3,804,989</u>	<u>\$ 345,399</u>	<u>\$ 77,714</u>	<u>4,072,674</u>
Total depreciable capital assets, net	<u>4,226,817</u>			<u>4,199,354</u>
Governmental capital assets, net	<u>\$ 7,035,863</u>			<u>\$ 7,214,330</u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

### Governmental Activities:

General government	\$ 232,200
Public safety	76,545
Cultural and recreation	<u>36,654</u>
Total	<u><u>\$ 345,399</u></u>

### Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2017 are as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<b>Water and Sewer Fund:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 32,300	\$ -	\$ -	\$ 32,300
Construction in progress	<u>-</u>	<u>688,854</u>	<u>-</u>	<u>688,854</u>
Total non-depreciable assets	<u>\$ 32,300</u>	<u>\$ 688,854</u>	<u>\$ -</u>	<u>\$ 721,154</u>
<b>Depreciable Assets:</b>				
Water plant and lines	3,958,286	-	-	3,958,286
Water reservoir	24,722	-	-	24,722
Waste treatment plant and lines	6,349,885	-	-	6,349,885
Equipment	289,692	-	-	289,692
Vehicles	<u>151,567</u>	<u>-</u>	<u>-</u>	<u>151,567</u>
Total depreciable capital assets	<u>10,774,152</u>	<u>-</u>	<u>-</u>	<u>10,774,152</u>
<b>Less Accumulated Depreciation:</b>				
Water plant and lines	991,812	77,651	-	1,069,463
Water reservoir	16,456	494	-	16,950
Waste treatment plant and lines	1,781,745	216,565	-	1,998,310
Equipment	273,496	10,865	-	284,361
Vehicles	<u>151,566</u>	<u>-</u>	<u>-</u>	<u>151,566</u>
Total accumulated depreciation	<u>3,215,075</u>	<u>\$ 305,575</u>	<u>\$ -</u>	<u>3,520,650</u>
Total depreciable capital assets, net	<u>7,559,077</u>			<u>7,253,502</u>
Capital assets, net	<u>7,591,377</u>			<u>7,974,656</u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<b>Electric Fund:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 57,889	\$ -	\$ -	\$ 57,889
Construction in progress	15,375	-	(15,375)	-
Total non-depreciable capital assets	<u>73,264</u>	<u>-</u>	<u>(15,375)</u>	<u>57,889</u>
<b>Depreciable Assets:</b>				
Buildings	58,701	-	-	58,701
Furniture and equipment	33,795	-	-	33,795
Vehicles	-	38,565	-	38,565
Improvements	1,874,772	206,995	-	2,081,767
Total depreciable capital assets	<u>1,967,268</u>	<u>245,560</u>	<u>-</u>	<u>2,212,828</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	15,652	2,935	-	18,587
Furniture and equipment	30,416	3,379	-	33,795
Vehicles	-	6,428	-	6,428
Improvements	1,381,450	69,136	-	1,450,586
Total accumulated depreciation	<u>1,427,518</u>	<u>\$ 81,878</u>	<u>\$ -</u>	<u>1,509,396</u>
Total depreciable capital assets, net	<u>539,750</u>			<u>703,432</u>
Capital assets, net	<u>613,014</u>			<u>761,321</u>
Total business-type activities capital assets, net	<u>\$ 8,204,391</u>			<u>\$ 8,735,977</u>



# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<b>ABC Board:</b>				
<b>Depreciable Assets:</b>				
Equipment	\$ 75,906	\$ -	\$ -	\$ 75,906
Leasehold improvements	<u>27,378</u>	<u>-</u>	<u>-</u>	<u>27,378</u>
Total depreciable capital assets	<u>103,284</u>	<u>-</u>	<u>-</u>	<u>103,284</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	65,068	5,414	-	70,481
Leasehold improvements	<u>12,492</u>	<u>1,701</u>	<u>-</u>	<u>14,193</u>
Total accumulated depreciation	<u>77,560</u>	<u>\$ 7,115</u>	<u>\$ -</u>	<u>84,674</u>
ABC Board capital assets, net	<u>\$ 25,724</u>			<u>\$ 18,610</u>

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2017 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 7,214,330	\$ 8,735,977
Long-term debt	(1,164,465)	(1,399,439)
Unspent debt proceeds	<u>164,342</u>	<u>-</u>
Net investment in capital assets	<u>\$ 6,214,207</u>	<u>\$ 7,336,538</u>

### B. Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2017:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities	<u>\$ 98,158</u>	<u>\$ 57,528</u>	<u>\$ 155,686</u>
Business-type activities	<u>\$ 38,791</u>	<u>\$ 4,613</u>	<u>\$ 43,404</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### **Pension Plan and Post-Employment Obligations**

#### **Local Governmental Employees' Retirement System**

*Plan Description.* The Town of Lake Lure is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Lake Lure employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Lake Lure's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.25% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Lake Lure were \$196,112 for the year ended June 30, 2017.

*Refunds of Contributions* – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2017, the Town reported a liability of \$627,574 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016, utilizing update procedures incorporating the actuarial assumptions.

The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.030%, which was a decrease of 0.001% from its proportion measured as of June 30, 2015.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

For the year ended June 30, 2017, the Town recognized pension expense of \$155,838. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 11,791	\$ 21,991
Changes of assumptions	42,984	-
Net difference between projected and actual earnings on pension plan investments	346,969	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	44,899
Town contributions subsequent to the measurement date	196,112	-
Total	<u>\$ 597,856</u>	<u>\$ 66,890</u>

\$196,112 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2018	\$ 40,499
2019	40,631
2020	156,983
2021	96,741

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.8%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

*Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Town's proportionate share of the net pension liability (asset)	<u>\$1,489,527</u>	<u>\$ 627,574</u>	<u>\$ (92,392)</u>

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

### **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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Summary of Significant Accounting Policies

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73.

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

### Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

***Deaths After Retirement (Health):*** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females

***Deaths Before Retirement:*** RP-2014 Employee base rates projected to the valuation date using MP-2015, projected generationally from the valuation date using MP-2015

***Deaths After Retirement (Beneficiary):*** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

***Deaths After Retirement (Disabled):*** RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.



## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Contributions.** The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$15,401 as benefits came due.

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

At June 30, 2017, the Town reported a total pension liability of \$221,542. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$19,548.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ 4,923
Town town benefit payments and plan administrative expense made subsequent to the measurement date	4,147	-
Total	<u>\$ 4,147</u>	<u>\$ 4,923</u>

\$4,147 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2018	\$ 940
2019	940
2020	940
2021	940
2022	940
Thereafter	<u>223</u>
Total	<u>\$ 4,923</u>

\$4,147 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

*Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.86 percent) or 1-percentage point higher (4.86 percent) than the current rate:

	<b>1% Decrease (2.86%)</b>	<b>Discount Rate (3.86%)</b>	<b>1% Increase (4.86%)</b>
Total pension liability	<u>\$ 242,405</u>	<u>\$ 221,542</u>	<u>\$ 202,454</u>

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

	<u><b>2017</b></u>
Beginning balance	\$ 222,873
Service cost	12,251
Interest on the total pension liability	7,682
Changes of assumptions or other inputs	(5,863)
Benefit payments	<u>(15,401)</u>
Ending balance of the total pension liability	<u><u>\$ 221,542</u></u>

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### **Supplemental Retirement Income Plan for 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, 2017, were \$25,519, which consisted of \$22,392 from the Town and \$3,127 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, 2017 were \$111,442, which consisted of \$52,498 from the Town and \$58,944 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, 2017

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, 2017, 2016, and 2015, the Town paid all annual required contributions to the Plan for post-employment healthcare benefits of \$47,472, \$88,953, and \$85,253, respectively. These contributions represent 3.02%, 5.99%, and 5.94% 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. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare.

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 June 30, 2016, the date of the latest actuarial valuation:

	<b>General Employees:</b>	<b>Law Enforcement Officers</b>
Retirees and dependants receiving benefits	7	1
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	20	10
Total	27	11

*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. In fiscal year ended June 30, 2017, the Town's contributions were \$5,303.

*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 1.91% of annual covered payroll. For the current year, the Town contributed \$5,303, or 0.40%, 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, 2017

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	\$ 25,406
Interest on net OPEB obligation	4,267
Adjustment to annual required contribution	<u>(4,076)</u>
Annual OPEB cost	25,597
Contributions made	<u>(5,303)</u>
Increase in net OPEB obligation	20,294
Net OPEB Obligation:	
Beginning of year - July 1	<u>106,674</u>
End of year - June 30	<u><u>\$ 126,968</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2017 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2015	\$ 33,857	14.53%	\$ 83,928
2016	27,665	17.80%	106,674
2017	25,597	20.72%	126,968

*Funded Status and Funding Progress.* As of June 30, 2016, 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 \$261,856. The covered payroll (annual payroll of active employees covered by the plan) was \$1,325,311, 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, 2017**

*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 June 30, 2016 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% and 3%, 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 a closed basis. The remaining amortization period at June 30, 2016 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.

##### **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.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Differences between expected and actual experience	\$ 11,791
Changes of assumptions	42,985
Benefit payments made and administrative expenses for LEOSSA	4,147
Net difference between projected and actual earnings on pension plan investments	346,969
Town contributions subsequent to the measurement date - LGERS	196,112
Total	<u>\$ 602,004</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$ 91,778
Clean up fees (General Fund)	-	30,137
Changes in proportion and differences between Town contributions and proportionate share of contributions	44,899	-
Differences between expected and actual experience	21,991	-
Changes in assumptions - LEOSSA	4,923	-
Total	<u>\$ 71,813</u>	<u>\$ 121,915</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



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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

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. 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, 2017, 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.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 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	\$ 264,127
Note payable, bearing interest at 2.19% per annum, with 36 equal monthly payments of principal and interest of \$2,367, beginning October 2014 and ending September 2017; collateralized by vehicles	6,089
Note payable, bearing interest at 3.25% per annum, with 36 equal monthly payments of principal and interest of \$1,004, beginning April 2016 and ending March 2019; collateralized by vehicles	20,449
Note payable, bearing interest at 2.31% per annum, with 20 monthly payments of principal and interest, beginning November 2011 and ending November 2021; collateralized by land and marina expansion	292,500
Note payable, bearing interest at 3.75% per annum, with 36 monthly payments of \$882.39 principal and interest, beginning July 2017 and ending June 2020; collateralized by vehicles	30,000
Note payable, bearing interest at 3.75% per annum, with 36 monthly payments of \$1,035.33 principal and interest, beginning July 2017 and ending June 2020; collateralized by vehicles	35,200
Note payable, bearing interest at 3.75% per annum, with 36 monthly payments of \$1,944.19 principal and interest, beginning July 2017 and ending June 2020; collateralized by vehicles	66,100
Note payable, bearing interest at 3.89% per annum, with 20 semi-annual principal and interest payments of \$25,000.00, beginning January 2016 and ending January 2025; collateralized by real property	<u>450,000</u>
Total installment debt	<u>\$ 1,164,465</u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Annual debt service payments are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 216,831	\$ 32,717
2019	210,481	26,499
2020	204,021	20,483
2021	159,399	15,316
2022	127,706	11,061
2023-2025	246,027	18,131
Total	<u>\$ 1,164,465</u>	<u>\$ 124,207</u>

At June 30, 2017, the Town had a legal debt margin of approximately \$65,930,000.

### 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><u>Balance</u></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%.	\$ 503,585
State (ARRA) construction line of credit of \$1,279,794 for sewer line improvements issued by the North Carolina Department of Environment and Natural Resources. Payments are due in 20 equal installments ending May 1, 2031. The loan is interest free.	<u>895,854</u>
Total	<u><u>\$ 1,399,439</u></u>

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

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

<b>Year Ending June 30</b>	<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 119,944	\$ 11,608
2019	119,944	10,318
2020	119,944	9,028
2021	119,944	7,738
2022	119,944	6,449
2023-2027	543,764	12,897
2028-2031	255,955	-
Total	<u>\$ 1,399,439</u>	<u>\$ 58,038</u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<u>Current</u>
<b>Governmental Activities:</b>					
Installment purchases	\$ 1,236,557	\$ 131,300	\$ (203,392)	\$ 1,164,465	\$ 216,831
Other post-employment benefits	93,696	23,549	(4,879)	112,366	-
Total pension liability (LEO)	101,448	141,358	(21,264)	221,542	-
Compensated absences	139,133	84,071	(73,130)	150,074	37,519
Net pension liability (LGERS)	<u>126,386</u>	<u>450,982</u>	<u>-</u>	<u>577,368</u>	<u>-</u>
Total governmental activities	<u>\$ 1,697,220</u>	<u>\$ 831,260</u>	<u>\$ (302,665)</u>	<u>\$ 2,225,815</u>	<u>\$ 254,350</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer Fund:</b>					
Notes payable	\$ 1,519,383	\$ -	\$ (119,944)	\$ 1,399,439	\$ 119,944
Other post-employment benefits	10,656	1,280	(265)	11,671	-
Compensated absences	9,376	5,095	(4,939)	9,532	2,383
Net pension liability (LGERS)	<u>6,869</u>	<u>24,510</u>	<u>-</u>	<u>31,379</u>	<u>-</u>
Total Water and Sewer Fund	<u>1,546,284</u>	<u>30,885</u>	<u>(125,148)</u>	<u>1,452,021</u>	<u>122,327</u>
<b>Electric Fund:</b>					
Other post-employment benefits	2,322	768	(159)	2,931	-
Compensated absences	7,815	2,548	(6,110)	4,253	1,063
Net pension liability (LGERS)	<u>4,121</u>	<u>14,706</u>	<u>-</u>	<u>18,827</u>	<u>-</u>
Total Electric Fund	<u>14,258</u>	<u>18,022</u>	<u>(6,269)</u>	<u>26,011</u>	<u>1,063</u>
Total business-type activities	<u>\$ 1,560,542</u>	<u>\$ 48,907</u>	<u>\$ (131,417)</u>	<u>\$ 1,478,032</u>	<u>\$ 123,390</u>

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

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Interfund Balances and Activity

#### Transfers to/from Other Funds

Transfers to/from other funds for the year ended June 30, 2017 consist of the following:

<u>Fund</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund	\$ 255,831	\$ -	
Capital Reserve Capital Project Fund	-	255,831	\$0.03 tax collection toward capital expenses
Capital Reserve Capital Project Fund	181,747	-	
General Fund	-	181,747	Fund capital improvements and infrastructure projects
Capital Reserve and Silt Removal Capital Project Fund	111,200	-	
General - Silt Removal	-	111,200	Silt Removal
Electric Fund	50,000	-	
Capital Reserve and Silt Removal Capital Project Fund	-	50,000	Capital Related - Silt
	<u>\$ 598,778</u>	<u>\$ 598,778</u>	

#### Internal Balances

The due to/from balance of \$200,000 is due to a cash shortage (deficit cash) in the Buffalo Creek Park Capital Project Fund at year-end.

The due to/from balance of \$161,879 is due to a cash shortage (deficit cash) in the Water and Sewer 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, 2017 were \$234,538.

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. The Town obtains an ongoing financial benefit from the for the "on-behalf of" payments for salaries and fringe benefits made to members of the Town's Fire Department by the Board of Trustees. During the fiscal year ended June 30, 2017, the Town reported revenues and expenditures of \$7,340 made to the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements. Instead, the local Board of Trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### **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.

### **6. Change in Accounting Principles/Restatement**

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ended June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016.) As a result, net position for the governmental activities decreased \$106,024.

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**TOWN OF LAKE LURE, NORTH CAROLINA**

**SCHEDULES OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u><b>2017</b></u>
Beginning balance	\$ 222,873
Service Cost	12,251
Interest on the total pension liability	7,682
Changes of assumptions or other inputs	(5,863)
Benefit payments	<u>(15,401)</u>
Ending balance of the total pension liability	<u><u>\$ 221,542</u></u>

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

**TOWN OF LAKE LURE, NORTH CAROLINA****SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>
Total pension liability	\$ 221,542
Covered payroll	462,140
Total pension liability as a percentage of covered payroll	47.94%

Notes to the schedules:

The Town of Lake Lure has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

## TOWN OF LAKE LURE, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2017

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2010	\$ -	\$ 267,326	\$ 267,326	0.00%	\$ 1,491,734	17.9%
12/31/2013	-	283,960	283,930	0.00%	1,435,280	19.8%
6/30/2016	-	261,856	261,856	0.00%	1,325,311	19.8%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage of ARC Contributed
2015	\$ 33,759	14.57%
2016	27,515	17.88%
2017	25,406	20.87%

## Notes to Required Supplementary Information:

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	06/30/16
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, closed
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
*Includes inflation at	3.00%

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**
**TOWN OF LAKE LURE'S PROPORTIONATE SHARE  
 OF NET PENSION LIABILITY (ASSET)  
 REQUIRED SUPPLEMENTARY INFORMATION  
 LAST FOUR FISCAL YEARS \***

<b>Local Government Employees' Retirement System</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Lake Lure's proportion of the net pension liability (asset) (%)	0.02957%	0.03061%	0.03190%	0.03380%
Lake Lure's proportion of the net pension liability (asset) (\$)	\$ 627,574	\$ 137,376	\$ (188,129)	\$ 407,420
Lake Lure's covered-employee payroll*	\$ 1,659,982	\$ 1,552,910	\$ 1,495,102	\$ 1,422,995
Lake Lure's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.81%	8.85%	( 12.58%)	28.63%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

**TOWN OF LAKE LURE, NORTH CAROLINA****TOWN OF LAKE LURE'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS****Local Government Employees' Retirement System**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 196,112	\$ 117,305	\$ 111,991	\$ 106,548
Contributions in relation to the contractually required contribution	<u>196,112</u>	<u>117,305</u>	<u>111,991</u>	<u>106,548</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lake Lure's covered-employee payroll	\$ 1,480,762	\$ 1,659,982	\$ 1,552,910	\$ 1,495,102
Contributions as a percentage of covered-employee payroll	13.24%	7.07%	7.21%	7.13%

# 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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Taxes	\$ 2,375,146	\$ 2,381,112	\$ 5,966
Penalties and interest	9,000	8,902	(98)
Total	<u>2,384,146</u>	<u>2,390,014</u>	<u>5,868</u>
<b>Unrestricted Intergovernmental:</b>			
Local option sales tax	925,000	933,414	8,414
Utilities franchise tax	233,000	226,553	(6,447)
Video franchise tax	26,900	27,553	653
Beer and wine tax	5,700	5,477	(223)
Total	<u>1,190,600</u>	<u>1,192,997</u>	<u>2,397</u>
<b>Restricted Intergovernmental:</b>			
Powell Bill allocation	68,562	68,021	(541)
Solid waste disposal tax	765	812	47
ABC revenue for law enforcement	250	1,956	1,706
ABC revenue for alcohol education	10,200	38,187	27,987
On behalf payments - fire	7,304	7,304	-
Other grants	74,571	80,759	6,188
Total	<u>161,652</u>	<u>197,039</u>	<u>35,387</u>
<b>Permits and Fees:</b>			
Boating permits	300,000	403,936	103,936
Zoning permits	24,625	29,074	4,449
Vacation rental fees	1,000	4,845	3,845
Fire inspection fees	400	1,045	645
Total	<u>326,025</u>	<u>438,900</u>	<u>112,875</u>
<b>Sales and Services:</b>			
Marina sales and fees	97,300	102,214	4,914
Beach sales and fees	57,500	62,343	4,843
Other lake fees	46,000	51,409	5,409
Total	<u>200,800</u>	<u>215,966</u>	<u>15,166</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, 2017**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Investment Earnings:</b>			
Interest income	500	2,250	1,750
<b>Miscellaneous:</b>			
Rents received	61,038	69,755	8,717
Contributions	7,500	40,983	33,483
Miscellaneous	18,000	44,695	26,695
Total	86,538	155,433	68,895
Total revenues	4,350,261	4,592,599	242,338
<b>Expenditures:</b>			
<b>General Government:</b>			
<b>Governing Body:</b>			
Salaries and benefits	14,210	14,210	-
Contracted services	18,095	18,095	-
Operating expenses	15,000	13,556	1,444
Total	47,305	45,861	1,444
<b>Administration:</b>			
Salaries and benefits	532,606	444,262	88,344
Operating expenses	111,053	116,022	(4,969)
Contract services	54,875	60,887	(6,012)
Administrative reimbursement	(170,000)	(177,500)	7,500
Total	528,534	443,671	84,863
<b>Central Services:</b>			
Salaries and benefits	-	5	(5)
Operating expenditures	99,050	106,286	(7,236)
Capital outlay	9,416	-	9,416
Total	108,466	106,291	2,175
Total general government	684,305	595,823	88,482

# 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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries and benefits	622,369	669,216	(46,847)
Operating expenses	101,850	89,143	12,707
Capital outlay	104,236	89,769	14,467
Total	<u>828,455</u>	<u>848,128</u>	<u>(19,673)</u>
<b>Fire and EMS:</b>			
Salaries and benefits	442,683	415,066	27,617
Operating expenses	114,050	112,485	1,565
Contract services	168,604	168,604	-
Capital outlay	30,000	29,419	581
Total	<u>755,337</u>	<u>725,574</u>	<u>29,763</u>
Total public safety	<u>1,583,792</u>	<u>1,573,702</u>	<u>10,090</u>
<b>Transportation and Physical Development:</b>			
<b>Streets and Highways:</b>			
Salaries and benefits	232,642	223,045	9,597
Operating expenses	130,025	207,782	(77,757)
Contracted services	900	860	40
Capital outlay	246,222	105,312	140,910
Total transportation and physical development	<u>609,789</u>	<u>536,999</u>	<u>72,790</u>
<b>Environmental Protection:</b>			
<b>Sanitation:</b>			
Contracted services	184,200	183,768	432
Tipping fees	32,520	34,678	(2,158)
Total environmental protection	<u>216,720</u>	<u>218,446</u>	<u>(1,726)</u>
<b>Cultural and Recreation:</b>			
<b>Community Development:</b>			
Salaries and benefits	168,456	157,163	11,293
Operating expenses	34,300	27,493	6,807
Contracted services	171,500	130,476	41,024
Total	<u>374,256</u>	<u>315,132</u>	<u>59,124</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, 2017**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Parks:</b>			
Salaries and benefits	91,567	88,866	2,701
Operating expenditures	89,600	84,565	5,035
Capital outlay	3,800	3,445	355
Total	184,967	176,876	8,091
<b>Beach and Marina:</b>			
Operating expenditures	12,720	7,332	5,388
<b>Golf Course:</b>			
Operating expenditures	5,000	5,156	(156)
Contracted services	76,000	75,540	460
Total	81,000	80,696	304
<b>Performance and Longevity Bonuses:</b>			
Salaries and benefits	64,094	63,170	924
<b>Lake:</b>			
Salaries and benefits	160,053	145,631	14,422
Operating expenditures	44,970	65,869	(20,899)
Contracted services	13,500	11,812	1,688
Silt removal	261,200	261,052	148
Capital outlay	21,824	21,824	-
Total	501,547	506,188	(4,641)
<b>Beach:</b>			
Capital outlay	15,000	-	15,000
<b>Community center:</b>			
Capital outlay	135,000	35,881	99,119
Total cultural and recreation	1,368,584	1,185,275	183,309

# 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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Unemployment and Insurance:</b>			
Operating expenditures	<u>129,000</u>	<u>115,947</u>	<u>13,053</u>
<b>Special Projects:</b>			
Operating expenditures	<u>19,000</u>	<u>16,400</u>	<u>2,600</u>
<b>Debt Service:</b>			
Principal retirement	231,309	203,392	27,917
Interest and other charges	<u>35,212</u>	<u>33,560</u>	<u>1,652</u>
Total	<u>266,521</u>	<u>236,952</u>	<u>29,569</u>
 Total expenditures	 <u>4,877,711</u>	 <u>4,479,544</u>	 <u>398,167</u>
 Revenues over (under) expenditures	 <u>(527,450)</u>	 <u>113,055</u>	 <u>640,505</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(255,831)	(255,831)	-
Transfers from other funds	292,947	292,947	-
Proceeds from long-term debt	182,595	131,300	(51,295)
Appropriated fund balance	<u>307,739</u>	<u>-</u>	<u>(307,739)</u>
Total other financing sources (uses)	<u>527,450</u>	<u>168,416</u>	<u>(359,034)</u>
 Net change in fund balance	 <u>\$ -</u>	 281,471	 <u>\$ 281,471</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>2,188,617</u>	
End of year - June 30		<u>\$ 2,470,088</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, 2017**

		<b>Actual</b>			
	<b><u>Project Authorization</u></b>	<b><u>Prior Years</u></b>	<b><u>Current Year</u></b>	<b><u>Total To Date</u></b>	<b><u>Variance Over/Under</u></b>
<b>Revenues:</b>					
Restricted intergovernmental	\$ 200,000	\$ 163,728	\$ 200,000	\$ 363,728	\$ 163,728
<b>Expenditures:</b>					
Cultural and recreation:					
Construction	200,000	189,732	179,008	368,740	(168,740)
Revenues over (under) expenditures	-	(26,004)	20,992	(5,012)	(5,012)
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	-	5,012	-	5,012	5,012
Net change in fund balance	\$ -	\$ (20,992)	\$ 20,992	\$ -	\$ -

## TOWN OF LAKE LURE, NORTH CAROLINA

## NONMAJOR GOVERNMENTAL FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2017

	Special Revenue Fund	Capital Project Funds	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 75,000	\$ 225,125	\$ 300,125
Restricted cash	-	164,342	164,342
Total assets	<u>\$ 75,000</u>	<u>\$ 389,467</u>	<u>\$ 464,467</u>
<b>Fund Balances:</b>			
Restricted, all other	\$ 75,000	\$ 164,342	\$ 239,342
Committed	-	225,125	225,125
Total fund balances	<u>\$ 75,000</u>	<u>\$ 389,467</u>	<u>\$ 464,467</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, 2017**

	<b>Special Revenue Fund</b>	<b>Capital Project Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 18	\$ 18
Miscellaneous	-	2,472	2,472
Total revenues	-	2,490	2,490
<b>Expenditures:</b>			
Current:			
Transportation and physical development	-	26,922	26,922
Revenues over (under) expenditures	-	(24,432)	(24,432)
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	-	305,831	305,831
Transfers to other funds	-	(292,947)	(292,947)
Total other financing sources (uses)	-	12,884	12,884
Net change in fund balances	-	(11,548)	(11,548)
<b>Fund Balances:</b>			
Beginning of year - July 1	75,000	401,015	476,015
End of year - June 30	<u>\$ 75,000</u>	<u>\$ 389,467</u>	<u>\$ 464,467</u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## BRIDGE PRESERVATION RESERVE SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Miscellaneous income	\$ -	\$ -	\$ -
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>75,000</u>	
End of year - June 30		<u>\$ 75,000</u>	

## TOWN OF LAKE LURE, NORTH CAROLINA

## NONMAJOR CAPITAL PROJECT FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2017

	<b>Capital Reserve and Silt Removal Capital Project Fund</b>	<b>Capital Reserve Capital Project Fund</b>	<b>Strip Center Mall Capital Project Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 147,265	\$ 77,860	\$ -	\$ 225,125
Restricted cash	-	-	164,342	164,342
Total assets	<u>\$ 147,265</u>	<u>\$ 77,860</u>	<u>\$ 164,342</u>	<u>\$ 389,467</u>
<b>Fund Balances:</b>				
Restricted, all other	\$ -	\$ -	\$ 164,342	\$ 164,342
Committed	147,265	77,860	-	225,125
Total fund balances	<u>\$ 147,265</u>	<u>\$ 77,860</u>	<u>\$ 164,342</u>	<u>\$ 389,467</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, 2017**

	<b>Capital Reserve and Silt Removal Capital Project Fund</b>	<b>Capital Reserve Capital Project Fund</b>	<b>Strip Center Mall Capital Project Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
<b>Revenues:</b>				
Miscellaneous	\$ -	\$ -	\$ 2,472	\$ 2,472
Investment earnings	-	-	18	18
Total revenues	-	-	2,490	2,490
<b>Expenditures:</b>				
Current:				
Transportation and physical development	-	-	26,922	26,922
Revenues over (under) expenditures	-	-	(24,432)	(24,432)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	50,000	255,831	-	305,831
Transfers to other funds	(111,200)	(181,747)	-	(292,947)
Total other financing sources (uses)	(61,200)	74,084	-	12,884
Net change in fund balances	(61,200)	74,084	(24,432)	(11,548)
<b>Fund Balances:</b>				
Beginning of year - July 1	208,465	3,776	188,774	401,015
End of year - June 30	\$ 147,265	\$ 77,860	\$ 164,342	\$ 389,467



## 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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	\$ 50,000	\$ 50,000	\$ -
Transfers to other funds	(150,000)	(111,200)	38,800
Appropriated fund balance	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
 Total other financing sources (uses)	 <u>-</u>	 <u>(61,200)</u>	 <u>(61,200)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>(61,200)</u>	 <u>\$ (61,200)</u>
 <b>Fund Balance:</b>			
Beginning of year - July 1		<u>208,465</u>	
 End of year - June 30		 <u>\$ 147,265</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	\$ 255,831	\$ 255,831	\$ -
Transfers to other funds	(192,247)	(181,747)	10,500
Appropriated fund balance	<u>(63,584)</u>	<u>-</u>	<u>63,584</u>
Total other financing sources (uses)	<u>-</u>	<u>74,084</u>	<u>74,084</u>
 Net change in fund balance	 <u>\$ -</u>	 74,084	 <u>\$ 74,084</u>
 <b>Fund Balance:</b>			
Beginning of year - July 1		<u>3,776</u>	
 End of year - June 30		 <u>\$ 77,860</u>	

## TOWN OF LAKE LURE, NORTH CAROLINA

STRIP CENTER MALL CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

		Actual			
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Over/Under
<b>Revenues:</b>					
Miscellaneous	\$ -	\$ -	\$ 2,472	\$ 2,472	\$ 2,472
Interest revenue	-	9	18	27	27
Total revenues	-	9	2,490	2,499	2,499
<b>Expenditures:</b>					
Transportation and physical development:					
Purchase price	300,000	300,000	-	300,000	-
Design, engineering, permits	9,000	1,900	11,922	13,822	(4,822)
Improvements to building/property	161,500	-	15,000	15,000	146,500
Other legal/fiscal cost	24,400	2,462	-	2,462	21,938
Contingency	5,100	6,873	-	6,873	(1,773)
Total expenditures	500,000	311,235	26,922	338,157	161,843
Revenues over (under) expenditures	(500,000)	(311,226)	(24,432)	(335,658)	164,342
<b>Other Financing Sources (Uses):</b>					
Proceeds from long-term debt	500,000	500,000	-	500,000	-
Net change in fund balance	\$ -	\$ 188,774	\$ (24,432)	\$ 164,342	\$ 164,342

## TOWN OF LAKE LURE, NORTH CAROLINA

## ELECTRIC FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 350,000	\$ 234,538	\$ (115,462)
Non-operating revenues:			
Interest earnings	500	786	286
Total revenues	350,500	235,324	(115,176)
<b>Expenditures:</b>			
Operations:			
Salaries and employee benefits	90,432	77,627	12,805
Operating expenditures	433,950	433,009	941
Capital outlay	268,711	245,560	23,151
Total	793,093	756,196	36,897
Total expenditures	793,093	756,196	36,897
Revenues over (under) expenditures	(442,593)	(520,872)	(78,279)
<b>Other Financing Sources (Uses):</b>			
Transfers in	492,593	-	(492,593)
Transfers out	(50,000)	(50,000)	-
Total other financing sources (uses)	442,593	(50,000)	(492,593)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(570,872)	\$ (570,872)
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Reconciling items:			
(Increase) decrease in compensated absences		3,562	
(Increase) decrease in OPEB		(609)	
Increase in deferred outflows - pension		14,417	
Increase in net pension liability		(14,706)	
Decrease in deferred inflows - pension		1,498	
Pension expense		(1,208)	
Capital asset additions		245,560	
Depreciation		(81,878)	
Change in net position		\$ (404,236)	

# 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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for service	\$ 1,173,150	\$ 1,234,002	\$ 60,852
Water and sewer taps	9,000	8,470	(530)
Other operating revenues	19,000	22,729	3,729
Total operating revenues	<u>1,201,150</u>	<u>1,265,201</u>	<u>64,051</u>
Non-operating revenues:			
Restricted intergovernmental	-	50,000	50,000
Interest earnings	50	411	361
Total non-operating revenues	<u>50</u>	<u>50,411</u>	<u>50,361</u>
Total revenues	<u>1,201,200</u>	<u>1,315,612</u>	<u>114,412</u>
<b>Expenditures:</b>			
Water administration and operations:			
Salaries and employee benefits	74,978	70,054	4,924
Operating expenditures	116,377	107,822	8,555
Total water administration and operations	<u>191,355</u>	<u>177,876</u>	<u>13,479</u>
Sewer administration and operations:			
Salaries and employee benefits	49,482	49,552	(70)
Operating expenditures	483,845	496,138	(12,293)
Capital outlay	17,725	-	17,725
Total sewer administration and operations	<u>551,052</u>	<u>545,690</u>	<u>5,362</u>
Debt service:			
Principal	119,945	119,944	1
Interest	12,898	12,897	1
Total debt service	<u>132,843</u>	<u>132,841</u>	<u>2</u>
Total expenditures	<u>875,250</u>	<u>856,407</u>	<u>18,843</u>
Revenues over (under) expenditures	<u>325,950</u>	<u>459,205</u>	<u>133,255</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, 2017**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(345,943)	-	345,943
Appropriated fund balance	19,993	-	(19,993)
Total other financing sources (uses)	<u>(325,950)</u>	<u>-</u>	<u>325,950</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 459,205	 <u>\$ 459,205</u>
 <b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Reconciling items:			
Depreciation		(305,575)	
Principal retirement		119,944	
(Increase) decrease in compensated absences		(156)	
(Increase) decrease in OPEB		(1,015)	
Increase in deferred outflows - pension		24,028	
Increase in net pension liability		(24,510)	
Decrease in deferred inflows - pension		2,496	
Pension expense		<u>(2,014)</u>	
 Change in net position		 <u>\$ 272,403</u>	

**TOWN OF LAKE LURE, NORTH CAROLINA**

**GREENLINE ENTERPRISE FUND CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Operating Revenues:	\$ 50,000	\$ -	\$ -	\$ -	\$ (50,000)
<b>Expenditures:</b>					
Operations:					
Capital Outlay	50,000	-	688,854	688,854	(638,854)
Net change in fund balance	\$ -	\$ -	\$ (688,854)	\$ (688,854)	\$ (688,854)

**TOWN OF LAKE LURE, NORTH CAROLINA****AGENCY FUNDS****COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2017</b>
<b>Chimney Rock:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 9,001	\$ 66,485	\$ 53,979	\$ 21,507
Accounts receivable	13,744	63,329	64,328	12,745
Total assets	<u>\$ 22,745</u>	<u>\$ 129,814</u>	<u>\$ 118,307</u>	<u>\$ 34,252</u>
<b>Liabilities:</b>				
Miscellaneous liabilities	<u>\$ 22,745</u>	<u>\$ 129,814</u>	<u>\$ 118,307</u>	<u>\$ 34,252</u>



**TOWN OF LAKE LURE, NORTH CAROLINA****SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2017**

<b>Year Ended June 30</b>	<b>Uncollected Balance July 1, 2016</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2017</b>
2016-2017	\$ -	\$ 2,363,242	\$ 2,329,734	\$ 33,508
2015-2016	46,388	-	24,615	21,773
2014-2015	24,272	-	4,183	20,089
2013-2014	25,348	-	9,766	15,582
2012-2013	16,843	-	3,986	12,857
2011-2012	12,317	-	1,882	10,435
2010-2011	9,836	-	1,032	8,804
2009-2010	7,092	-	1,392	5,700
2008-2009	4,427	-	405	4,022
2007-2008	3,464	-	405	3,059
2006-2007	2,604	-	2,604	-
Total	<u>\$ 152,591</u>	<u>\$ 2,363,242</u>	<u>\$ 2,380,004</u>	<u>135,829</u>
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(44,051)</u>
Ad valorem taxes receivable, net				<u>\$ 91,778</u>
<b>Reconciliation with Revenues:</b>				
Taxes - ad valorem				\$ 2,390,014
Reconciling items:				
Interest collected				(8,902)
Refunds and other adjustments				3,734
Miscellaneous adjustments				(7,446)
Amounts written off for tax years per Statute of Limitations				<u>2,604</u>
Total collections and credit				<u>\$ 2,380,004</u>

## TOWN OF LAKE LURE, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY

## TOWN-WIDE LEVY

FOR THE YEAR ENDED JUNE 30, 2017

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 856,367,391	0.276	\$ 2,363,574	\$ 2,321,589	\$ 41,985
<b>Discoveries</b>	53,544		194	194	-
Penalties	(250,476)		(526)	(526)	-
Total property valuation	<u>\$ 856,170,459</u>				
<b>Net Levy</b>			2,363,242	2,321,257	41,985
Uncollected taxes at June 30, 2017			<u>(33,508)</u>	<u>(33,508)</u>	
<b>Current Year's Taxes Collected</b>			<u>\$ 2,329,734</u>	<u>\$ 2,287,749</u>	<u>\$ 41,985</u>
<b>Current Levy Collection Percentage</b>			<u>98.58%</u>	<u>98.56%</u>	<u>100.00%</u>

# 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 31, 2017. Our report includes a reference to other auditors who audited the financial statements of the Town of Lake Lure ABC Board, as described in our report on the Town of Lake Lure's financial statements. 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 (internal control) 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 have not been 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 and significant deficiencies.

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 deficiencies described in the accompanying Schedule of Findings and Responses, as items 2017-002, 2017-003, 2017-004, and 2017-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a significant deficiency.

### **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*, and which is described in the accompanying Schedule of Findings and Responses as item 2017-005.

### **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  
October 31, 2017

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

## **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2017**

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

#### **Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency identified? Yes

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, 2017**

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

##### **Significant Deficiency**

##### **Finding 2017-001: Full Accrual Financial Statements**

**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 possessed by Town personnel with regards to drafting, full accrual, full disclosure financial statements.

**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.

**Identification of Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-001.

**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 overseeing drafting services and 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, Finance Director

**Views of Responsible Officials Planned Corrective Actions:** The Town agrees with this finding and will adhere to the Corrective Action Plan following this schedule.

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

### **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2017**

#### **2. Findings Related to the Audit of the Basic Financial Statements (continued)**

##### **Material Weakness**

##### **Finding 2017-002: Material Audit Adjustments**

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

**Condition:** A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgement, may not have been deleted except through our auditing procedures. The existence of such material adjustments indicated that the Town's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

**Effect:** Financial reports used for budget monitoring throughout the year do not properly reflect the account balances. Adjustments not posted could cause misstatement of account balances.

**Cause:** Inadequate monitoring by management.

**Identification of Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-002

**Recommendation:** Management should examine the adjustments required as a result of our audit and the finance director should assure they are reconciled and posted prior to the audit.

**Name of Contact Person:** Sam Karr, Finance Director

**Views of Responsible Officials Planned Corrective Actions:** The Town agrees with this finding and will adhere to the Corrective Action Plan following this schedule.

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

### **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2017**

#### **2. Findings Related to the Audit of the Basic Financial Statements (continued)**

##### **Material Weakness**

##### **Finding 2017-003: Segregation of Duties**

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

**Condition:** Due to the limited number of personnel in the Town's Administration Office, there is a lack of segregation of duties among Town personnel. Personnel who process payroll have access to make changes to employee's payroll deductions and pay rates in the payroll system. The Finance Director performs review and approval of journal entries for other finance staff but can also post journal entries. There is no review of journal entries posted by the Finance Director.

**Effect:** Errors in financial reporting could occur and not be detected.

**Cause:** Change in personnel in the current year caused part of the segregation problem. The prior Town Manager performed several of the oversight duties in the finance office. In addition, there are a limited number of personnel for certain functions in the Town.

**Identification of Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-003

**Recommendation:** Ideally, the individual preparing or proposing journal entries should not have access to post the entries. To the extent possible, alternative controls should be used to compensate for any lack of segregation of duties. The Town Manager or a member of the Council could review a report listing of adjusting journal entries on a monthly basis to detect unauthorized adjustments to the general ledger. Duties and responsibilities of human resources and payroll processing should be separated as much as possible. All employee related benefits and deductions should be handled through human resources which is typically not the same personnel as payroll. Payroll processing personnel should not be involved in the changes of personnel data in personnel files or the payroll system.

**Name of Contact Person:** Sam Karr, Finance Director

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the finding and will implement adequate internal controls to ensure that these issues do not recur. Please refer to the Corrective Action Plan following this section.



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

### **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2017**

#### **2. Findings Related to the Audit of the Basic Financial Statements (continued)**

##### **Material Weakness**

##### **Finding 2017-004: Timely review of bank reconciliations**

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

**Condition:** Cash reconciliations were not prepared and balanced to the general ledger in a timely manner during the year.

**Effect:** Lack of timely reconciliations greatly increases the risk of fraudulent activity and results in improper financial reporting.

**Cause:** The Town's policies over bank reconciliations are not being followed.

**Recommendation:** Require that cash reconciliations be prepared and balanced to the general ledger control accounts on a monthly basis.

**Name of Contact Person:** Sam Karr, Finance Director

**Views of Responsible Officials Planned Corrective Actions:** The Town agrees with this finding and will adhere to the Corrective Action Plan following this schedule.

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

### **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2017**

#### **2. Findings Related to the Audit of the Basic Financial Statements (continued)**

##### **Material Weakness / Non-Compliance**

##### **Finding 2017-005: Funds Over Budget**

**Criteria:** General Statutes require that all money received and expended by a local government should be included in the budget ordinance. The Statutes require that funds be appropriated before incurring the obligations for funds and that amounts be pre-audited prior to disbursements being made.

**Condition:** In the current year, the Town expended more funds than appropriated.

**Effect:** The Town was in violation of North Carolina General Statutes 15a-8(a)

**Cause:** Expenditures were made without being included in the budget

**Recommendation:** The Town should implement additional monitoring controls, such as reviewing monthly budget to actual reports and careful pre-audit of expenditures. Budget amendments should be adopted prior to expending funds that exceed budgeted amounts.

**Name of Contact Person:** Sam Karr, Finance Director

**Views of Responsible Officials Planned Corrective Actions:** The Town agrees with this finding and will adhere to the Corrective Action Plan following this schedule.



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

### **CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2017**

#### **2. Financial Statement Findings**

##### **Significant Deficiency**

##### **Finding 2017-001: Full Accrual Financial Statements**

**Name of Contact Person:** Sam Karr, Finance Director

**Corrective Action:** The Town will 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. The Town will hire staff to review and take time reviewing financial statements.

**Proposed Completion Date:** Immediately.

##### **Material Weakness**

##### **Finding 2017-002: Material Audit Adjustments**

**Name of Contact Person:** Sam Karr, Finance Director

**Corrective Action:** Management will examine the adjustments required as a result of the audit and the finance director should assure they are reconciled and posted prior to the audit.

**Proposed Completion Date:** Immediately.

##### **Material Weakness**

##### **Finding 2017-003: Segregation of Duties**

**Name of Contact Person:** Sam Karr, Finance Director

**Corrective Action:** There are limited Town resources; the Town has contracted a third party to generate journal entries and these are reviewed by finance officer.

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



**TOWN OF LAKE LURE, NORTH CAROLINA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2017**

**Material Weakness**

**Finding 2017-004: Timely review of bank reconciliations**

**Name of Contact Person:** Sam Karr, Finance Director

**Corrective Action:** The Town will prepare and balance cash reconciliations to the general ledger control accounts on a monthly basis.

**Proposed Completion Date:** Immediately.

**Material Weakness/Non-Compliance**

**Finding 2017-005: Funds Over Budget**

**Name of Contact Person:** Sam Karr, Finance Director

**Corrective Action:** The Finance Department staff will review periodically to ensure budget remains consistent.

**Proposed Completion Date:** Immediately

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

### **SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2017**

**Finding 2016-001:**

**Status:** Repeated as 2017-001

**Finding 2016-002:**

**Status:** Repeated as 2017-002

**Finding 2016-003:**

**Status:** Repeated as 2017-003

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