

**TOWN OF LAKE LURE
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

TOWN OF LAKE LURE, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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 Changes in Total Pension Liability, Law Enforcement Officers' Special Separation Allowance Schedule of Total Pension Liability as a Percentage of Covered Payroll, Retiree Health Benefit Fund Schedules of Proportionate Share of Net OPEB Liability and Contributions, Other Post-Employment Benefit – Other Insurance Plan Schedules of Changes in Total OPEB Liability and Related Ratios, and Local Government Employees' Retirement System Proportionate Share of Net Pension Liability (Asset) 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 tax 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, 2019, 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, 2019

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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, 2019. 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

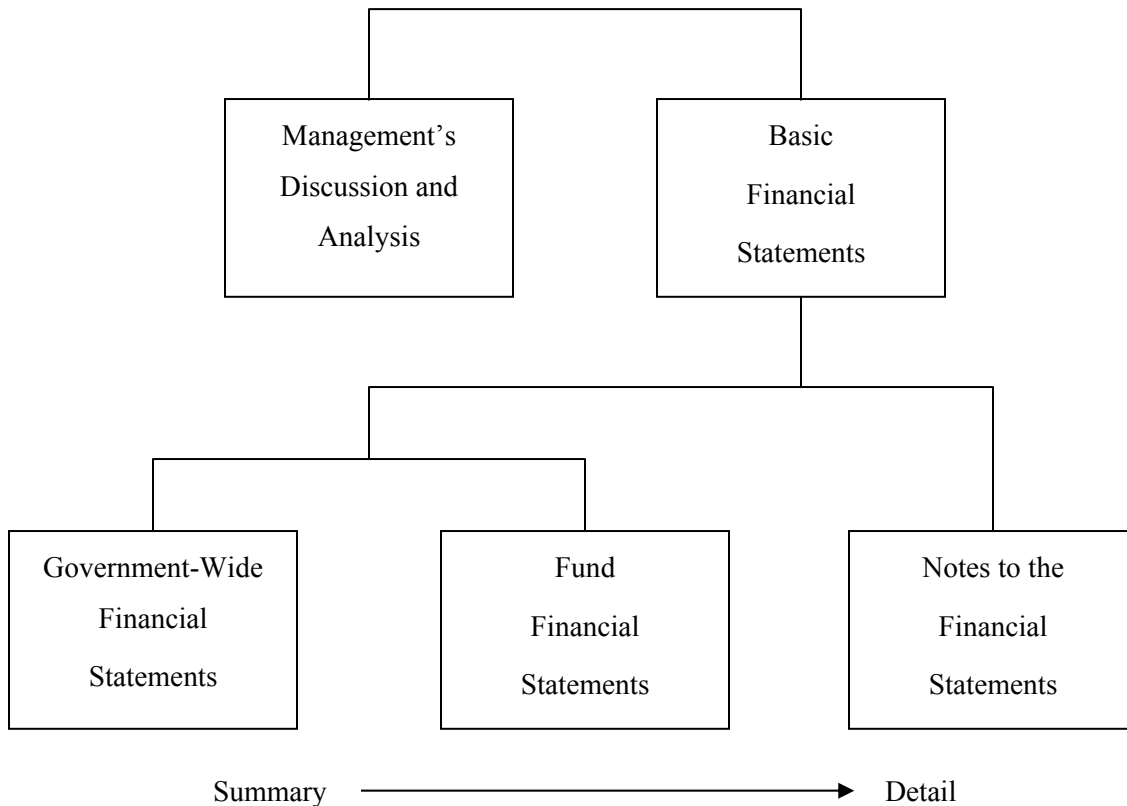
- The assets and deferred outflows of resources of the Town of Lake Lure exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,287,101 (*net position*).
- The government's total net position increased by \$677,997, primarily due to increases in the governmental 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 \$4,022,301, an increase of \$569,564 in comparison with the prior year. Approximately 71.97% of this total amount, or \$2,894,981, 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 \$2,416,521, or 47.01%, of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of the Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits C through J) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: (1) the governmental funds statements, (2) the budgetary comparison statements, (3) the proprietary fund statements and (4) the fiduciary 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 North Carolina 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 three categories: (1) governmental activities, (2) business-type activities, and (3) component units. The governmental activities include most of the Town's basic services such as public safety, 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 final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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 three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Lake Lure has one fiduciary fund, which is an agency fund.

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Lake Lure's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found following the notes to the financial statements in this report.

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

Government-Wide Financial Analysis

Town of Lake Lure's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets and Deferred						
Outflows of Resources:						
Current and other assets	\$ 4,296,795	\$ 3,738,365	\$ 777,835	\$ 313,880	\$ 5,074,630	\$ 4,052,245
Capital assets	7,697,145	7,725,752	7,926,380	8,790,118	15,623,525	16,515,870
Deferred outflows of resources	646,497	452,080	48,613	31,274	695,110	483,354
Total assets and deferred outflows of resources	<u>12,640,437</u>	<u>11,916,197</u>	<u>8,752,828</u>	<u>9,135,272</u>	<u>21,393,265</u>	<u>21,051,469</u>
Liabilities and Deferred						
Inflows of Resources:						
Current liabilities	455,794	450,308	156,697	167,555	612,491	617,863
Other liabilities	4,258,372	4,921,438	1,288,263	1,437,376	5,546,635	6,358,814
Deferred inflows of resources	<u>1,814,316</u>	<u>1,362,723</u>	<u>132,722</u>	<u>102,965</u>	<u>1,947,038</u>	<u>1,465,688</u>
Total liabilities and deferred inflows of resources	<u>6,528,482</u>	<u>6,734,469</u>	<u>1,577,682</u>	<u>1,707,896</u>	<u>8,106,164</u>	<u>8,442,365</u>
Net Position:						
Net investment in capital assets	6,630,863	6,525,574	6,766,824	7,510,623	13,397,687	14,036,197
Stabilization for state statute	1,126,540	630,563	-	-	1,126,540	630,563
Other restricted	78,668	79,868	-	-	78,668	79,868
Unrestricted	<u>(1,724,116)</u>	<u>(2,054,277)</u>	<u>408,322</u>	<u>(83,247)</u>	<u>(1,315,794)</u>	<u>(2,137,524)</u>
Total net position	<u>\$ 6,111,955</u>	<u>\$ 5,181,728</u>	<u>\$ 7,175,146</u>	<u>\$ 7,427,376</u>	<u>\$ 13,287,101</u>	<u>\$ 12,609,104</u>

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 \$13,287,101 as of June 30, 2019. The Town's net position increased by \$677,997 for the fiscal year ended June 30, 2019. The largest portion of net position (101%) 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, 2019 was \$1,205,208. The remaining balance of \$(1,315,794) 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
- Decrease in actual overall expenses

Town of Lake Lure's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 826,747	\$ 800,723	\$ 2,352,698	\$ 1,734,211	\$ 3,179,445	\$ 2,534,934
Operating grants and contributions	150,828	310,952	-	-	150,828	310,952
Capital grants and contributions	211,932	350,000	-	-	211,932	350,000
General revenues:						
Property taxes	3,113,077	2,381,856	-	-	3,113,077	2,381,856
Other taxes	1,327,763	1,291,612	-	-	1,327,763	1,291,612
restricted to specific programs						
Other	5,031	2,285	2,894	1,702	7,925	3,987
Total revenues	<u>5,635,378</u>	<u>5,137,428</u>	<u>2,355,592</u>	<u>1,735,913</u>	<u>7,990,970</u>	<u>6,873,341</u>
Expenses:						
General government	1,273,488	1,094,040	-	-	1,273,488	1,094,040
Public safety	1,465,021	1,600,897	-	-	1,465,021	1,600,897
Transportation and physical development	544,545	526,118	-	-	544,545	526,118
Environmental protection	229,329	224,637	-	-	229,329	224,637
Cultural and recreation	1,164,824	970,801	-	-	1,164,824	970,801
Interest on long-term debt	27,945	37,686	-	-	27,945	37,686
Water and sewer	-	-	1,036,932	1,059,777	1,036,932	1,059,777
Electric	-	-	483,022	617,266	483,022	617,266
Total expenses	<u>4,705,151</u>	<u>4,454,179</u>	<u>1,519,954</u>	<u>1,677,043</u>	<u>6,225,105</u>	<u>6,131,222</u>
Change in net position before transfers and special items	930,227	683,249	835,638	58,870	1,765,865	742,119
Special item - loss on disposal of capital assets	-	-	(1,087,868)	-	(1,087,868)	-
Change in net position	<u>930,227</u>	<u>683,249</u>	<u>(252,230)</u>	<u>58,870</u>	<u>677,997</u>	<u>742,119</u>
Net Position:						
Beginning of year - July 1	5,181,728	8,532,696	7,427,376	7,672,157	12,609,104	16,204,853
Restatement	-	(4,034,217)	-	(303,651)	-	(4,337,868)
Beginning of year, as restated	<u>5,181,728</u>	<u>4,498,479</u>	<u>7,427,376</u>	<u>7,368,506</u>	<u>12,609,104</u>	<u>11,866,985</u>
End of year - June 30	<u>\$ 6,111,955</u>	<u>\$ 5,181,728</u>	<u>\$ 7,175,146</u>	<u>\$ 7,427,376</u>	<u>\$ 13,287,101</u>	<u>\$ 12,609,104</u>

Governmental Activities. Governmental activities increased the Town of Lake Lure's net position by \$930,227. Key elements of this increase are as follows:

- Decrease in expenditures in personnel due to filling positions
- Decrease in expenditures for special projects
- Increase in Lake and Recreation revenues
- Increase in State Shared Sales Tax revenues
- New Lake Dredging grant received

Business-Type Activities. Business-type activities decreased the Town of Lake Lure's net position by \$252,230. Key elements of this decrease are as follows:

- Increase in engineering expenses related to the Greenline Project
- Special item reported for loss on disposal of capital assets

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.

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 \$2,470,189, while total fund balance was \$3,597,509. 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 45.10% of total General Fund expenditures and transfers out, while total fund balance represents 65.69% of total General Fund expenditures and transfers out.

At June 30, 2019, the governmental funds of the Town of Lake Lure reported a combined fund balance of \$4,022,301 with a net increase in fund balance of \$569,564. Included in this change in fund balance is an increase in fund balance in the General Fund.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$3,500.

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 \$5,749,157 with \$71,234 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 \$1,425,989 with \$337,088 of that amount being unrestricted.

Capital Assets and Debt Administration

Capital Assets. The Town of Lake Lure's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals (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	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,073,479	\$ 3,073,479	\$ 90,189	\$ 90,189	\$ 3,163,668	\$ 3,163,668
Construction in progress	377,772	720,899	555,489	1,075,487	933,261	1,796,386
Buildings and system	2,950,544	2,600,544	4,016,987	4,016,987	6,967,531	6,617,531
Other improvements	1,670,967	1,652,227	2,106,489	2,106,489	3,777,456	3,758,716
Equipment and furniture	471,299	322,455	406,006	351,669	877,305	674,124
Infrastructure	1,891,888	1,751,023	6,349,885	6,349,885	8,241,773	8,100,908
Vehicles and motorized equipment	2,000,318	2,018,728	203,243	225,111	2,203,561	2,243,839
Accumulated depreciation	(4,739,122)	(4,413,603)	(5,801,908)	(5,425,699)	(10,541,030)	(9,839,302)
Total	<u>\$ 7,697,145</u>	<u>\$ 7,725,752</u>	<u>\$ 7,926,380</u>	<u>\$ 8,790,118</u>	<u>\$ 15,623,525</u>	<u>\$ 16,515,870</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, 2019, the Town of Lake Lure had total notes payable outstanding of \$2,355,697, 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	
	2019	2018	2019	2018	2019	2018
Installment obligations	\$ 1,196,141	\$ 1,350,534	\$ -	\$ -	\$ 1,196,141	\$ 1,350,534
General obligation indebtedness	-	-	1,159,556	-	1,159,556	-
Total	<u>\$ 1,196,141</u>	<u>\$ 1,350,534</u>	<u>\$ 1,159,556</u>	<u>\$ -</u>	<u>\$ 2,355,697</u>	<u>\$ 1,350,534</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 \$67,705,000.

Additional information regarding the Town of Lake Lure's long-term debt can be found in the notes of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following is an economic indicator affecting the Town:

- Rutherford County undertook a property revaluation that will go into effect this next fiscal year, which resulted in a 4% decrease in values in Lake Lure.
- The Town has experienced a steady increase in tourism.
- Capital Items and repairs are trending upward.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities. Rutherford County re-assessed properties and reduced their tax values by an average of 4% in Lake Lure. However, the tax rate levied to generate funds for governmental activities stayed the same at \$.36 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 \$425,000 toward dredging and silt removal in Parks, Recreation and Lake Operations.

Business-Type Activities. The Town is in the process of applying for a USDA loan to fund Dam repair at an estimate of \$10 million dollars in repairs over the next five years. The Town is in negotiations with the state to change the Wastewater treatment/Sewer collection project to build a more modern facility with a low pressure system built around the lake and expand or build a new treatment facility. Estimates have been trending upward towards \$28 million. 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, 2019

	Primary Government			Town of Lake Lure ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,918,273	\$ 1,196,679	\$ 4,114,952	\$ 182,619
Taxes receivable, net	95,540	-	95,540	-
Accounts receivable, net	67,836	221,262	289,098	-
Internal balances	459,396	(459,396)	-	-
Due from other governments	408,468	-	408,468	-
Inventories	780	32,265	33,045	122,810
Prepaid expenses	-	-	-	3,277
Total current assets	3,950,293	990,810	4,941,103	308,706
Non-current assets:				
Internal balances	212,975	(212,975)	-	-
Restricted assets:				
Cash and cash equivalents, restricted	133,527	-	133,527	-
Capital assets:				
Land and other non-depreciable capital assets	3,451,251	645,678	4,096,929	-
Depreciable capital assets, net	4,245,894	7,280,702	11,526,596	11,463
Total capital assets	7,697,145	7,926,380	15,623,525	11,463
Total non-current assets	8,043,647	7,713,405	15,757,052	11,463
Total assets	11,993,940	8,704,215	20,698,155	320,169
Deferred Outflows of Resources:				
Pension deferrals	470,830	35,391	506,221	-
RHBF OPEB deferrals	103,973	7,826	111,799	-
Other insurance plan OPEB deferrals	71,694	5,396	77,090	-
Total deferred outflows of resources	646,497	48,613	695,110	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	151,717	32,072	183,789	56,568
Current portion of compensated absences	34,853	4,681	39,534	-
Current portion of long-term liabilities	269,224	119,944	389,168	-
Total current liabilities	455,794	156,697	612,491	56,568
Long-term liabilities:				
Total pension liability (LEO)	269,421	-	269,421	-
Net pension liability (LGERS)	501,332	43,594	544,926	-
RHBF OPEB liability	2,086,477	157,047	2,243,524	-
Other insurance plan OPEB liability	369,666	33,968	403,634	-
Compensated absences	104,559	14,042	118,601	-
Due in more than one year	926,917	1,039,612	1,966,529	-
Total long-term liabilities	4,258,372	1,288,263	5,546,635	-
Total liabilities	4,714,166	1,444,960	6,159,126	56,568
Deferred Inflows of Resources:				
Pension deferrals	97,575	3,505	101,080	-
RHBF OPEB deferrals	1,666,370	125,425	1,791,795	-
Other insurance plan OPEB deferrals	50,371	3,792	54,163	-
Total deferred inflows of resources	1,814,316	132,722	1,947,038	-
Net Position:				
Net investment in capital assets	6,630,863	6,766,824	13,397,687	11,463
Restricted for:				
Stabilization by state statute	1,126,540	-	1,126,540	-
Working capital	-	-	-	28,715
Municipality profit distribution	-	-	-	21,206
Public safety	3,668	-	3,668	-
Cultural and recreation	75,000	-	75,000	-
Unrestricted	(1,724,116)	408,322	(1,315,794)	202,217
Total net position	\$ 6,111,955	\$ 7,175,146	\$ 13,287,101	\$ 263,601

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, 2019**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,273,488	\$ 54,723	\$ 43,907	\$ -
Public safety	1,465,021	669	38,743	-
Transportation and physical development	544,545	-	68,178	-
Environmental protection	229,329	18,558	-	211,932
Cultural and recreation	1,164,824	752,797	-	-
Interest on long-term debt	27,945	-	-	-
Total governmental activities	<u>4,705,151</u>	<u>826,747</u>	<u>150,828</u>	<u>211,932</u>
Business-Type Activities:				
Electric	483,022	1,092,371	-	-
Water and sewer	1,036,932	1,260,327	-	-
Total business-type activities	<u>1,519,954</u>	<u>2,352,698</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 6,225,105</u>	<u>\$ 3,179,445</u>	<u>\$ 150,828</u>	<u>\$ 211,932</u>
Component Unit:				
ABC Board	<u>\$ 965,332</u>	<u>\$ 975,533</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, 2019**

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Town of Lake Lure ABC Board
	Governmental Activities	Business-Type Activities	Total	
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (1,174,858)	\$ -	\$ (1,174,858)	
Public safety	(1,425,609)	-	(1,425,609)	
Transportation and physical development	(476,367)	-	(476,367)	
Environmental protection	1,161	-	1,161	
Cultural and recreation	(412,027)	-	(412,027)	
Interest on long-term debt	(27,945)	-	(27,945)	
Total governmental activities	(3,515,644)	-	(3,515,644)	
Business-Type Activities:				
Electric	-	609,349	609,349	
Water and sewer	-	223,395	223,395	
Total business-type activities	-	832,744	832,744	
Total primary government	(3,515,644)	832,744	(2,682,900)	
Component Unit:				
ABC Board				\$ 10,201
General Revenues:				
Ad valorem taxes	3,113,077	-	3,113,077	-
Local option sales tax	1,072,773	-	1,072,773	-
Utilities franchise tax	223,980	-	223,980	-
Video franchise tax	25,747	-	25,747	-
Beer and wine tax	5,263	-	5,263	-
Investment earnings	5,031	2,894	7,925	1,148
Total general revenues excluding special item	4,445,871	2,894	4,448,765	1,148
Special item - loss on disposal of capital assets	-	(1,087,868)	(1,087,868)	-
Total general revenues and special item	4,445,871	(1,084,974)	3,360,897	1,148
Change in net position	930,227	(252,230)	677,997	11,349
Net Position:				
Beginning of year - July 1	5,181,728	7,427,376	12,609,104	252,252
End of year - June 30	\$ 6,111,955	\$ 7,175,146	\$ 13,287,101	\$ 263,601

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

TOWN OF LAKE LURE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	Major Fund	Nonmajor Funds	
	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 2,618,238	\$ 300,035	\$ 2,918,273
Taxes receivable, net	95,540	-	95,540
Accounts receivable, net	67,836	-	67,836
Inventories	780	-	780
Due from other governments	408,468	-	408,468
Due from other funds	464,498	-	464,498
Advances to other funds	212,975	-	212,975
Restricted cash and cash equivalents	3,668	129,859	133,527
Total assets	<u>\$ 3,872,003</u>	<u>\$ 429,894</u>	<u>\$ 4,301,897</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	\$ 151,717	\$ -	\$ 151,717
Due to other funds	-	5,102	5,102
Total liabilities	<u>151,717</u>	<u>5,102</u>	<u>156,819</u>
Deferred Inflows of Resources:			
Property taxes receivable	95,540	-	95,540
Clean-up fees receivable	27,237	-	27,237
Total deferred inflows of resources	<u>122,777</u>	<u>-</u>	<u>122,777</u>
Fund Balances:			
Non-spendable, not in spendable form:			
Inventories	780	-	780
Restricted:			
Stabilization by state statute	1,126,540	-	1,126,540
Restricted, other	3,668	204,859	208,527
Committed	-	225,035	225,035
Assigned	50,000	-	50,000
Unassigned	2,416,521	(5,102)	2,411,419
Total fund balances	<u>3,597,509</u>	<u>424,792</u>	<u>4,022,301</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,872,003</u>	<u>\$ 429,894</u>	<u>\$ 4,301,897</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.			7,697,145
Net pension liability - LGERS			(501,332)
Total pension liability - LEOSSA			(269,421)
Total OPEB liabilities			(2,456,143)
Deferred outflows of resources related to pensions are not reported in the funds.			470,830
Deferred outflows of resources related to OPEB are not reported in the funds.			175,667
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.			122,777
Deferred inflows of resources related to pensions are not reported in the funds.			(97,575)
Deferred inflows of resources related to OPEB are not reported in the funds.			(1,716,741)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.			(1,335,553)
Net position of governmental activities per Exhibit A			<u>\$ 6,111,955</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, 2019

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 3,112,689	\$ -	\$ 3,112,689
Unrestricted intergovernmental	1,327,763	-	1,327,763
Restricted intergovernmental	356,341	-	356,341
Permits and fees	473,000	-	473,000
Sales and service	297,894	-	297,894
Investment earnings	5,017	14	5,031
Miscellaneous	62,272	-	62,272
Total revenues	<u>5,634,976</u>	<u>14</u>	<u>5,634,990</u>
Expenditures:			
Current:			
General government	832,412	-	832,412
Public safety	1,553,466	-	1,553,466
Transportation and physical development	670,726	25,613	696,339
Environmental protection	229,329	-	229,329
Cultural and recreation	1,201,399	-	1,201,399
Unemployment and insurance	130,115	-	130,115
Special projects	240,028	-	240,028
Debt service:			
Principal retirement	254,618	-	254,618
Interest and other charges	27,945	-	27,945
Total expenditures	<u>5,140,038</u>	<u>25,613</u>	<u>5,165,651</u>
Revenues over (under) expenditures	<u>494,938</u>	<u>(25,599)</u>	<u>469,339</u>
Other Financing Sources (Uses):			
Transfers to other funds	(336,810)	(338,000)	(674,810)
Transfers from other funds	338,000	336,810	674,810
Debt issued	100,225	-	100,225
Total other financing sources (uses)	<u>101,415</u>	<u>(1,190)</u>	<u>100,225</u>
Net change in fund balances	596,353	(26,789)	569,564
Fund Balances:			
Beginning of year - July 1	<u>3,001,156</u>	<u>451,581</u>	<u>3,452,737</u>
End of year - June 30	<u>\$ 3,597,509</u>	<u>\$ 424,792</u>	<u>\$ 4,022,301</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, 2019

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)	\$ 569,564
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	388
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	774
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.	366,215
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(394,822)
OPEB plan expense	239,693
Pension expense - LGERS	5,962
Pension expense - LEOSSA	(11,940)
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.	254,618
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>(100,225)</u>
Change in net position in governmental activities per Exhibit B	<u>\$ 930,227</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, 2019

	General Fund			
	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 3,081,734	\$ 3,081,734	\$ 3,112,689	\$ 30,955
Unrestricted intergovernmental	1,224,900	1,224,900	1,327,763	102,863
Restricted intergovernmental	246,725	246,725	356,341	109,616
Permits and fees	457,900	457,900	473,000	15,100
Sales and services	231,800	231,800	297,894	66,094
Investment earnings	1,500	1,500	5,017	3,517
Miscellaneous	56,500	60,000	62,272	2,272
Total revenues	5,301,059	5,304,559	5,634,976	330,417
Expenditures:				
Current:				
General government	876,538	876,538	832,412	44,126
Public safety	1,553,989	1,618,914	1,553,466	65,448
Transportation and physical development	690,906	694,406	670,726	23,680
Environmental protection	230,000	230,000	229,329	671
Cultural and recreation	1,309,679	1,403,379	1,201,399	201,980
Unemployment and insurance	132,500	131,500	130,115	1,385
Special projects	323,000	849,495	240,028	609,467
Debt service:				
Principal retirement	249,898	299,891	254,618	45,273
Interest and other charges	41,490	46,279	27,945	18,334
Total expenditures	5,408,000	6,150,402	5,140,038	1,010,364
Revenues over (under) expenditures	(106,941)	(845,843)	494,938	1,340,781
Other Financing Sources (Uses):				
Transfers to other funds	(336,810)	(336,810)	(336,810)	-
Transfers from other funds	255,000	338,000	338,000	-
Debt issued	77,000	102,000	100,225	(1,775)
Appropriated fund balance	111,751	742,653	-	(742,653)
Total other financing sources (uses)	106,941	845,843	101,415	(744,428)
Net change in fund balance	\$ -	\$ -	596,353	\$ 596,353
Fund Balance:				
Beginning of year - July 1			3,001,156	
End of year - June 30			\$ 3,597,509	

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, 2019

	Major Funds		
	Electric Fund	Water and Sewer Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 943,372	\$ 253,307	\$ 1,196,679
Accounts receivable, net	-	221,262	221,262
Inventories	-	32,265	32,265
Total current assets	943,372	506,834	1,450,206
Non-current assets:			
Capital assets:			
Land	517,285	128,393	645,678
Depreciable capital assets, net	571,616	6,709,086	7,280,702
Capital assets, net	1,088,901	6,837,479	7,926,380
Total non-current assets	1,088,901	6,837,479	7,926,380
Total assets	2,032,273	7,344,313	9,376,586
Deferred Outflows of Resources:			
Pension deferrals	13,272	22,119	35,391
RHBF OPEB deferrals	3,354	4,472	7,826
Other insurance plan OPEB deferrals	2,312	3,084	5,396
Total deferred outflows of resources	18,938	29,675	48,613
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	7,331	24,741	32,072
Due to other funds	459,396	-	459,396
Compensated absences, current	1,730	2,951	4,681
Current portion of long-term debt	-	119,944	119,944
Total current liabilities	468,457	147,636	616,093
Non-current liabilities:			
Advances from other funds	-	212,975	212,975
RHBF OPEB liability	67,306	89,741	157,047
Other insurance plan OPEB liability	11,231	22,737	33,968
Compensated absences	5,188	8,854	14,042
Net pension liability	16,347	27,247	43,594
Installment obligations payable	-	1,039,612	1,039,612
Total non-current liabilities	100,072	1,401,166	1,501,238
Total liabilities	568,529	1,548,802	2,117,331
Deferred Inflows of Resources:			
Pension deferrals	1,315	2,190	3,505
RHBF OPEB deferrals	53,753	71,672	125,425
Other insurance plan OPEB deferrals	1,625	2,167	3,792
Total deferred inflows of resources	56,693	76,029	132,722
Net Position:			
Net investment in capital assets	1,088,901	5,677,923	6,766,824
Unrestricted	337,088	71,234	408,322
Total net position	\$ 1,425,989	\$ 5,749,157	\$ 7,175,146

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, 2019**

	Major Funds		
	Electric Fund	Water and Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 1,092,371	\$ 1,229,765	\$ 2,322,136
Water and sewer taps	-	4,773	4,773
Other operating revenues	-	25,789	25,789
Total operating revenues	<u>1,092,371</u>	<u>1,260,327</u>	<u>2,352,698</u>
Operating Expenses:			
Salaries and benefits	138,790	108,160	246,950
General operations	244,360	616,744	861,104
Depreciation	99,872	301,705	401,577
Total operating expenses	<u>483,022</u>	<u>1,026,609</u>	<u>1,509,631</u>
Operating income (loss)	<u>609,349</u>	<u>233,718</u>	<u>843,067</u>
Non-Operating Revenues (Expenses):			
Investment earnings	2,050	844	2,894
Interest and other charges	-	(10,323)	(10,323)
Total non-operating revenues (expenses)	<u>2,050</u>	<u>(9,479)</u>	<u>(7,429)</u>
Income (loss) before special item	611,399	224,239	835,638
Special item - loss on disposal of capital assets	<u>-</u>	<u>(1,087,868)</u>	<u>(1,087,868)</u>
Change in net position	611,399	(863,629)	(252,230)
Net Position:			
Beginning of year - July 1	<u>814,590</u>	<u>6,612,786</u>	<u>7,427,376</u>
End of year - June 30	<u>\$ 1,425,989</u>	<u>\$ 5,749,157</u>	<u>\$ 7,175,146</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, 2019

	Major Funds		
	Electric Fund	Water and Sewer Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 1,092,371	\$ 1,252,072	\$ 2,344,443
Cash paid for goods and services	(256,120)	(616,443)	(872,563)
Cash paid to or on behalf of employees for services	(144,612)	(118,493)	(263,105)
Net cash provided by (used) operating activities	691,639	517,136	1,208,775
Cash Flows from Non-Capital Financing Activities:			
Due to (from) other funds	459,396	-	459,396
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(491,296)	(134,411)	(625,707)
Principal paid on installment note	-	(119,939)	(119,939)
Interest paid on installment note	-	(10,323)	(10,323)
Net cash provided (used) by capital and related financing activities	(491,296)	(264,673)	(755,969)
Cash Flows from Investing Activities:			
Investment earnings	2,050	844	2,894
Net increase (decrease) in cash and cash equivalents	661,789	253,307	915,096
Cash and Cash Equivalents:			
Beginning of year - July 1	281,583	-	281,583
End of year - June 30	\$ 943,372	\$ 253,307	\$ 1,196,679
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 609,349	\$ 233,718	\$ 843,067
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	99,872	301,705	401,577
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	(8,255)	(8,255)
Increase (decrease) in accrued vacation pay	2,104	300	2,404
Increase (decrease) in accounts payable and accrued liabilities	(11,760)	301	(11,459)
Increase (decrease) in net pension liability	4,784	7,974	12,758
(Increase) decrease in deferred outflows of resources for pensions	(4,354)	(7,255)	(11,609)
Increase (decrease) in deferred inflows of resources for pensions	(625)	(1,042)	(1,667)
Increase (decrease) other insurance plan total OPEB liability	2,478	3,303	5,781
(Increase) decrease in deferred outflows for other insurance plan OPEB	(2,084)	(2,780)	(4,864)
Increase (decrease) in deferred inflows for other insurance plan OPEB	297	396	693
Increase (decrease) RHBF total OPEB liability	(21,221)	(28,295)	(49,516)
(Increase) decrease in deferred outflows for RHBF OPEB	(371)	(495)	(866)
Increase (decrease) in deferred inflows for RHBF OPEB	13,170	17,561	30,731
Net cash provided (used) by operating activities	\$ 691,639	\$ 517,136	\$ 1,208,775
Non-Cash Investing, Capital, and Financing Activities:			
Loss on disposal of capital assets	\$ -	\$ (1,087,868)	\$ (1,087,868)

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, 2019**

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 23,210
Receivables	<u>11,685</u>
Total assets	<u>\$ 34,895</u>
Liabilities:	
Miscellaneous liabilities	<u>\$ 34,895</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, 2019

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 generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Lake Lure is a municipal corporation, which is governed by an elected Mayor and a Town Council. As required by generally accepted accounting principles, 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, 2019

Fund Financial Statements. The fund financial statements provide information about the Town's funds, including the fiduciary fund. 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 fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities, such as investment earnings.

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.

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, 2019

Proprietary Funds

The Town reports on the following major enterprise funds:

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

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The Water and Sewer Capital Project Funds (Greenline and the Low Pressure Project) has been consolidated into the Water and Sewer Fund Capital for financial reporting purposes. The budgetary comparison for the Greenline Capital Project Fund and Low Pressure Project 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, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as 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 a 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. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then 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, Bridge Preservation Reserve Special Revenue Fund, the 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 Low Pressure Project Enterprise Fund Capital Project Fund, the Strip Center Mall Capital Project Fund, and the Greenline Enterprise Fund Capital Project Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. 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, 2019

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. The NCCMT Government Portfolio, an SEC registered (2a-7) government money market fund, is measured at fair value.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be 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 \$129,859 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 of \$3,668 for drug and alcohol education 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, 2019

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. 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 and those of the ABC Board are valued at cost (first-in, first-out, and average), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed 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. 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, 2019

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:

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

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

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

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 two items that met this criterion - pension deferrals and other post-employment benefit plan 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 four items that meet this criteria - property taxes receivable, clean-up fees receivable, pension deferrals and other post-employment benefit plan deferrals.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

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.

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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Restricted for Transportation and Physical 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.

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, 2019 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted, all other:			
Stabilization by state statute	\$ 1,126,540	\$ -	\$ 1,126,540
Transportation and physical development	-	129,859	129,859
Public safety	3,668	-	3,668
Cultural and recreation	-	75,000	75,000
Total	<u>\$ 1,130,208</u>	<u>\$ 204,859</u>	<u>\$ 1,335,067</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Restricted net position on Exhibit A differs from restricted fund balance on Exhibit C by unspent debt proceeds in the governmental funds of \$129,859.

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 Silt Removal Capital Reserve – portion of fund balance committed by the governing body for future capital activities and silt removal.

Committed for General Capital Reserve – portion of fund balance committed by the governing body for future capital activities.

<u>Purpose</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Committed:		
Silt removal capital reserve	\$ 64,265	\$ 64,265
General capital reserve	160,770	160,770
Total	<u>\$ 225,035</u>	<u>\$ 225,035</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.

Assigned fund balance at June 30, 2019 is as follows:

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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	\$	3,597,509
Less:		
Stabilization by state statute		1,126,540
Inventories		<u>780</u>
Total available fund balance	\$	<u>2,470,189</u>

F. 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), the Retiree Health Benefit Fund (State Health Plan) and additions to/deductions from LGERS and State Health Plan's fiduciary net position have been determined on the same basis as they are reported by LGERS and the State Health Plan. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS and the State Health Plan. Investments are reported at fair value.

G. Revenues, Expenditures, and Expenses

Use of Estimates

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that depositories are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$4,191,467 and a bank balance of \$4,194,145. Of the bank balance, \$379,858 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 \$182,619, and the bank balance was \$195,103, all of which was covered by federal depository insurance. At June 30, 2019, the Town's petty cash totaled \$375.

Investments

At June 30, 2019, the Town had \$79,847 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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Receivables

Receivables at Exhibit A at June 30, 2019, were as follows:

<u>Type of Receivable</u>	<u>Amount (Net of Allowance)</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Receivable:			
Taxes receivable	\$ 95,540	\$ -	\$ 95,540
Other accounts receivable	67,836	-	67,836
Customer/client billings	-	221,262	221,262
Total	<u>\$ 163,376</u>	<u>\$ 221,262</u>	<u>\$ 384,638</u>
Due from Other Governments:			
Sales and use tax, sales tax refund	<u>\$ 408,468</u>	<u>\$ -</u>	<u>\$ 408,468</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>
Governmental Activities:	
Taxes receivable	\$ 51,620
Business-Type Activities:	
Water and sewer receivables	<u>17,588</u>
Total	<u>\$ 69,208</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets

Governmental Capital Assets

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

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Non-Depreciable Assets:					
Land	\$ 3,073,479	\$ -	\$ -	\$ -	\$ 3,073,479
Construction in progress	720,899	25,613	-	(368,740)	377,772
Total non-depreciable capital assets	<u>3,794,378</u>	<u>25,613</u>	<u>-</u>	<u>(368,740)</u>	<u>3,451,251</u>
Depreciable Assets:					
Buildings	2,600,544	-	-	350,000	2,950,544
Other improvements	1,652,227	-	-	18,740	1,670,967
Equipment and furniture	322,455	148,844	-	-	471,299
Infrastructure	1,751,023	140,865	-	-	1,891,888
Vehicles and equipment	<u>2,018,728</u>	<u>50,893</u>	<u>69,303</u>	<u>-</u>	<u>2,000,318</u>
Total depreciable assets	<u>8,344,977</u>	<u>340,602</u>	<u>69,303</u>	<u>368,740</u>	<u>8,985,016</u>
Less Accumulated Depreciation:					
Buildings	1,481,897	57,770	-	-	1,539,667
Other improvements	739,541	76,813	-	-	816,354
Equipment and furniture	227,885	54,504	-	-	282,389
Infrastructure	536,977	107,129	-	-	644,106
Vehicles and equipment	<u>1,427,303</u>	<u>98,606</u>	<u>69,303</u>	<u>-</u>	<u>1,456,606</u>
Total accumulated depreciation	<u>4,413,603</u>	<u>\$ 394,822</u>	<u>\$ 69,303</u>	<u>\$ -</u>	<u>4,739,122</u>
Total depreciable capital assets, net	<u>3,931,374</u>				<u>4,245,894</u>
Governmental capital assets, net	<u>\$ 7,725,752</u>				<u>\$ 7,697,145</u>

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

Governmental Activities:

General government	\$ 175,320
Public safety	92,694
Transportation and physical development	45,844
Cultural and recreation	<u>80,964</u>
Total	<u>\$ 394,822</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2019, are as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Water and Sewer Fund:					
Non-Depreciable Assets:					
Land	\$ 32,300	\$ -	\$ -	\$ -	\$ 32,300
Construction in progress	1,075,487	108,474	(1,087,868)	-	96,093
Total non-depreciable assets	<u>1,107,787</u>	<u>108,474</u>	<u>(1,087,868)</u>	<u>-</u>	<u>128,393</u>
Depreciable Assets:					
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	25,937	(3,500)	-	312,129
Vehicles	186,546	-	(21,868)	-	164,678
Total depreciable capital assets	<u>10,809,131</u>	<u>25,937</u>	<u>(25,368)</u>	<u>-</u>	<u>10,809,700</u>
Less Accumulated Depreciation:					
Water plant and lines	1,147,114	77,651	-	-	1,224,765
Water reservoir	17,444	494	-	-	17,938
Waste treatment plant and lines	2,214,875	216,565	-	-	2,431,440
Equipment	289,392	1,165	(3,500)	-	287,057
Vehicles	155,452	5,830	(21,868)	-	139,414
Total accumulated depreciation	<u>3,824,277</u>	<u>\$ 301,705</u>	<u>\$ (25,368)</u>	<u>\$ -</u>	<u>4,100,614</u>
Total depreciable capital assets, net	<u>6,984,854</u>				<u>6,709,086</u>
Capital assets, net	<u>8,092,641</u>				<u>6,837,479</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Electric Fund:					
Non-Depreciable Assets:					
Land	57,889	\$ -	\$ -	\$ -	57,889
Construction in progress	-	459,396	-	-	459,396
Total non-depreciable capital assets	<u>57,889</u>	<u>459,396</u>	<u>-</u>	<u>-</u>	<u>517,285</u>
Depreciable Assets:					
Buildings	58,701	-	-	-	58,701
Furniture and equipment	61,977	31,900	-	-	93,877
Vehicles	38,565	-	-	-	38,565
Improvements	<u>2,081,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,081,767</u>
Total depreciable capital assets	<u>2,241,010</u>	<u>31,900</u>	<u>-</u>	<u>-</u>	<u>2,272,910</u>
Less Accumulated Depreciation:					
Buildings	21,523	2,935	-	-	24,458
Furniture and equipment	37,433	11,485	-	-	48,918
Vehicles	12,856	6,428	-	-	19,284
Improvements	<u>1,529,610</u>	<u>79,024</u>	<u>-</u>	<u>-</u>	<u>1,608,634</u>
Total accumulated depreciation	<u>1,601,422</u>	<u>\$ 99,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,701,294</u>
Total depreciable capital assets, net	<u>639,588</u>				<u>571,616</u>
Capital assets, net	<u>697,477</u>				<u>1,088,901</u>
Total business-type activities capital assets, net	<u>\$ 8,790,118</u>				<u>\$ 7,926,380</u>

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2019</u>
ABC Board:					
Depreciable Assets:					
Equipment	\$ 75,906	\$ -	\$ -	\$ -	\$ 75,906
Leasehold improvements	<u>27,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,378</u>
Total depreciable capital assets	<u>103,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,284</u>
Less Accumulated Depreciation:					
Equipment	72,797	1,428	-	-	74,225
Leasehold improvements	<u>15,895</u>	<u>1,701</u>	<u>-</u>	<u>-</u>	<u>17,596</u>
Total accumulated depreciation	<u>88,692</u>	<u>\$ 3,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>91,821</u>
ABC Board capital assets, net	<u>\$ 14,592</u>				<u>\$ 11,463</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2019, is composed of the following elements:

	Governmental Activities	Water and Sewer Fund	Electric Fund	Total Business-Type Activities
Capital assets	\$ 7,697,145	\$ 6,837,479	\$ 1,088,901	\$ 7,926,380
Long-term debt	(1,196,141)	(1,159,556)	-	(1,159,556)
Unspent debt proceeds	129,859	-	-	-
Net investment in capital assets	<u>\$ 6,630,863</u>	<u>\$ 5,677,923</u>	<u>\$ 1,088,901</u>	<u>\$ 6,766,824</u>

B. Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2019:

	Vendors	Salaries and Benefits	Total
Governmental activities	<u>\$ 60,112</u>	<u>\$ 91,605</u>	<u>\$ 151,717</u>
Business-Type Activities:			
Water and Sewer Fund	\$ 20,880	\$ 3,861	\$ 24,741
Electric Fund	684	6,647	7,331
Total business-type activities	<u>\$ 21,564</u>	<u>\$ 10,508</u>	<u>\$ 32,072</u>

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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of 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, 2019, was 8.5% of compensation for law enforcement officers and 7.75% 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 \$138,911 for the year ended June 30, 2019.

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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

At June 30, 2019, the Town reported a liability of \$544,926 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018, 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, 2018, the Town's proportion was 0.02297%, which was a decrease of 0.00226% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$132,433. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,069	\$ 2,821
Changes of assumptions	144,603	-
Net difference between projected and actual earnings on pension plan investments	74,802	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	41,012
Contributions subsequent to the measurement date	138,911	-
Total	<u>\$ 442,385</u>	<u>\$ 43,833</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

\$138,911 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, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2020	\$ 128,286
2021	82,561
2022	8,072
2023	40,722
2024	-
Thereafter	-
Total	<u>\$ 259,641</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected</u>
		<u>Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 7.00%. 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, 2019

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	<u>\$1,308,962</u>	<u>\$ 544,926</u>	<u>\$ (93,512)</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. A separate report was not issued for the plan.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, 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>9</u>
Total	<u>10</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate used to measure TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

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

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

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

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

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 \$9,136 as benefits came due for the reporting period.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

At June 30, 2019, the Town reported a total pension liability of \$269,421. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$21,071.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,584	\$ 47,209
Changes of assumptions	12,684	10,038
Benefit payments and plan administrative expense made subsequent to the measurement date	4,568	-
Total	<u>\$ 63,836</u>	<u>\$ 57,247</u>

\$4,568 paid as benefits came due and administrative expenses incurred subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ 1,421
2021	1,421
2022	1,421
2023	462
2024	(2,704)
Thereafter	<u>-</u>
Total	<u>\$ 2,021</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 3.64 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 (2.64 percent) or 1-percentage point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 287,806	\$ 269,421	\$ 252,367

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

	<u>2019</u>
Beginning balance	\$ 325,986
Service cost	9,493
Interest on the total pension liability	10,157
Differences between expected and actual experience in the measurement of the total pension liability	(58,423)
Changes of assumptions or other inputs	(8,656)
Benefit payments	<u>(9,136)</u>
Ending balance of the total pension liability	<u>\$ 269,421</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, 2017 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, 2019

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 132,433	\$ 21,071	\$ 153,504
Pension liability	544,926	269,421	814,347
Proportionate share of the net pension liability	0.02297%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 84,069	\$ 46,584	\$ 130,653
Changes of assumptions	144,603	12,684	157,287
Net difference between projected and actual earnings on plan investments	74,802	-	74,802
Benefit payments and administrative costs paid subsequent to the measurement date	138,911	4,568	143,479
Total deferred outflows of resources	<u>\$ 442,385</u>	<u>\$ 63,836</u>	<u>\$ 506,221</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 2,821	\$ 47,209	\$ 50,030
Changes of assumptions	-	10,038	10,038
Changes in proportion and differences between Town contributions and proportionate share of contributions	41,012	-	41,012
Total deferred inflows of resources	<u>\$ 43,833</u>	<u>\$ 57,247</u>	<u>\$ 101,080</u>

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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. The Town made contributions of \$21,779 for the reporting year. No amounts were forfeited.

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. The Town made contributions of \$57,153 for the reporting year. No amounts were forfeited.

Other Post-Employment Benefits

Healthcare Benefits

Medical Insurance Benefits

Plan Description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. The RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, the State Superintendent and the Director of the Office of State Human Resources, who serve as ex-officio members. The RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided from the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Benefits Provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from the RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly 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 noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 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 noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Town contributed 6.27% of covered payroll which amounted to \$111,558.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

At June 30, 2019, the Town reported a liability of \$2,243,524 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net OPEB liability was based on a projection of the Town's present value of future salary, actuarially determined. At June 30, 2019, the Town's proportion was 0.00788%. For the year ended June 30, 2019, the Town recognized OPEB expense of (\$169,168).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 153,422
Changes of assumptions	-	971,946
Net difference between projected and actual earnings on OPEB plan investments	241	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	666,427
Employer contributions subsequent to the measurement date	111,558	-
Total	<u>\$ 111,799</u>	<u>\$ 1,791,795</u>

\$111,799 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2020	\$ (407,305)
2021	(407,305)
2022	(407,305)
2023	(407,064)
2024	(162,575)
Thereafter	-
Total	<u>\$ (1,791,554)</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2017 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, 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 mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected
		Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	100.0%	

Discount Rate. The discount rate used to measure the total OPEB liability for RHBF was 3.87%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2018.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Actuarial Assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	3.00 percent
Salary increase	3.50%-8.10%, including 3.5% inflation and productivity factor
Investment rate of return	7.20%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates - medical	5.00-6.50%
Healthcare cost trend rates - prescription drug	5.00-7.25%
Healthcare cost trend rates - Medicare advantage	5.00%
Healthcare cost trend rates - administrative	3.00%

Sensitivity of the Board's Proportionate Share of the Net RHBF OPEB Liability to Changes in the Discount Rate. The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage point higher (4.87 percent) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	\$ 2,650,746	\$ 2,243,524	\$ 1,917,092

Sensitivity of the Board's Proportionate Share of the Net RHBF OPEB Liability to Changes in the Healthcare Trend Rates. The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare trend rates:

	Healthcare Trend Rates	
1% Decrease (Medical - 4.00-5.50% , Pharmacy - 4.00-6.25% , Medicare Advantage - 4.00% , Administrative - 2.00%)	(Medical - 5.00-6.50% , Pharmacy - 5.00-7.25% , Medicare Advantage - 5.00% , Administrative - 3.00%)	1% Increase (Medical - 6.00-7.50% , Pharmacy - 6.00-8.25% , Medicare Advantage - 6.00% , Administrative - 4.00%)
Net OPEB liability	\$ 1,850,849	\$ 2,243,524
		\$ 2,759,030

RHBF OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 “Other Insurance Plan”). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets were accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. 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. 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 Other Insurance Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

	<u>General Employees</u>
Retirees receiving benefits	13
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>32</u>
Total	<u>45</u>

Total Other Insurance Plan OPEB Liability

The Town’s total OPEB liability of \$403,634 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General Employees	3.50 percent - 7.75 percent
Firefighters	3.50 percent - 7.75 percent
Law Enforcement Officers	3.50 percent - 7.35 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.56 percent
Measurement Date	3.89 percent
Healthcare cost trend rates	
Dental	4.00 percent
Vision	2.50 percent

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2018 valuation.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Changes in the Total Other Insurance Plan OPEB Liability

	<u>Total OPEB - Other Liability</u>
Balance at July 1, 2018	\$ 321,048
Changes for the year:	
Service cost	16,745
Interest	11,315
Differences between expected and actual experience	80,222
Changes in assumptions or other inputs	(19,202)
Benefit payments	<u>(6,494)</u>
Net changes	<u>82,586</u>
Balance at June 30, 2019	<u><u>\$ 403,634</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Sensitivity of the Total Other Insurance Plan OPEB Liability to Changes in the Discount Rate. The following presents the total Other Insurance Plan OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	<u>1% Decrease (2.89%)</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase (4.89%)</u>
Total OPEB liability	\$ <u>482,865</u>	\$ <u>403,634</u>	\$ <u>341,926</u>

Sensitivity of the Total Other Insurance Plan OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>341,342</u>	\$ <u>403,634</u>	\$ <u>485,208</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Insurance OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$30,432. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,545	\$ 354
Changes of assumptions	-	53,809
Benefit payments and plan administrative expense made subsequent to the measurement date	8,545	-
Total	<u>\$ 77,090</u>	<u>\$ 54,163</u>

\$8,545 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total Other Insurance Plan OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2020	\$ 2,372
2021	2,372
2022	2,372
2023	2,372
2024	2,372
Thereafter	<u>2,522</u>
Total	<u>\$ 14,382</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Total OPEB Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to OPEB

Following is information related to the proportionate share and OPEB expense for all OPEB plans:

	RHBF OPEB	Other Insurance Plan OPEB	Total
OPEB expense	\$ (169,168)	\$ 30,432	\$ (138,736)
OPEB liability	2,243,524	403,634	2,647,158
Proportionate share of the net OPEB liability	0.00788%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ -	\$ 68,545	\$ 68,545
Net difference between projected and actual earnings on OPEB plan investments	241	-	241
Benefit payments and administrative costs paid subsequent to the measurement date	111,558	8,545	120,103
Total deferred outflows of resources	<u>\$ 111,799</u>	<u>\$ 77,090</u>	<u>\$ 188,889</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 153,422	\$ 354	\$ 153,776
Changes of assumptions	971,946	53,809	1,025,755
Changes in proportion and differences between Town contributions and proportionate share of contributions	666,427	-	666,427
Total deferred inflows of resources	<u>\$ 1,791,795</u>	<u>\$ 54,163</u>	<u>\$ 1,845,958</u>

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Pension deferrals	\$ 506,221
OPEB deferrals	188,889
Total	<u>\$ 695,110</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)	\$ -	\$ 95,540
Clean up fees (General Fund)	-	27,237
Pension deferrals	101,080	-
OPEB deferrals	1,845,958	-
Total	<u>\$ 1,947,038</u>	<u>\$ 122,777</u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$2 million per occurrence, auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town provides health insurance coverage to eligible employees through a third party. Any health claims in excess of policy limits are the responsibility of the employee and not the Town. 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, 2019, 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, 2019

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 \$23,327, beginning December 2013 and ending June 2023; collateralized by the fire engine	\$ 179,238
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	162,500
Note payable, bearing interest at 3.75% per annum, with 36 monthly payments of \$882 principal and interest, beginning July 2017 and ending June 2020; collateralized by vehicles	9,783
Note payable, bearing interest at 3.75% per annum, with 36 monthly payments of \$1,035 principal and interest, beginning July 2017 and ending June 2020; collateralized by vehicles	11,479
Note payable, bearing interest at 3.75% per annum, with 36 monthly payments of \$1,944 principal and interest, beginning July 2017 and ending June 2020; collateralized by vehicles	21,556
Note payable, bearing interest at 3.89% per annum, with 20 semi-annual principal and interest payments of \$25,000, beginning January 2016 and ending January 2025; collateralized by real property	350,000

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Installment Notes Payable (cont)

Note payable, bearing interest at 2.68% per annum, with 10 annual payments of \$12,500 principal and interest, beginning December 2017 and ending December 2027; collateralized by land	212,500
Note payable, bearing interest at 3.89% per annum, with 20 semi-annual payments of \$8,270 principal and interest, beginning May 2018 and ending May 2028; collateralized by land	148,860
Note payable, bearing interest at 3.85% per annum, with 48 monthly payments of \$2,259 principal and interest, beginning July 2019 and ending June 2023; collateralized by vehicles and equipment	<u>100,225</u>
Total installment debt	<u>\$ 1,196,141</u>

The Town's outstanding note from direct placements related to the governmental activities of \$179,238 is secured by a security interest in the equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the equipment securing the loan and the Town will relinquish all rights to the equipment.

The Town's outstanding note from direct placements related to the governmental activities of \$162,500 is secured by a security interest in the land and land improvements. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the land and land improvements securing the loan and the Town will relinquish all rights to the land and land improvements.

The Town's outstanding note from direct placements related to the governmental activities of \$9,783 is secured by a security interest in various vehicles. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the various vehicles securing the loan and the Town will relinquish all rights to the vehicles.

The Town's outstanding note from direct placements related to the governmental activities of \$11,479 is secured by a security interest in various vehicles. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the various vehicles securing the loan and the Town will relinquish all rights to the vehicles.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The Town's outstanding note from direct placements related to the governmental activities of \$21,556 is secured by a security interest in various vehicles. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the various vehicles securing the loan and the Town will relinquish all rights to the vehicles.

The Town's outstanding note from direct placements related to the governmental activities of \$350,000 is secured by a security interest in real property. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the property securing the loan and the Town will relinquish all rights to the property.

The Town's outstanding note from direct placements related to the governmental activities of \$212,500 is secured by a security interest in land. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the land securing the loan and the Town will relinquish all rights to the land.

The Town's outstanding note from direct placements related to the governmental activities of \$148,860 is secured by a security interest in land. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the land securing the loan and the Town will relinquish all rights to the land.

The Town's outstanding note from direct placements related to the governmental activities of \$100,225 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the various vehicles and equipment securing the loan and the Town will relinquish all rights to the vehicles and equipment.

Annual debt service payments are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 269,224	\$ 34,881
2021	225,529	27,497
2022	194,800	20,988
2023	163,985	15,556
2024	91,540	11,142
2025-2028	251,063	15,135
Total	<u>\$ 1,196,141</u>	<u>\$ 125,199</u>

At June 30, 2019, the Town had a legal debt margin of approximately \$67,705,000.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 direct borrowing notes payable is as follows:

	<u>Balance</u>
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%.	\$ 391,680
State revolving loan of \$1,279,794 for sewer line improvements issued by the North Carolina Department of Environmental Quality. Payments are due in 20 equal installments ending May 1, 2031. The loan is interest free.	<u>767,876</u>
Total	<u><u>\$ 1,159,556</u></u>

The revenue bonds are secured by pledged water and sewer customer revenues, net of specified operating expenses to repay revenue bonds. In the event of a default, the Town agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the Town under the related agreements.

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2020	\$ 119,944	\$ 9,028
2021	119,944	7,738
2022	119,944	6,449
2023	119,944	5,159
2024	119,944	2,500
2025-2029	431,862	1,290
2030-2031	127,974	3,869
Total	<u><u>\$ 1,159,556</u></u>	<u><u>\$ 36,033</u></u>

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>	<u>Current</u>
Governmental Activities:					
Direct placement installment purchases	\$ 1,350,534	\$ 100,225	\$ (254,618)	\$ 1,196,141	\$ 269,224
Net OPEB - medical liability	2,744,331	-	(657,854)	2,086,477	-
Total OPEB - other liability	292,861	76,805	-	369,666	-
Total pension liability (LEO)	325,986	-	(56,565)	269,421	-
Compensated absences	140,186	83,358	(84,132)	139,412	34,853
Net pension liability (LGERS)	354,609	146,723	-	501,332	-
Total governmental activities	<u>\$ 5,208,507</u>	<u>\$ 407,111</u>	<u>\$ (1,053,169)</u>	<u>\$ 4,562,449</u>	<u>\$ 304,077</u>
Business-Type Activities:					
Water and Sewer Fund:					
Direct borrowing notes payable	\$ 1,279,495	\$ -	\$ (119,939)	\$ 1,159,556	\$ 119,944
Net OPEB - medical liability	118,036	-	(28,295)	89,741	-
Total OPEB - other liability	19,434	3,303	-	22,737	-
Compensated absences	11,505	5,052	(4,752)	11,805	2,951
Net pension liability (LGERS)	19,273	7,974	-	27,247	-
Total Water and Sewer Fund	<u>1,447,743</u>	<u>16,329</u>	<u>(152,986)</u>	<u>1,311,086</u>	<u>122,895</u>
Electric Fund:					
Net OPEB - medical liability	88,527	-	(21,221)	67,306	-
Total OPEB - other liability	8,753	2,478	-	11,231	-
Compensated absences	4,814	7,578	(5,474)	6,918	1,730
Net pension liability (LGERS)	11,563	4,784	-	16,347	-
Total Electric Fund	<u>113,657</u>	<u>14,840</u>	<u>(26,695)</u>	<u>101,802</u>	<u>1,730</u>
Total business-type activities	<u>\$ 1,561,400</u>	<u>\$ 31,169</u>	<u>\$ (179,681)</u>	<u>\$ 1,412,888</u>	<u>\$ 124,625</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, 2019

Interfund Balances and Activity

Transfers to/from Other Funds

Transfers to/from other funds for the year ended June 30, 2019 consist of the following:

<u>Fund</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund	\$ 336,810	\$ -	
Capital Reserve Capital			
Project Fund	-	336,810	\$0.03 tax collection toward capital expenses
Capital Reserve Capital			
Project Fund	255,000	-	
General Fund	-	255,000	Fund capital improvements and infrastructure projects
Capital Reserve and Silt Removal			
Capital Project Fund	83,000	-	
General Fund - Silt Removal	-	83,000	Fund capital improvements and infrastructure projects
	<u>\$ 674,810</u>	<u>\$ 674,810</u>	

Internal Balances

The advances to/from other funds of \$212,975 at year-end is due to a loan from the General Fund to the Water and Sewer Fund during the year ended 2018. The purpose of the loan is to assist the Water and Sewer Capital Project Fund with preliminary expenditures of the project until the capital project fund receives its funding source from grantors in fiscal year 2021. The loan will be repaid to the General Fund at that time.

The due to/from other funds of \$459,396 at year-end is due to a reclass from the General Fund to the Electric Fund during the year ended 2019. The General Fund incurred expenses related to the Dam that were reclassified to the Electric Fund.

The due to/from other funds of \$5,102 at year-end is due to a cash advance from the General Fund to the Strip Center Mall Capital Projects Fund during the year ended 2019.

3. Jointly Governed Organization

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 "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, 2019, the Town reported revenues and expenditures of \$7,001 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, 2019

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. Concentration in Electric Fund Revenues

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, 2019 were \$1,092,371.

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TOWN OF LAKE LURE, NORTH CAROLINA
SCHEDULES OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 325,986	\$ 221,542	\$ 222,873
Service cost	9,493	11,812	12,251
Interest on the total pension liability	10,157	8,444	7,682
Differences between expected and actual experience in the measurement of the total pension liability	(58,423)	70,536	-
Changes of assumptions or other inputs	(8,656)	19,204	(5,863)
Benefit payments	<u>(9,136)</u>	<u>(5,552)</u>	<u>(15,401)</u>
Ending balance of the total pension liability	<u>\$ 269,421</u>	<u>\$ 325,986</u>	<u>\$ 221,542</u>

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF LAKE LURE, NORTH CAROLINA**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 269,421	\$ 325,986	\$ 221,542
Covered payroll	409,924	476,842	462,140
Total pension liability as a percentage of covered payroll	65.72%	68.36%	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.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF LAKE LURE, NORTH CAROLINA

**SCHEDULE OF THE TOWN OF LAKE LURE'S PROPORTIONATE SHARE
OF NET OPEB LIABILITY - RETIREE HEALTH BENEFIT FUND
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS ***

Retiree Health Benefit Fund			
	2019	2018	2017
Lake Lure's proportion of the net OPEB liability (asset)	0.00788%	0.00900%	0.00992%
Lake Lure's proportionate share of the net OPEB liability (asset)	\$ 2,243,524	\$ 2,950,894	\$ 4,316,628
Lake Lure's covered payroll*	\$ 1,643,398	\$ 1,615,634	\$ 1,659,982
Lake Lure's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	136.52%	182.65%	260.04%
Plan fiduciary net position as a percentage of the total OPEB liability**	0.044	0.0352	0.0241

* 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 RHBF plan.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF LAKE LURE, NORTH CAROLINA**TOWN OF LAKE LURE'S CONTRIBUTIONS TO THE RETIREE HEALTH BENEFIT FUND
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARS ***

Retiree Health Benefit Fund			
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 111,558	\$ 99,426	\$ 90,470
Contributions in relation to the contractually required contribution	<u>111,558</u>	<u>99,426</u>	<u>90,470</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lake Lure's covered payroll	\$ 1,779,228	\$ 1,643,398	\$ 1,615,634
Contributions as a percentage of covered payroll	6.27%	6.05%	5.60%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF LAKE LURE, NORTH CAROLINA
OTHER POST-EMPLOYMENT BENEFITS - OTHER INSURANCE PLAN
SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS *

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 16,745	\$ 20,070
Interest	11,315	10,356
Differences between expected and actual experience	80,222	(476)
Changes of assumptions	(19,202)	(50,301)
Benefit payments	<u>(6,494)</u>	<u>(5,303)</u>
Net change in total OPEB liability	82,586	(25,654)
Total OPEB liability - beginning	<u>321,048</u>	<u>346,702</u>
Total OPEB liability - ending	<u><u>\$ 403,634</u></u>	<u><u>\$ 321,048</u></u>
 Covered payroll	 \$ 1,533,608	 \$ 1,325,312
Total OPEB liability as a percentage of covered payroll	26.32%	24.22%

Notes to Schedule:

Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF LAKE LURE, NORTH CAROLINA
**TOWN OF LAKE LURE'S PROPORTIONATE SHARE
 OF NET PENSION LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST SIX FISCAL YEARS ***
Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Lake Lure's proportion of the net pension liability (asset) (%)	0.02297%	0.02523%	0.02957%	0.03061%	0.03190%	0.03380%
Lake Lure's proportion of the net pension liability (asset) (\$)	\$ 544,926	\$ 385,445	\$ 627,574	\$ 137,376	\$ (188,129)	\$ 407,420
Lake Lure's covered payroll*	\$ 1,643,398	\$ 1,615,634	\$ 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 payroll	33.16%	23.86%	37.81%	8.85%	(12.58%)	28.63%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 138,911	\$ 126,416	\$ 123,780	\$ 117,305	\$ 111,991	\$ 106,548
Contributions in relation to the contractually required contribution	138,911	126,416	123,780	117,305	111,991	106,548
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lake Lure's covered payroll	\$ 1,779,228	\$ 1,643,398	\$ 1,615,634	\$ 1,659,982	\$ 1,552,910	\$ 1,495,102
Contributions as a percentage of covered payroll	7.81%	7.69%	7.66%	7.07%	7.21%	7.13%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad Valorem Taxes:			
Taxes	\$ 3,073,234	\$ 3,100,458	\$ 27,224
Penalties and interest	8,500	12,231	3,731
Total	<u>3,081,734</u>	<u>3,112,689</u>	<u>30,955</u>
Unrestricted Intergovernmental:			
Local option sales tax	975,000	1,072,773	97,773
Utilities franchise tax	220,000	223,980	3,980
Video franchise tax	24,500	25,747	1,247
Beer and wine tax	5,400	5,263	(137)
Total	<u>1,224,900</u>	<u>1,327,763</u>	<u>102,863</u>
Restricted Intergovernmental:			
Powell Bill allocation	68,900	68,178	(722)
Solid waste disposal tax	825	852	27
ABC revenue for law enforcement	500	619	119
ABC revenue for alcohol education	16,000	43,907	27,907
Other grants	160,500	242,785	82,285
Total	<u>246,725</u>	<u>356,341</u>	<u>109,616</u>
Permits and Fees:			
Boating permits	425,000	438,767	13,767
Zoning permits	27,500	28,283	783
Vacation rental fees	5,000	5,700	700
Fire inspection fees	400	50	(350)
Golf Cart Permits	-	200	200
Total	<u>457,900</u>	<u>473,000</u>	<u>15,100</u>
Sales and Services:			
Marina sales and fees	101,300	146,500	45,200
Beach sales and fees	63,500	69,952	6,452
Other lake fees	67,000	81,442	14,442
Total	<u>231,800</u>	<u>297,894</u>	<u>66,094</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, 2019**

	Budget	Actual	Variance Over/Under
Investment Earnings:			
Interest income	1,500	5,017	3,517
Miscellaneous:			
Rents received	38,000	36,241	(1,759)
Miscellaneous	22,000	26,031	4,031
Total	60,000	62,272	2,272
Total revenues	5,304,559	5,634,976	330,417
Expenditures:			
General Government:			
Governing Body:			
Salaries and benefits	14,300	13,887	413
Contracted services	12,000	11,500	500
Operating expenses	15,000	8,868	6,132
Total	41,300	34,255	7,045
Administration:			
Salaries and benefits	603,038	570,700	32,338
Operating expenses	96,200	96,737	(537)
Contract services	54,500	62,435	(7,935)
Administrative reimbursement	(30,000)	(30,000)	-
Total	723,738	699,872	23,866
Central Services:			
Operating expenditures	99,000	96,786	2,214
Capital outlay	12,500	1,499	11,001
Total	111,500	98,285	13,215
Total general government	876,538	832,412	44,126

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, 2019**

	Budget	Actual	Variance Over/Under
Public Safety:			
Police:			
Salaries and benefits	669,822	686,131	(16,309)
Operating expenses	78,300	71,035	7,265
Capital outlay	40,000	38,893	1,107
Total	788,122	796,059	(7,937)
Fire and EMS:			
Salaries and benefits	482,392	440,433	41,959
Operating expenses	114,400	95,392	19,008
Contract services	174,000	174,000	-
Capital outlay	60,000	47,582	12,418
Total	830,792	757,407	73,385
Total public safety	1,618,914	1,553,466	65,448
Transportation and Physical Development:			
Streets and Highways:			
Salaries and benefits	328,906	328,695	211
Operating expenses	131,500	120,588	10,912
Contracted services	500	509	(9)
Capital outlay	233,500	220,934	12,566
Total transportation and physical development	694,406	670,726	23,680
Environmental Protection:			
Sanitation:			
Contracted services	190,200	190,568	(368)
Tipping fees	39,800	38,761	1,039
Total environmental protection	230,000	229,329	671

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Cultural and Recreation:			
Community Development:			
Salaries and benefits	303,594	215,661	87,933
Operating expenses	43,406	38,616	4,790
Contracted services	52,500	43,629	8,871
Total	399,500	297,906	101,594
Parks:			
Salaries and benefits	176,736	119,700	57,036
Operating expenditures	70,500	63,955	6,545
Capital outlay	8,800	6,889	1,911
Total	256,036	190,544	65,492
Beach and Marina:			
Operating expenditures	17,200	14,712	2,488
Total	17,200	14,712	2,488
Golf Course:			
Operating expenditures	11,500	10,426	1,074
Contracted services	81,000	80,630	370
Total	92,500	91,056	1,444
Lake:			
Salaries and benefits	101,043	90,691	10,352
Operating expenditures	43,600	38,408	5,192
Contracted services	13,500	8,602	4,898
Silt removal	470,000	469,480	520
Capital outlay	10,000	-	10,000
Total	638,143	607,181	30,962
Total cultural and recreation	1,403,379	1,201,399	201,980

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Unemployment and Insurance:			
Operating expenditures	<u>131,500</u>	<u>130,115</u>	<u>1,385</u>
Special Projects:			
Operating expenditures	824,690	215,223	609,467
Capital outlay	<u>24,805</u>	<u>24,805</u>	<u>-</u>
Total special projects	<u>849,495</u>	<u>240,028</u>	<u>609,467</u>
Debt Service:			
Principal retirement	299,891	254,618	45,273
Interest and other charges	<u>46,279</u>	<u>27,945</u>	<u>18,334</u>
Total	<u>346,170</u>	<u>282,563</u>	<u>63,607</u>
Total expenditures	<u>6,150,402</u>	<u>5,140,038</u>	<u>1,010,364</u>
Revenues over (under) expenditures	<u>(845,843)</u>	<u>494,938</u>	<u>1,340,781</u>
Other Financing Sources (Uses):			
Transfers to other funds	(336,810)	(336,810)	-
Transfers from other funds	338,000	338,000	-
Proceeds from long-term debt	102,000	100,225	(1,775)
Appropriated fund balance	<u>742,653</u>	<u>-</u>	<u>(742,653)</u>
Total other financing sources (uses)	<u>845,843</u>	<u>101,415</u>	<u>(744,428)</u>
Net change in fund balance	<u>\$ -</u>	<u>596,353</u>	<u>\$ 596,353</u>
Fund Balance:			
Beginning of year - July 1		<u>3,001,156</u>	
End of year - June 30		<u>\$ 3,597,509</u>	

TOWN OF LAKE LURE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Special Revenue Fund	Capital Project Funds	Total
Assets:			
Cash and cash equivalents	\$ 75,000	\$ 225,035	\$ 300,035
Restricted cash	-	129,859	129,859
Total assets	<u>\$ 75,000</u>	<u>\$ 354,894</u>	<u>\$ 429,894</u>
Liabilities and Fund Balances:			
Liabilities:			
Due to other funds	<u>\$ -</u>	<u>\$ 5,102</u>	<u>\$ 5,102</u>
Fund Balances:			
Restricted, all other	75,000	129,859	204,859
Committed	-	225,035	225,035
Unassigned	-	(5,102)	(5,102)
Total fund balances	<u>75,000</u>	<u>349,792</u>	<u>424,792</u>
Total liabilities and fund balances	<u>\$ 75,000</u>	<u>\$ 354,894</u>	<u>\$ 429,894</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, 2019

	Special Revenue Fund	Capital Project Funds	Total
Revenues:			
Investment earnings	\$ -	\$ 14	\$ 14
Expenditures:			
Current:			
Transportation and physical development	-	25,613	25,613
Revenues over (under) expenditures	-	(25,599)	(25,599)
Other Financing Sources (Uses):			
Transfers from other funds	-	336,810	336,810
Transfers to other funds	-	(338,000)	(338,000)
Total other financing sources (uses)	-	(1,190)	(1,190)
Net change in fund balances	-	(26,789)	(26,789)
Fund Balances:			
Beginning of year - July 1	75,000	376,581	451,581
End of year - June 30	<u>\$ 75,000</u>	<u>\$ 349,792</u>	<u>\$ 424,792</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Miscellaneous income	\$ -	\$ -	\$ -
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:			
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, 2019

	Capital Reserve and Silt Removal Capital Project Fund	Capital Reserve Capital Project Fund	Strip Center Mall Capital Project Fund	Total Nonmajor Capital Project Funds
Assets:				
Cash and cash equivalents	\$ 64,265	\$ 160,770	\$ -	\$ 225,035
Restricted cash	-	-	129,859	129,859
Total assets	<u>\$ 64,265</u>	<u>\$ 160,770</u>	<u>\$ 129,859</u>	<u>\$ 354,894</u>
Liabilities and Fund Balances:				
Liabilities:				
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,102</u>	<u>\$ 5,102</u>
Fund Balances:				
Restricted, all other	-	-	129,859	129,859
Committed	64,265	160,770	-	225,035
Unassigned	<u>-</u>	<u>-</u>	<u>(5,102)</u>	<u>(5,102)</u>
Total fund balances	<u>64,265</u>	<u>160,770</u>	<u>124,757</u>	<u>349,792</u>
Total liabilities and fund balances	<u>\$ 64,265</u>	<u>\$ 160,770</u>	<u>\$ 129,859</u>	<u>\$ 354,894</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, 2019

	Capital Reserve and Silt Removal Capital Project Fund	Capital Reserve Capital Project Fund	Strip Center Mall Capital Project Fund	Total Nonmajor Capital Project Funds
Revenues:				
Investment earnings	\$ -	\$ -	\$ 14	\$ 14
Expenditures:				
Current:				
Transportation and physical development	-	-	25,613	25,613
Revenues over (under) expenditures	-	-	(25,599)	(25,599)
Other Financing Sources (Uses):				
Transfers from other funds	-	336,810	-	336,810
Transfers to other funds	(83,000)	(255,000)	-	(338,000)
Total other financing sources (uses)	(83,000)	81,810	-	(1,190)
Net change in fund balances	(83,000)	81,810	(25,599)	(26,789)
Fund Balances:				
Beginning of year - July 1	147,265	78,960	150,356	376,581
End of year - June 30	<u>\$ 64,265</u>	<u>\$ 160,770</u>	<u>\$ 124,757</u>	<u>\$ 349,792</u>

TOWN OF LAKE LURE, NORTH CAROLINA

CAPITAL RESERVE AND SILT REMOVAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers to other funds	\$ (83,000)	\$ (83,000)	\$ -
Appropriated fund balance	<u>83,000</u>	<u>-</u>	<u>(83,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>(83,000)</u>	<u>(83,000)</u>
 Net change in fund balance	 <u>\$ -</u>	 (83,000)	 <u>\$ (83,000)</u>
 Fund Balance:			
Beginning of year - July 1		<u>147,265</u>	
 End of year - June 30		 <u>\$ 64,265</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers from other funds	\$ 255,000	\$ 336,810	\$ 81,810
Transfers to other funds	<u>(255,000)</u>	<u>(255,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>81,810</u>	<u>81,810</u>
 Net change in fund balance	 <u>\$ -</u>	 81,810	 <u>\$ 81,810</u>
 Fund Balance:			
Beginning of year - July 1		<u>78,960</u>	
End of year - June 30		<u>\$ 160,770</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, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Over/Under
Revenues:					
Miscellaneous	\$ -	\$ 2,472	\$ -	\$ 2,472	\$ 2,472
Interest revenue	-	43	14	57	57
Total revenues	-	2,515	14	2,529	2,529
Expenditures:					
Transportation and physical development:					
Purchase price	300,000	300,000	-	300,000	-
Design, engineering, permits	9,000	26,824	9,250	36,074	(27,074)
Improvements to building/property	161,500	15,000	-	15,000	146,500
Other legal/fiscal cost	24,400	10,335	16,363	26,698	(2,298)
Contingency	5,100	-	-	-	5,100
Total expenditures	500,000	352,159	25,613	377,772	122,228
Revenues over (under) expenditures	(500,000)	(349,644)	(25,599)	(375,243)	124,757
Other Financing Sources (Uses):					
Proceeds from long-term debt	500,000	500,000	-	500,000	-
Total	500,000	500,000	-	500,000	-
Net change in fund balance	\$ -	\$ 150,356	\$ (25,599)	\$ 124,757	\$ 124,757

TOWN OF LAKE LURE, NORTH CAROLINA

ELECTRIC FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 506,665	\$ 1,092,370	\$ 585,705
Non-operating revenues:			
Interest earnings	1,000	2,050	1,050
Total revenues	507,665	1,094,420	586,755
Expenditures:			
Operations:			
Salaries and employee benefits	159,093	144,611	14,482
Operating expenditures	201,900	244,360	(42,460)
Capital outlay	701,000	491,296	209,704
Total	1,061,993	880,267	181,726
Total expenditures	1,061,993	880,267	181,726
Revenues over (under) expenditures	(554,328)	214,153	768,481
Other Financing Sources (Uses):			
Transfers in	613,428	-	(613,428)
Transfers out	(59,100)	-	59,100
Total other financing sources (uses)	554,328	-	(554,328)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	214,153	\$ 214,153
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Depreciation		(99,872)	
Change in compensated absences		(2,104)	
Change in other insurance plan OPEB liability		(2,478)	
Change in deferred outflows of resources - other insurance plan OPEB		2,084	
Change in deferred inflows of resources - other insurance plan OPEB		(297)	
Change in RHBF OPEB liability		21,221	
Change in deferred outflows of resources - RHBF OPEB		371	
Change in deferred inflows of resources - RHBF OPEB		(13,170)	
Change in deferred outflows - pension		4,354	
Change in net pension liability		(4,784)	
Change in deferred inflows - pension		625	
Capital asset additions		491,296	
Change in net position		\$ 611,399	

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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for service	\$ 1,190,000	\$ 1,229,765	\$ 39,765
Water and sewer taps	10,000	4,773	(5,227)
Other operating revenues	22,000	25,785	3,785
Total operating revenues	<u>1,222,000</u>	<u>1,260,323</u>	<u>38,323</u>
Non-operating revenues:			
Interest earnings	<u>500</u>	<u>844</u>	<u>344</u>
Total revenues	<u>1,222,500</u>	<u>1,261,167</u>	<u>38,667</u>
Expenditures:			
Water administration and operations:			
Salaries and employee benefits	75,146	66,214	8,932
Operating expenditures	97,600	90,639	6,961
Capital outlay	<u>126,000</u>	<u>25,937</u>	<u>100,063</u>
Total water administration and operations	<u>298,746</u>	<u>182,790</u>	<u>115,956</u>
Sewer administration and operations:			
Salaries and employee benefits	55,017	52,280	2,737
Operating expenditures	521,800	526,105	(4,305)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total sewer administration and operations	<u>576,817</u>	<u>578,385</u>	<u>(1,568)</u>
Debt service:			
Principal	119,945	119,939	6
Interest	<u>10,320</u>	<u>10,318</u>	<u>2</u>
Total debt service	<u>130,265</u>	<u>130,257</u>	<u>8</u>
Total expenditures	<u>1,005,828</u>	<u>891,432</u>	<u>114,396</u>
Revenues over (under) expenditures	<u>216,672</u>	<u>369,735</u>	<u>153,063</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers from other funds	225,033	26,033	(199,000)
Transfers to other funds	<u>(441,705)</u>	<u>-</u>	<u>441,705</u>
Total other financing sources (uses)	<u>(216,672)</u>	<u>26,033</u>	<u>242,705</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 395,768	 <u>\$ 395,768</u>
 Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Depreciation		(301,705)	
Principal retirement		119,939	
Change in compensated absences		(300)	
Change in other insurance plan OPEB liability		(3,303)	
Change in deferred outflows of resources - other insurance plan OPEB		2,780	
Change in deferred inflows of resources - other insurance plan OPEB		(396)	
Change in RHBF OPEB liability		28,295	
Change in deferred outflows of resources - RHBF OPEB		495	
Change in deferred inflows of resources - RHBF OPEB		(17,561)	
Change in deferred outflows - pension		7,255	
Loss on disposal		(1,087,868)	
Change in net pension liability		(7,974)	
Change in deferred inflows - pension		1,042	
Capital asset additions		25,937	
Project transfers (intrafund)		<u>(26,033)</u>	
 Change in net position		 <u>\$ (863,629)</u>	

TOWN OF LAKE LURE, NORTH CAROLINA

LOW PRESSURE PROJECT ENTERPRISE FUND CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Over/Under
Expenditures:					
Construction	\$ 10,715,591	\$ -	\$ -	\$ -	\$ 10,715,591
Contingency	640,000	-	-	-	640,000
Engineering costs	1,224,670	-	96,093	96,093	1,128,577
Closing costs	251,605	-	-	-	251,605
Total expenditures	<u>12,831,866</u>	<u>-</u>	<u>96,093</u>	<u>96,093</u>	<u>12,735,773</u>
Revenues over (under) expenditures	(12,831,866)	-	(96,093)	(96,093)	12,735,773
Other Financing Sources (Uses):					
Proceeds from long-term debt	<u>12,831,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,831,866)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (96,093)</u>	<u>\$ (96,093)</u>	<u>\$ (96,093)</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, 2019

		Actual			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Over/Under</u>
Expenditures:					
Engineering costs	\$ 1,087,868	\$ 1,075,487	\$ 12,381	\$ 1,087,868	\$ -
Revenues over (under) expenditures	<u>(1,087,868)</u>	<u>(1,075,487)</u>	<u>(12,381)</u>	<u>(1,087,868)</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers from other funds	26,033	-	26,033	26,033	-
Proceeds from long-term debt	<u>1,061,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,061,835)</u>
Total	<u>1,087,868</u>	<u>-</u>	<u>26,033</u>	<u>26,033</u>	<u>(1,061,835)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,075,487)</u>	<u>\$ 13,652</u>	<u>\$ (1,061,835)</u>	<u>\$ (1,061,835)</u>

TOWN OF LAKE LURE, NORTH CAROLINA**AGENCY FUNDS****COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Chimney Rock:				
Assets:				
Cash and cash equivalents	\$ 20,219	\$ 71,490	\$ 68,499	\$ 23,210
Accounts receivable	11,161	62,289	61,765	11,685
Total assets	<u>\$ 31,380</u>	<u>\$ 133,779</u>	<u>\$ 130,264</u>	<u>\$ 34,895</u>
Liabilities:				
Miscellaneous liabilities	<u>\$ 31,380</u>	<u>\$ 133,779</u>	<u>\$ 130,264</u>	<u>\$ 34,895</u>

TOWN OF LAKE LURE, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2019**

Year Ended June 30	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 3,152,736	\$ 3,114,057	\$ 38,679
2017-2018	34,726	-	13,765	20,961
2016-2017	23,809	-	5,402	18,407
2015-2016	18,293	-	2,221	16,072
2014-2015	17,162	-	3,377	13,785
2013-2014	12,527	-	3,285	9,242
2012-2013	11,356	-	1,165	10,191
2011-2012	8,493	-	574	7,919
2010-2011	7,261	-	272	6,989
2009-2010	5,270	-	319	4,915
2008-2009	3,615	-	3,615	-
Total	<u>\$ 142,512</u>	<u>\$ 3,152,736</u>	<u>\$ 3,148,052</u>	<u>147,160</u>
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(51,620)</u>
Ad valorem taxes receivable, net				<u>\$ 95,540</u>
Reconcilement with Revenues:				
Taxes - ad valorem				\$ 3,112,689
Reconciling items:				
Interest collected				(12,231)
Miscellaneous adjustments				43,979
Amounts written off for tax years per Statute of Limitations				<u>3,615</u>
Total collections and credit				<u>\$ 3,148,052</u>

TOWN OF LAKE LURE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2019

				Total Levy	
	Town-Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Amount of Levy		
Original Levy:					
Property taxed at current year's rate	\$ 875,567,778	0.360	\$ 3,152,044	\$ 3,095,207	\$ 56,837
Discoveries	255,278		919	919	-
Penalties	<u>(63,056)</u>		<u>(227)</u>	<u>(227)</u>	<u>-</u>
Total property valuation	<u>\$ 875,760,000</u>				
Net Levy			3,152,736	3,095,899	56,837
Uncollected taxes at June 30, 2019			<u>(38,679)</u>	<u>(38,679)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 3,114,057</u>	<u>\$ 3,057,220</u>	<u>\$ 56,837</u>
Current Levy Collection Percentage			<u>98.77%</u>	<u>98.75%</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, 2019, 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, 2019. 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 did identify 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 a combination

of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2019-002 to be a material weaknesses.

A *significant deficiency* is a deficiency or 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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-003, and 2019-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lake Lure's financial statements are free from 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Town'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, 2019

TOWN OF LAKE LURE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2019

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?
- Significant deficiency(ies) identified?

Yes

Yes

Non-compliance material to financial statements noted?

No

TOWN OF LAKE LURE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2019

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

Significant Deficiency

Finding 2019-001: Full Accrual Financial Statements

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

Condition: The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules. Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by Town personnel with regards to drafting full accrual, full disclosure year-end financial statements. Although management of the town does not possess expertise to draft full accrual, full disclosure financial statements, they do accept responsibility for the preparation and fair presentation of the financial statements and they possess the skills and knowledge to adequately oversee and perform a detail review of the drafted full accrual, full disclosure financial statements and reconcile the financial statements to the records of the Town.

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, 2018-001.

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, reconciling, and 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, 2019

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

Material Weakness

Finding 2019-002: 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 regarding cash collections. Additionally, 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, 2018-002.

Recommendation: Ideally, the individual that collects cash should not also balance the drawer and take the deposit to the bank. Additionally, 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, 2019

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

Significant Deficiency

Finding 2019-003: 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 improper financial reporting.

Cause: There are a limited number of personnel for operating functions. The Finance staff has many roles and responsibilities that must be done on a daily basis which takes time away from daily financial functions.

Recommendation: Require that cash reconciliations be prepared and balanced to the general ledger control accounts on a monthly basis as the bank statements come in.

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, 2019

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

Significant Deficiency

Finding 2019-004: Payroll approved rates are not in the personnel file

Criteria: Management should have a system in place to reduce the likelihood of errors related to payroll.

Condition: While performing payroll testing procedures in relation to the audit it was discovered that an employee selected for testing was missing a Personnel Action Form stating the employee's pay rate.

Effect: Missing employee pay rates could result in an error in payroll.

Cause: The Town experienced change in personnel in the current year in addition to there being a limited number of personnel for certain functions in the Town.

Recommendation: Monthly audits of personnel files should be performed to ensure files contain all necessary information.

Name of Contact Person: Amy Wright, Human Resources 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

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2019

2. Financial Statement Findings

Significant Deficiency

Finding 2019-001: 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 2019-002: 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.

Significant Deficiency

Finding 2019-003: Timely review of bank reconciliations

Name of Contact Person: Sam Karr, Finance Director

Corrective Action: An unexpected death with the Personnel Coordinator, caused a backup of monthly bank statements; as the town replaced this position, reconciliation of bank statements were caught up.

Proposed Completion Date: Immediately.



Significant Deficiency

Finding 2019-004: Payroll approved rates are not in the personnel file

Name of Contact Person: Amy Wright, Human Resources Director

Corrective Action: Payroll rates are now included with personnel files after a new Human Resources Director was hired.

Proposed Completion Date: Immediately

TOWN OF LAKE LURE, NORTH CAROLINA

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Finding 2018-001:

Status: Repeated as 2019-001

Finding 2018-002:

Status: Repeated as 2019-002