

# **TOWN OF LAKE LURE NORTH CAROLINA**

## **BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2021**



# TOWN OF LAKE LURE, NORTH CAROLINA

## BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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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, 2021, 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 financial 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, 2021, 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.

### **Change in Accounting Principle**

As discussed in note 8 to the financial statements, for fiscal year ended June 30, 2021, the Town of Lake Lure adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***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 November 19, 2021, 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  
November 19, 2021

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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, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

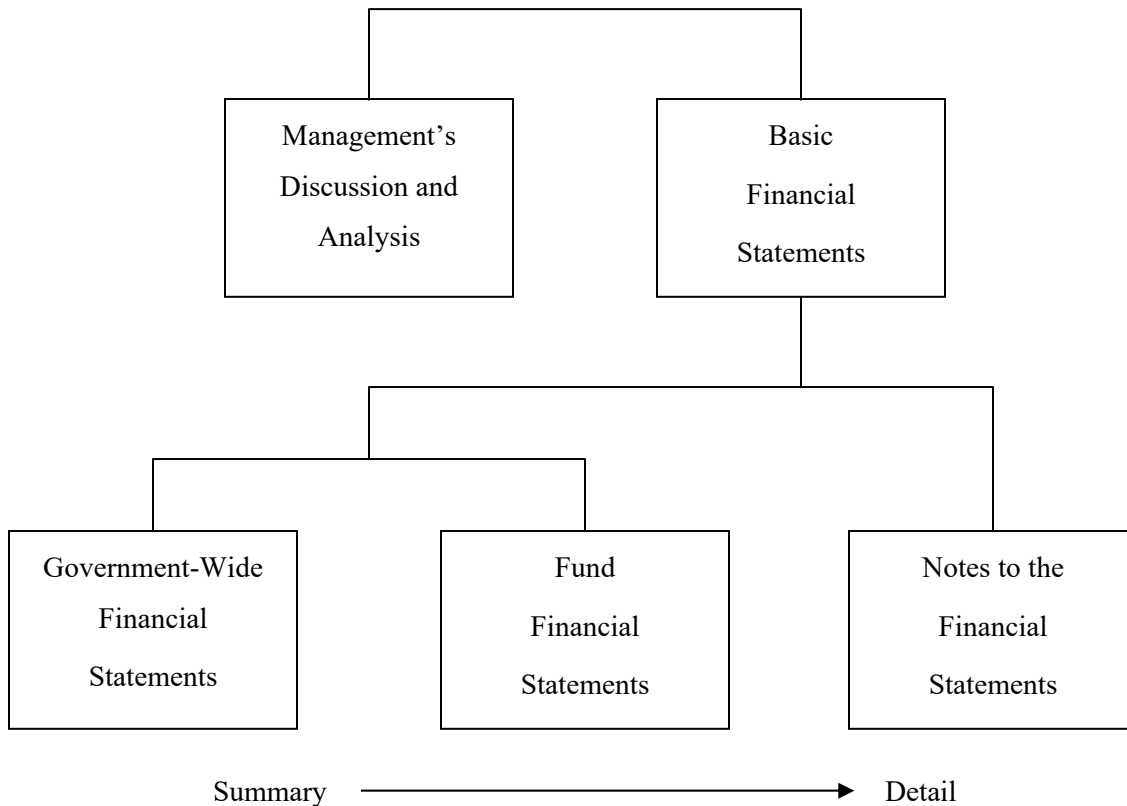
- The assets and deferred outflows of resources of the Town of Lake Lure exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$16,115,103 (*net position*).
- The government's total net position increased by \$1,981,541, primarily due to increases in the governmental activities net position. There was a prior period adjustment of (\$377,772) due to capital assets sold in the prior year that should have been disposed.
- As of the close of the current fiscal year, the Town of Lake Lure's governmental funds reported an ending fund balance of \$5,889,054, an increase of \$1,051,175 in comparison with the prior year. Approximately 18.37% of this total amount, or \$1,081,647, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,037,950, or 65.91%, of total General Fund expenditures and transfers out for the fiscal year. Total fund balance at the end of the current fiscal year was \$5,091,726. Approximately 80.36% of this total amount, or \$4,091,618, is available for spending at the government's discretion (*available fund balance*).

### Overview of the Financial Statements

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

## Required Components of the Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits C through K) 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 a custodial 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 K 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	
	2021	2020	2021	2020	2021	2020
<b>Assets and Deferred</b>						
<b>Outflows of Resources:</b>						
Current and other assets	\$ 6,206,118	\$ 5,243,478	\$ 890,141	\$ 99,898	\$ 7,096,259	\$ 5,343,376
Capital assets	8,804,535	9,114,130	7,425,196	7,635,299	16,229,731	16,749,429
Deferred outflows of resources	1,349,991	899,482	98,569	67,262	1,448,560	966,744
Total assets and deferred outflows of resources	<u>16,360,644</u>	<u>15,257,090</u>	<u>8,413,906</u>	<u>7,802,459</u>	<u>24,774,550</u>	<u>23,059,549</u>
<b>Liabilities and Deferred</b>						
<b>Inflows of Resources:</b>						
Current liabilities	552,250	534,690	154,632	151,759	706,882	686,449
Other liabilities	5,229,533	5,119,850	1,102,308	1,198,289	6,331,841	6,318,139
Deferred inflows of resources	1,510,316	1,438,374	110,408	105,253	1,620,724	1,543,627
Total liabilities and deferred inflows of resources	<u>7,292,099</u>	<u>7,092,914</u>	<u>1,367,348</u>	<u>1,455,301</u>	<u>8,659,447</u>	<u>8,548,215</u>
<b>Net Position:</b>						
Net investment in capital assets	7,425,621	7,785,330	6,505,528	6,595,687	13,931,149	14,381,017
Stabilization for state statute	999,328	1,152,121	-	-	999,328	1,152,121
Other restricted	78,668	82,326	-	-	78,668	82,326
Unrestricted	564,928	(855,601)	541,030	(248,529)	1,105,958	(1,104,130)
Total net position	<u>\$ 9,068,545</u>	<u>\$ 8,164,176</u>	<u>\$ 7,046,558</u>	<u>\$ 6,347,158</u>	<u>\$ 16,115,103</u>	<u>\$ 14,511,334</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 \$16,115,103 as of June 30, 2021. The Town's net position increased by \$1,981,541 for the fiscal year ended June 30, 2021. The largest portion of net position (86.45%) 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, 2021 was \$1,077,996. The remaining balance of \$1,105,958 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
- Delaying major capital improvements and expansions

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

**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,346,503	\$ 911,694	\$ 2,376,551	\$ 1,568,523	\$ 3,723,054	\$ 2,480,217
Operating grants and contributions	216,995	719,789	-	-	216,995	719,789
Capital grants and contributions	-	88,068	-	-	-	88,068
General revenues:						
Property taxes	3,512,333	2,954,940	-	-	3,512,333	2,954,940
Other taxes	1,578,243	1,712,200	-	-	1,578,243	1,712,200
restricted to specific programs						
Other	4,398	7,560	1,041	2,314	5,439	9,874
Total revenues	<u>6,658,472</u>	<u>6,394,251</u>	<u>2,377,592</u>	<u>1,570,837</u>	<u>9,036,064</u>	<u>7,965,088</u>
<b>Expenses:</b>						
General government	1,477,286	1,288,493	-	-	1,477,286	1,288,493
Public safety	1,635,166	1,518,733	-	-	1,635,166	1,518,733
Transportation and physical development	508,208	485,116	-	-	508,208	485,116
Environmental protection	268,494	226,959	-	-	268,494	226,959
Cultural and recreation	1,446,358	1,342,214	-	-	1,446,358	1,342,214
Interest on long-term debt	40,819	68,292	-	-	40,819	68,292
Water and sewer	-	-	1,187,493	1,158,260	1,187,493	1,158,260
Electric	-	-	490,699	652,788	490,699	652,788
Total expenses	<u>5,376,331</u>	<u>4,929,807</u>	<u>1,678,192</u>	<u>1,811,048</u>	<u>7,054,523</u>	<u>6,740,855</u>
Change in net position	<u>1,282,141</u>	<u>1,464,444</u>	<u>699,400</u>	<u>(240,211)</u>	<u>1,981,541</u>	<u>1,224,233</u>
<b>Net Position:</b>						
Beginning of year - July 1	8,164,176	6,111,955	6,347,158	7,175,146	14,511,334	13,287,101
Restatement	(377,772)	587,777	-	(587,777)	(377,772)	-
Beginning of year, as restated	<u>7,786,404</u>	<u>6,699,732</u>	<u>6,347,158</u>	<u>6,587,369</u>	<u>14,133,562</u>	<u>13,287,101</u>
End of year - June 30	<u>\$ 9,068,545</u>	<u>\$ 8,164,176</u>	<u>\$ 7,046,558</u>	<u>\$ 6,347,158</u>	<u>\$ 16,115,103</u>	<u>\$ 14,511,334</u>



**Governmental Activities.** Governmental activities increased the Town of Lake Lure's net position by \$1,282,141. Key elements of this increase are as follows:

- Decrease in expenditures for special projects
- Increase in lake and recreation revenues
- Increase in state shared sales tax revenues
- New lake dredging grant received
- Tax Increase

**Business-Type Activities.** Business-type activities increased the Town of Lake Lure's net position by \$699,400. Key elements of this increase are as follows:

- Rate Increase
- Increase in Hydro-electric revenues
- Decrease expenditures in Water/Sewer Fund
- Decrease expenditures in Hydro-electric Capital Outlays

### **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 \$4,091,618, while total fund balance was \$5,091,726. 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 66.78% of total General Fund expenditures and transfers out, while total fund balance represents 83.11% of total General Fund expenditures and transfers out.

At June 30, 2021, the governmental funds of the Town of Lake Lure reported a combined fund balance of \$5,889,054 with a net increase in fund balance of \$1,051,175. 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 \$216,878.

**Proprietary Funds.** The Town of Lake Lure's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Total net position of the Water and Sewer Fund at the end of the fiscal year totaled \$6,277,906 with \$883,581 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 \$768,652 with (\$342,551) 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, 2021 totals \$16,229,731 (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	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,073,479	\$ 3,073,479	\$ 90,189	\$ 90,189	\$ 3,163,668	\$ 3,163,668
Construction in progress	1,557,074	1,800,792	142,774	142,774	1,699,848	1,943,566
Buildings and system	2,950,544	2,950,544	3,958,286	3,958,286	6,908,830	6,908,830
Other improvements	1,719,645	1,719,645	1,619,572	1,605,508	3,339,217	3,325,153
Equipment and furniture	611,196	611,196	1,170,954	966,108	1,782,150	1,577,304
Infrastructure	2,703,639	2,460,858	6,349,885	6,349,885	9,053,524	8,810,743
Vehicles and motorized equipment	2,265,801	2,210,125	136,021	148,722	2,401,822	2,358,847
Accumulated depreciation	(6,076,843)	(5,712,509)	(6,042,485)	(5,626,173)	(12,119,328)	(11,338,682)
Total	<u>\$ 8,804,535</u>	<u>\$ 9,114,130</u>	<u>\$ 7,425,196</u>	<u>\$ 7,635,299</u>	<u>\$ 16,229,731</u>	<u>\$ 16,749,429</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, 2021, the Town of Lake Lure had total notes payable outstanding of \$2,301,453, 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	
	2021	2020	2021	2020	2021	2020
Installment obligations	\$ 1,381,785	\$ 1,466,999	\$ -	\$ -	\$ 1,381,785	\$ 1,466,999
General obligation indebtedness	-	-	919,668	1,039,612	919,668	1,039,612
Total	<u>\$ 1,381,785</u>	<u>\$ 1,466,999</u>	<u>\$ 919,668</u>	<u>\$ 1,039,612</u>	<u>\$ 2,301,453</u>	<u>\$ 2,506,611</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 \$64,565,000.

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:

- 11 cents tax increase
- The Town has experienced a steady increase in tourism.
- Capital items and repairs are trending upward.
- Streamline personnel cost in General Fund
- Increased water and sewer rates by 30% to help fund repairs over the next 5 years

**Impact of Coronavirus on the Town.** During the fiscal year, the state and the nation were affected by the spread of a coronavirus. During the budget sessions last year, the Town had dropped estimated tourist/recreation revenues by 20% for budget estimates, however, actuals were well over and above the 20% drop. The Town ended having surpluses in those COVID related accounts.

## **Budget Highlights for the Fiscal Year Ending June 30, 2022**

**Governmental Activities.** The Town of Lake Lure has increased the tax rate by 11 cents per \$100 evaluation for a total tax rate of 53 cents. A portion of tax monies (equivalent to 19 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 \$850,000 toward dredging and silt removal in parks, recreation and lake operations.

**Business-Type Activities.** The Town is in negotiations with the state for sewer activities; estimates have been trending upward towards \$35 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, 2021

	Primary Government			Town of Lake Lure ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 5,088,064	\$ 1,072,380	\$ 6,160,444	\$ 472,925
Taxes receivable, net	93,088	-	93,088	-
Accounts receivable, net	88,534	192,105	280,639	-
Internal balances	406,609	(406,609)	-	-
Due from other governments	522,504	-	522,504	-
Inventories	780	32,265	33,045	138,802
Prepaid expenses	-	-	-	4,689
Total current assets	6,199,579	890,141	7,089,720	616,416
Non-current assets:				
Restricted assets:				
Cash and cash equivalents, restricted	6,539	-	6,539	-
Capital assets:				
Land and other non-depreciable capital assets	4,630,553	232,963	4,863,516	-
Depreciable capital assets, net	4,173,982	7,192,233	11,366,215	19,587
Total capital assets	8,804,535	7,425,196	16,229,731	19,587
Total non-current assets	8,811,074	7,425,196	16,236,270	19,587
Total assets	15,010,653	8,315,337	23,325,990	636,003
<b>Deferred Outflows of Resources:</b>				
Pension deferrals	609,324	42,821	652,145	-
RHBF OPEB deferrals	577,301	43,452	620,753	-
Other insurance plan OPEB deferrals	163,366	12,296	175,662	-
Total deferred outflows of resources	1,349,991	98,569	1,448,560	-
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued expenses	205,657	30,740	236,397	324,227
Accrued interest payable	13,939	-	13,939	-
Current portion of compensated absences	44,103	3,948	48,051	-
Current portion of long-term liabilities	288,551	119,944	408,495	-
Total current liabilities	552,250	154,632	706,882	324,227
Long-term liabilities:				
Total pension liability (LEO)	354,197	-	354,197	-
Net pension liability (LERS)	845,230	73,498	918,728	-
RHBF OPEB liability	2,309,481	173,832	2,483,313	-
Other insurance plan OPEB liability	495,081	43,408	538,489	-
Compensated absences	132,310	11,846	144,156	-
Due in more than one year	1,093,234	799,724	1,892,958	-
Total long-term liabilities	5,229,533	1,102,308	6,331,841	-
Total liabilities	5,781,783	1,256,940	7,038,723	324,227
<b>Deferred Inflows of Resources:</b>				
Pension deferrals	56,094	951	57,045	-
RHBF OPEB deferrals	1,375,080	103,499	1,478,579	-
Other insurance plan OPEB deferrals	79,142	5,958	85,100	-
Total deferred inflows of resources	1,510,316	110,408	1,620,724	-
<b>Net Position:</b>				
Net investment in capital assets	7,425,621	6,505,528	13,931,149	19,587
Restricted for:				
Stabilization by state statute	999,328	-	999,328	-
Working capital	-	-	-	35,486
Municipality profit distribution	-	-	-	4,343
Public safety	3,668	-	3,668	-
Cultural and recreation	75,000	-	75,000	-
Unrestricted	564,928	541,030	1,105,958	252,360
Total net position	\$ 9,068,545	\$ 7,046,558	\$ 16,115,103	\$ 311,776

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, 2021

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,477,286	\$ 41,175	\$ 1,130	\$ -
Public safety	1,635,166	50	73,422	-
Transportation and physical development	508,208	-	62,443	-
Environmental protection	268,494	25,062	80,000	-
Cultural and recreation	1,446,358	1,280,216	-	-
Interest on long-term debt	40,819	-	-	-
Total governmental activities	<u>5,376,331</u>	<u>1,346,503</u>	<u>216,995</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Electric	490,699	727,802	-	-
Water and sewer	1,187,493	1,648,749	-	-
Total business-type activities	<u>1,678,192</u>	<u>2,376,551</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 7,054,523</u>	<u>\$ 3,723,054</u>	<u>\$ 216,995</u>	<u>\$ -</u>
<b>Component Unit:</b>				
ABC Board	<u>\$ 1,183,362</u>	<u>\$ 1,210,088</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, 2021

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Town of Lake Lure ABC Board
	Governmental Activities	Business-Type Activities	Total	
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ (1,434,981)	\$ -	\$ (1,434,981)	
Public safety	(1,561,694)	-	(1,561,694)	
Transportation and physical development	(445,765)	-	(445,765)	
Environmental protection	(163,432)	-	(163,432)	
Cultural and recreation	(166,142)	-	(166,142)	
Interest on long-term debt	(40,819)	-	(40,819)	
Total governmental activities	(3,812,833)	-	(3,812,833)	
<b>Business-Type Activities:</b>				
Electric	-	237,103	237,103	
Water and sewer	-	461,256	461,256	
Total business-type activities	-	698,359	698,359	
Total primary government	(3,812,833)	698,359	(3,114,474)	
<b>Component Unit:</b>				
ABC Board				\$ 26,726
<b>General Revenues:</b>				
Ad valorem taxes	3,512,333	-	3,512,333	-
Local option sales tax	1,330,360	-	1,330,360	-
Utilities franchise tax	219,351	-	219,351	-
Video franchise tax	23,374	-	23,374	-
Beer and wine tax	5,158	-	5,158	-
Investment earnings	4,398	1,041	5,439	443
Total general revenues	5,094,974	1,041	5,096,015	443
Change in net position	1,282,141	699,400	1,981,541	27,169
<b>Net Position:</b>				
Beginning of year - July 1	8,164,176	6,347,158	14,511,334	284,607
Restatement	(377,772)	-	(377,772)	-
Beginning of year - July 1, as restated	7,786,404	6,347,158	14,133,562	284,607
End of year - June 30	\$ 9,068,545	\$ 7,046,558	\$ 16,115,103	\$ 311,776

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

# TOWN OF LAKE LURE, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2021

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 4,293,607	\$ 794,457	\$ 5,088,064
Taxes receivable, net	93,088	-	93,088
Accounts receivable, net	88,534	-	88,534
Inventories	780	-	780
Due from other governments	522,504	-	522,504
Due from other funds	193,634	-	193,634
Advances to other funds	212,975	-	212,975
Restricted cash and cash equivalents	3,668	2,871	6,539
Total assets	<u>\$ 5,408,790</u>	<u>\$ 797,328</u>	<u>\$ 6,206,118</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	<u>\$ 205,657</u>	<u>\$ -</u>	<u>\$ 205,657</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	93,088	-	93,088
Clean-up fees receivable	<u>18,319</u>	<u>-</u>	<u>18,319</u>
Total deferred inflows of resources	<u>111,407</u>	<u>-</u>	<u>111,407</u>
<b>Fund Balances:</b>			
Non-spendable, not in spendable form:			
Inventories	780	-	780
Restricted:			
Stabilization by state statute	999,328	-	999,328
Restricted, other	3,668	77,871	81,539
Committed	-	716,005	716,005
Assigned	50,000	3,452	53,452
Unassigned	<u>4,037,950</u>	<u>-</u>	<u>4,037,950</u>
Total fund balances	<u>5,091,726</u>	<u>797,328</u>	<u>5,889,054</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,408,790</u>	<u>\$ 797,328</u>	<u>\$ 6,206,118</u>

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



# TOWN OF LAKE LURE, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2021

	<b><u>Total Governmental Funds</u></b>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balances	\$ 5,889,054
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	8,804,535
Net pension liability - LGERS	(845,230)
Total pension liability - LEOSSA	(354,197)
Total OPEB liabilities	(2,804,562)
Deferred outflows of resources related to pensions are not reported in the funds.	609,324
Deferred outflows of resources related to OPEB are not reported in the funds.	740,667
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.	111,407
Deferred inflows of resources related to pensions are not reported in the funds.	(56,094)
Deferred inflows of resources related to OPEB are not reported in the funds.	(1,454,222)
Accrued interest payable	(13,939)
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,558,198)</u>
Net position of governmental activities per Exhibit A	<u>\$ 9,068,545</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, 2021

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 3,524,641	\$ -	\$ 3,524,641
Unrestricted intergovernmental	1,578,243	-	1,578,243
Restricted intergovernmental	186,056	-	186,056
Permits and fees	756,918	-	756,918
Sales and service	547,666	-	547,666
Investment earnings	3,756	642	4,398
Miscellaneous	81,776	-	81,776
Total revenues	<u>6,679,056</u>	<u>642</u>	<u>6,679,698</u>
<b>Expenditures:</b>			
Current:			
General government	1,122,378	-	1,122,378
Public safety	1,695,785	-	1,695,785
Transportation and physical development	686,003	-	686,003
Environmental protection	268,494	-	268,494
Cultural and recreation	1,395,658	134,054	1,529,712
Unemployment and insurance	145,345	-	145,345
Special projects	68,712	-	68,712
Debt service:			
Principal retirement	233,597	-	233,597
Interest and other charges	26,880	-	26,880
Total expenditures	<u>5,642,852</u>	<u>134,054</u>	<u>5,776,906</u>
Revenues over (under) expenditures	<u>1,036,204</u>	<u>(133,412)</u>	<u>902,792</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(483,936)	(11,728)	(495,664)
Transfers from other funds	11,728	483,936	495,664
Debt issued	148,383	-	148,383
Total other financing sources (uses)	<u>(323,825)</u>	<u>472,208</u>	<u>148,383</u>
Net change in fund balances	712,379	338,796	1,051,175
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>4,379,347</u>	<u>458,532</u>	<u>4,837,879</u>
End of year - June 30	<u>\$ 5,091,726</u>	<u>\$ 797,328</u>	<u>\$ 5,889,054</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, 2021

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)	\$ 1,051,175
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:	
Property taxes	(12,308)
User clean-up fees	(8,918)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental:	
Change in compensated absences	(6,601)
Change in accrued interest	(13,939)
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.	520,835
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(452,658)
OPEB plan expense	246,989
Pension expense - LGERS	(109,551)
Pension expense - LEOSA	(18,097)
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.	233,597
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>(148,383)</u>
Change in net position in governmental activities per Exhibit B	<u>\$ 1,282,141</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, 2021

	General Fund			
	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,511,722	\$ 3,511,722	\$ 3,524,641	\$ 12,919
Unrestricted intergovernmental	1,392,876	1,392,876	1,578,243	185,367
Restricted intergovernmental	1,025,737	1,232,815	186,056	(1,046,759)
Permits and fees	627,750	627,750	756,918	129,168
Sales and services	391,050	391,050	547,666	156,616
Investment earnings	3,500	3,500	3,756	256
Miscellaneous	53,925	63,725	81,776	18,051
Total revenues	7,006,560	7,223,438	6,679,056	(544,382)
<b>Expenditures:</b>				
Current:				
General government	1,186,354	1,219,507	1,122,378	97,129
Public safety	1,899,303	1,978,774	1,695,785	282,989
Transportation and physical development	705,252	745,590	686,003	59,587
Environmental protection	239,700	488,481	268,494	219,987
Cultural and recreation	2,040,560	2,130,060	1,395,658	734,402
Unemployment and insurance	143,500	158,500	145,345	13,155
Special projects	71,500	544,500	68,712	475,788
Debt service:				
Principal retirement	257,582	257,582	233,597	23,985
Interest and other charges	75,480	75,480	26,880	48,600
Total expenditures	6,619,231	7,598,474	5,642,852	1,955,622
Revenues over (under) expenditures	387,329	(375,036)	1,036,204	1,411,240
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(483,936)	(529,181)	(483,936)	45,245
Transfers from other funds	11,728	757,717	11,728	(745,989)
Debt issued	84,879	146,500	148,383	1,883
Total other financing sources (uses)	(387,329)	375,036	(323,825)	(698,861)
Net change in fund balance	\$ -	\$ -	712,379	\$ 712,379
<b>Fund Balance:</b>				
Beginning of year - July 1			4,379,347	
End of year - June 30			\$ 5,091,726	

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, 2021

	<b>Major Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 1,072,380	\$ 1,072,380
Accounts receivable, net	-	192,105	192,105
Inventories	-	32,265	32,265
Total current assets	-	1,296,750	1,296,750
Non-current assets:			
Capital assets:			
Land	57,889	175,074	232,963
Depreciable capital assets, net	1,053,314	6,138,919	7,192,233
Capital assets, net	1,111,203	6,313,993	7,425,196
Total non-current assets	1,111,203	6,313,993	7,425,196
Total assets	1,111,203	7,610,743	8,721,946
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	16,058	26,763	42,821
RHBF OPEB deferrals	18,622	24,830	43,452
Other insurance plan OPEB deferrals	5,269	7,027	12,296
Total deferred outflows of resources	39,949	58,620	98,569
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	13,874	16,866	30,740
Due to other funds	193,634	-	193,634
Advances from other funds	-	212,975	212,975
Compensated absences, current	2,597	1,351	3,948
Current portion of long-term debt	-	119,944	119,944
Total current liabilities	210,105	351,136	561,241
Non-current liabilities:			
RHBF OPEB liability	74,499	99,333	173,832
Other insurance plan OPEB liability	15,277	28,131	43,408
Compensated absences	7,792	4,054	11,846
Net pension liability	27,561	45,937	73,498
Installment obligations payable	-	799,724	799,724
Total non-current liabilities	125,129	977,179	1,102,308
Total liabilities	335,234	1,328,315	1,663,549
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	357	594	951
RHBF OPEB deferrals	44,356	59,143	103,499
Other insurance plan OPEB deferrals	2,553	3,405	5,958
Total deferred inflows of resources	47,266	63,142	110,408
<b>Net Position:</b>			
Net investment in capital assets	1,111,203	5,394,325	6,505,528
Unrestricted	(342,551)	883,581	541,030
Total net position	\$ 768,652	\$ 6,277,906	\$ 7,046,558

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, 2021**

	<b>Major Funds</b>		
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 727,802	\$ 1,611,096	\$ 2,338,898
Water and sewer taps	-	5,709	5,709
Other operating revenues	-	31,944	31,944
Total operating revenues	<u>727,802</u>	<u>1,648,749</u>	<u>2,376,551</u>
<b>Operating Expenses:</b>			
Salaries and benefits	243,153	35,725	278,878
General operations	136,056	826,507	962,563
Depreciation	111,490	317,523	429,013
Total operating expenses	<u>490,699</u>	<u>1,179,755</u>	<u>1,670,454</u>
Operating income (loss)	<u>237,103</u>	<u>468,994</u>	<u>706,097</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment earnings	292	749	1,041
Interest and other charges	-	(7,738)	(7,738)
Total non-operating revenues (expenses)	<u>292</u>	<u>(6,989)</u>	<u>(6,697)</u>
Change in net position	237,395	462,005	699,400
<b>Net Position:</b>			
Beginning of year - July 1	<u>531,257</u>	<u>5,815,901</u>	<u>6,347,158</u>
End of year - June 30	<u>\$ 768,652</u>	<u>\$ 6,277,906</u>	<u>\$ 7,046,558</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, 2021

	Major Funds		
	Electric Fund	Water and Sewer Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 727,802	\$ 1,669,242	\$ 2,397,044
Cash paid for goods and services	(134,182)	(827,798)	(961,980)
Cash paid to or on behalf of employees for services	(242,761)	(36,016)	(278,777)
Net cash provided by (used) operating activities	<u>350,859</u>	<u>805,428</u>	<u>1,156,287</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Due to (from) other funds	<u>(132,241)</u>	<u>-</u>	<u>(132,241)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(218,910)	-	(218,910)
Principal paid on installment note	-	(119,944)	(119,944)
Interest paid on installment note	<u>-</u>	<u>(7,738)</u>	<u>(7,738)</u>
Net cash provided (used) by capital and related financing activities	<u>(218,910)</u>	<u>(127,682)</u>	<u>(346,592)</u>
<b>Cash Flows from Investing Activities:</b>			
Investment earnings	<u>292</u>	<u>749</u>	<u>1,041</u>
Net increase (decrease) in cash and cash equivalents	-	678,495	678,495
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>-</u>	<u>393,885</u>	<u>393,885</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 1,072,380</u>	<u>\$ 1,072,380</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 237,103	\$ 468,994	\$ 706,097
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	111,490	317,523	429,013
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	20,493	20,493
Increase (decrease) in accrued vacation pay	4,787	4,379	9,166
Increase (decrease) in accounts payable and accrued liabilities	1,874	(1,291)	583
Increase (decrease) in net pension liability	6,924	11,540	18,464
(Increase) decrease in deferred outflows of resources for pensions	(2,987)	(4,979)	(7,966)
Increase (decrease) in deferred inflows of resources for pensions	(365)	(608)	(973)
Increase (decrease) other insurance plan total OPEB liability	2,559	3,411	5,970
(Increase) decrease in deferred outflows for other insurance plan OPEB	(2,544)	(3,392)	(5,936)
Increase (decrease) in deferred inflows for other insurance plan OPEB	1,129	1,506	2,635
Increase (decrease) RHBF total OPEB liability	(3,149)	(4,198)	(7,347)
(Increase) decrease in deferred outflows for RHBF OPEB	(7,459)	(9,946)	(17,405)
Increase (decrease) in deferred inflows for RHBF OPEB	<u>1,497</u>	<u>1,996</u>	<u>3,493</u>
Net cash provided (used) by operating activities	<u>\$ 350,859</u>	<u>\$ 805,428</u>	<u>\$ 1,156,287</u>

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

## TOWN OF LAKE LURE, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2021

	<u>Custodial Fund Chimney Rock</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 24,556
Utilities receivable, net	<u>11,651</u>
Total assets	<u>36,207</u>
<b>Liabilities:</b>	
Accounts payable and other liabilities	<u>384</u>
<b>Net Position:</b>	
Restricted for:	
Other governments	<u>35,823</u>
Total net position	<u>\$ 35,823</u>

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



**TOWN OF LAKE LURE, NORTH CAROLINA**
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u><b>Custodial Fund Chimney Rock</b></u>
<b>Additions:</b>	
Charges for water service	\$ 110,965
<b>Deductions:</b>	
Operating expenses	<u>85,704</u>
Net increase (decrease) in fiduciary net position	<u>25,261</u>
<b>Net Position:</b>	
Beginning of year - July 1	-
Restatement	<u>10,562</u>
Beginning of year - July 1, as restated	<u>10,562</u>
Net position - ending	<u>\$ 35,823</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, 2021**

### **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.

*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.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

### **Governmental Funds**

The Town reports the following major governmental fund:

**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.

**Marina Slip Expansion and Boardwalk Replacement Capital Project Fund.** This fund is used to account for capital related activities for marina and boardwalk construction and improvements.

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

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The Town reports the following fund types:

**Custodial Fund.** Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment funds, or private purpose trust funds. The custodial fund is used to account for assets the Town holds on behalf of others that meet certain criteria. The Town maintains one custodial fund: Chimney Rock, which accounts for water charges that are billed and collected by the Town for Chimney Rock but that are not revenues to the Town.

### 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, proprietary, and fiduciary fund financial statements are reported using the economic resources 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.

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

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

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 Marina Slip Expansion and Boardwalk Replacement Capital Project Fund, and the Low Pressure Project 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.

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.

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### **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) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

In accordance with state law, the Town has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

#### **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 Marina Slip Expansion and Boardwalk Replacement Capital Project Fund of \$2,871 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.

#### **Ad Valorem Taxes Receivable**

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020. As allowed by state law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### **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.

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



## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Infrastructure	10-50 years
Buildings	40 years
Improvements	10-50 years
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:

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

#### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has several items that met these criteria - 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 several items that meet these 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, 2021**

### **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.

*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.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

**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 non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

*Restricted for 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 the marina slip expansion, boardwalk, and bridge beautification.

Restricted fund balance at June 30, 2021 is as follows:

Purpose	Other		Total
	General Fund	Governmental Funds	
Restricted, all other:			
Stabilization by state statute	\$ 999,328	\$ -	\$ 999,328
Public safety	3,668	-	3,668
Cultural and recreation	-	77,871	77,871
Total	<u>\$ 1,002,996</u>	<u>\$ 77,871</u>	<u>\$ 1,080,867</u>

Restricted net position on Exhibit A differs from restricted fund balance on Exhibit C by unspent debt proceeds in the governmental funds of \$2,871.

**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.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

*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	651,740	651,740
Total	<u>\$ 716,005</u>	<u>\$ 716,005</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.

*Marina Slip Expansion and Boardwalk Replacement Capital Project* – portion of fund balance assigned by the governing body for future capital activities.

Assigned fund balance at June 30, 2021 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assigned:			
Council protection	\$ 50,000	\$ -	\$ 50,000
Marina Slip Expansion and Boardwalk Replacement Capital Project Fund	-	3,452	3,452
Total	<u>\$ 50,000</u>	<u>\$ 3,452</u>	<u>\$ 53,452</u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

**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	\$	5,091,726
<b>Less:</b>		
Stabilization by state statute		999,328
Inventories		780
Total available fund balance	\$	<u>4,091,618</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, 2021**

### **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, 2021, the Town's deposits had a carrying amount of \$5,987,630 and a bank balance of \$5,957,703. Of the bank balance, \$250,000 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 was \$472,925 and a bank balance was \$471,148. \$221,148 of the bank balance was not covered by federal depository insurance. At June 30, 2021, the Town's petty cash totaled \$375.

##### **Investments**

At June 30, 2021, the Town had \$203,534 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAm rating by Standard & Poor's and AAA-mf by Moody's Investors Service. 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, 2021

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

### Receivables

Receivables at Exhibit A at June 30, 2021 were as follows:

<u>Type of Receivable</u>	<u>Amount (Net of Allowance)</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Accounts Receivable:</b>			
Taxes receivable	\$ 93,088	\$ -	\$ 93,088
Other accounts receivable	88,534	-	88,534
Customer/client billings	-	192,105	192,105
Total	<u>\$ 181,622</u>	<u>\$ 192,105</u>	<u>\$ 373,727</u>
<b>Due from Other Governments:</b>			
Sales and use tax, sales tax refund	<u>\$ 522,504</u>	<u>\$ -</u>	<u>\$ 522,504</u>

### Allowances for Doubtful Accounts

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

	<u>Allowance Amount</u>
<b>Governmental Activities:</b>	
Taxes receivable	\$ 58,139
<b>Business-Type Activities:</b>	
Water and sewer receivables	<u>8,653</u>
Total	<u>\$ 66,792</u>

At June 30, 2021, utilities receivables for other governments in the custodial fund is net of an allowance for doubtful account of \$500.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Capital Assets

#### Governmental Capital Assets

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

	July 1, 2020	Restatement	Restated July 1, 2020	Additions	Deletions	June 30, 2021
<b>Non-Depreciable Assets:</b>						
Land	\$ 3,073,479	\$ -	\$ 3,073,479	\$ -	\$ -	\$ 3,073,479
Construction in progress	1,800,792	(377,772)	1,423,020	134,054	-	1,557,074
Total non-depreciable capital assets	<u>4,874,271</u>	<u>(377,772)</u>	<u>4,496,499</u>	<u>134,054</u>	<u>-</u>	<u>4,630,553</u>
<b>Depreciable Assets:</b>						
Buildings	2,950,544	-	2,950,544	-	-	2,950,544
Other improvements	1,719,645	-	1,719,645	-	-	1,719,645
Equipment and furniture	611,196	-	611,196	-	-	611,196
Infrastructure	2,460,858	-	2,460,858	242,781	-	2,703,639
Vehicles and equipment	2,210,125	-	2,210,125	144,000	88,324	2,265,801
Total depreciable assets	<u>9,952,368</u>	<u>-</u>	<u>9,952,368</u>	<u>386,781</u>	<u>88,324</u>	<u>10,250,825</u>
<b>Less Accumulated Depreciation:</b>						
Buildings	1,596,510	-	1,596,510	56,843	-	1,653,353
Other improvements	921,698	-	921,698	78,204	-	999,902
Equipment and furniture	398,274	-	398,274	70,958	-	469,232
Infrastructure	1,227,951	-	1,227,951	124,204	-	1,352,155
Vehicles and equipment	1,568,076	-	1,568,076	122,449	88,324	1,602,201
Total accumulated depreciation	<u>5,712,509</u>	<u>\$ -</u>	<u>\$ 5,712,509</u>	<u>\$ 452,658</u>	<u>\$ 88,324</u>	<u>6,076,843</u>
Total depreciable capital assets, net	<u>4,239,859</u>					<u>4,173,982</u>
Governmental capital assets, net	<u>\$ 9,114,130</u>					<u>\$ 8,804,535</u>

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

#### Governmental Activities:

General government	\$ 161,322
Public safety	91,773
Transportation and physical development	77,838
Cultural and recreation	<u>121,725</u>
Total	<u>\$ 452,658</u>



# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2021 are as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
<b>Water and Sewer Fund:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 32,300	\$ -	\$ -	\$ 32,300
Construction in progress	142,774	-	-	142,774
Total non-depreciable assets	<u>175,074</u>	<u>-</u>	<u>-</u>	<u>175,074</u>
<b>Depreciable Assets:</b>				
Water plant and lines	3,958,286	-	-	3,958,286
Water reservoir	24,722	-	-	24,722
Waste treatment plant and lines	6,349,885	-	-	6,349,885
Equipment	371,111	-	-	371,111
Vehicles	148,722	-	12,701	136,021
Total depreciable capital assets	<u>10,852,726</u>	<u>-</u>	<u>12,701</u>	<u>10,840,025</u>
<b>Less Accumulated Depreciation:</b>				
Water plant and lines	1,302,416	77,651	-	1,380,067
Water reservoir	18,432	494	-	18,926
Waste treatment plant and lines	2,648,005	216,565	-	2,864,570
Equipment	298,143	16,984	-	315,127
Vehicles	129,288	5,829	12,701	122,416
Total accumulated depreciation	<u>4,396,284</u>	<u>\$ 317,523</u>	<u>\$ 12,701</u>	<u>4,701,106</u>
Total depreciable capital assets, net	<u>6,456,442</u>			<u>6,138,919</u>
Capital assets, net	<u>6,631,516</u>			<u>6,313,993</u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
<b>Electric Fund:</b>				
<b>Non-Depreciable Assets:</b>				
Land	57,889	\$ -	\$ -	57,889
Total non-depreciable capital assets	<u>57,889</u>	<u>-</u>	<u>-</u>	<u>57,889</u>
<b>Depreciable Assets:</b>				
Furniture and equipment	594,997	204,846	-	799,843
Improvements	1,580,786	14,064	-	1,594,850
Total depreciable capital assets	<u>2,175,783</u>	<u>218,910</u>	<u>-</u>	<u>2,394,693</u>
<b>Less Accumulated Depreciation:</b>				
Furniture and equipment	16,511	46,961	-	63,472
Improvements	1,213,378	64,529	-	1,277,907
Total accumulated depreciation	<u>1,229,889</u>	<u>\$ 111,490</u>	<u>\$ -</u>	<u>1,341,379</u>
Total depreciable capital assets, net	<u>945,894</u>			<u>1,053,314</u>
Capital assets, net	<u>1,003,783</u>			<u>1,111,203</u>
Total business-type activities capital assets, net	<u>\$ 7,635,299</u>			<u>\$ 7,425,196</u>

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
<b>ABC Board:</b>				
<b>Depreciable Assets:</b>				
Equipment	\$ 75,906	\$ 14,657	\$ (11,052)	\$ 79,511
Leasehold improvements	<u>27,378</u>	<u>-</u>	<u>-</u>	<u>27,378</u>
Total depreciable capital assets	<u>103,284</u>	<u>14,657</u>	<u>(11,052)</u>	<u>106,889</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	75,654	1,702	(11,052)	66,304
Leasehold improvements	<u>19,297</u>	<u>1,701</u>	<u>-</u>	<u>20,998</u>
Total accumulated depreciation	<u>94,951</u>	<u>\$ 3,403</u>	<u>\$ (11,052)</u>	<u>87,302</u>
ABC Board capital assets, net	<u>\$ 8,333</u>			<u>\$ 19,587</u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2021 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Water and Sewer Fund</u>	<u>Electric Fund</u>	<u>Total Business-Type Activities</u>
Capital assets	\$ 8,804,535	\$ 6,313,993	\$ 1,111,203	\$ 7,425,196
Long-term debt	(1,381,785)	(919,668)	-	(919,668)
Unspent debt proceeds	2,871	-	-	-
Net investment in capital assets	<u>\$ 7,425,621</u>	<u>\$ 5,394,325</u>	<u>\$ 1,111,203</u>	<u>\$ 6,505,528</u>

### Construction Commitments

The government has an active construction project as of June 30, 2021. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities:		
Marina Slip Expansion and Boardwalk		
Replacement Capital Project Fund	<u>\$ 1,097,129</u>	<u>\$ 2,871</u>

### B. Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2021:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
<b>Governmental Activities</b>	<u>\$ 70,249</u>	<u>\$ 135,408</u>	<u>\$ 205,657</u>
<b>Business-Type Activities:</b>			
Water and Sewer Fund	\$ 16,866	\$ -	\$ 16,866
Electric Fund	<u>684</u>	<u>13,190</u>	<u>13,874</u>
Total business-type activities	<u>\$ 17,550</u>	<u>\$ 13,190</u>	<u>\$ 30,740</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### **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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

*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, 2021, was 10.90% of compensation for law enforcement officers and 10.15% 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 \$192,353 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$918,728 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, 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, 2021, the Town's proportion was 0.02571% (measured as of June 30, 2020), which was an increase of 0.00052% from its proportion as of June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the Town recognized pension expense of \$311,428. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 116,019	\$ -
Changes of assumptions	68,371	-
Net difference between projected and actual earnings on pension plan investments	129,286	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	29,228	11,913
Contributions subsequent to the measurement date	192,353	-
Total	<u>\$ 535,257</u>	<u>\$ 11,913</u>

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$192,353 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, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Total</b>
2022	\$ 89,031
2023	124,801
2024	78,897
2025	38,262
2026	-
Thereafter	-
Total	<u>\$ 330,991</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 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, 2019 valuation, with the exception of the discount rate, 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

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
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 2020 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, 2021

*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>\$1,863,999</u>	<u>\$ 918,728</u>	<u>\$ 133,141</u>

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

### 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, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>9</u>
Total	<u><u>11</u></u>



# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 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, 2019 valuation. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent per annum
Salary increase	3.25 to 7.75 percent, including inflation and productivity factor per annum
Discount rate	1.93 percent per annum, compounded annually

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

***Mortality Assumption:*** All mortality rates use Pub-2010 amount-weighted tables.

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

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

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

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

***Deaths Prior to Retirement:*** Mortality rates are based on the Safety Mortality Table for Employees.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

**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 \$19,712 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$354,197. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$37,079.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 29,395	\$ 40,296
Changes of assumptions	78,732	4,836
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>8,761</u>	<u>-</u>
Total	<u><u>\$ 116,888</u></u>	<u><u>\$ 45,132</u></u>

\$8,761 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 ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2022	\$ 17,253
2023	16,294
2024	13,128
2025	12,406
2026	3,914
Thereafter	<u>-</u>
Total	<u><u>\$ 62,995</u></u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

*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 1.93 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 (0.93 percent) or 1-percentage point higher (2.93 percent) than the current rate:

	<b>1% Decrease (0.93%)</b>	<b>Discount Rate (1.93%)</b>	<b>1% Increase (2.93%)</b>
Total pension liability	<u>\$ 379,691</u>	<u>\$ 354,197</u>	<u>\$ 330,494</u>

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

	<b>2021</b>
Beginning balance	\$ 289,024
Service cost	10,725
Interest on the total pension liability	9,101
Differences between expected and actual experience in the measurement of the total pension liability	(19,107)
Changes of assumptions or other inputs	84,166
Benefit payments	<u>(19,712)</u>
Ending balance of the total pension liability	<u>\$ 354,197</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.26% at December 31, 2019 (measurement date) to 1.93% at December 31, 2020 (measurement date).

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, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 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	\$ 311,428	\$ 37,079	\$ 348,507
Pension liability	918,728	354,197	1,272,925
Proportionate share of the net pension liability	0.02571%	n/a	-

### Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 116,019	\$ 29,395	\$ 145,414
Changes of assumptions	68,371	78,732	147,103
Net difference between projected and actual earnings on plan investments	129,286	-	129,286
Changes in proportion and differences between Town contributions and proportionate share of contributions	29,228	-	29,228
Benefit payments and administrative costs paid subsequent to the measurement date	<u>192,353</u>	<u>8,761</u>	<u>201,114</u>
Total deferred outflows of resources	<u><u>\$ 535,257</u></u>	<u><u>\$ 116,888</u></u>	<u><u>\$ 652,145</u></u>

### Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 40,296	\$ 40,296
Changes of assumptions	-	4,836	4,836
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>11,913</u>	<u>-</u>	<u>11,913</u>
Total deferred inflows of resources	<u><u>\$ 11,913</u></u>	<u><u>\$ 45,132</u></u>	<u><u>\$ 57,045</u></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 Annual Comprehensive Financial Report

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

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent (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 \$23,375 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 \$60,458 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 Annual Comprehensive Financial Report, 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, 2021**

*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. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully insured claims include cost sharing from covered members with the remaining balance paid by the fully insured carrier.

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 non-contributory 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 non-contributory 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

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 6.68% of covered payroll, which amounted to \$126,810.

At June 30, 2021, the Town reported a liability of \$2,483,313 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 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, 2021, the Town's proportion was 0.00895%. For the year ended June 30, 2021, the Town recognized OPEB expense of (\$134,354).

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,250	\$ 97,150
Changes of assumptions	108,907	1,007,767
Net difference between projected and actual earnings on OPEB plan investments	5,231	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	377,555	373,662
Employer contributions subsequent to the measurement date	126,810	-
Total	<u>\$ 620,753</u>	<u>\$ 1,478,579</u>

\$126,810 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2022	\$ (417,663)
2023	(417,390)
2024	(148,430)
2025	24,907
2026	(26,060)
Thereafter	-
Total	<u>\$ (984,636)</u>

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

*Actuarial Assumptions.* The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019 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, 2020. 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 ending 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:

<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>	

*Discount Rate.* The discount rate used to measure the total OPEB liability for RHBF was 2.21%. 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 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.



# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

*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	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates - medical	6.50% grading down to 5.00% by 2024
Healthcare cost trend rates - prescription drug	9.50% grading down to 5.00% by 2029
Healthcare cost trend rates - Medicare advantage	Rates are guaranteed for 2021-2025; 5.00 for years after 2026
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 (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

	<b>1% Decrease (1.21%)</b>	<b>Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Net OPEB liability	\$ 2,945,052	\$ 2,483,313	\$ 2,111,305

*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:

	<b>1% Decrease in Healthcare Cost Trend Rates</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase in Healthcare Cost Trend Rates</b>
Net OPEB liability	\$ 2,001,999	\$ 2,483,313	\$ 3,126,654

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

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

#### 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.

*Dependent Coverage.* Dependent coverage is available for dental and vision coverage, and the dependent has to pay the full cost of this coverage.

Membership of the Other Insurance Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	<b><u>General Employees</u></b>
Retirees receiving benefits	15
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>39</u>
Total	<u><u>54</u></u>

#### Total Other Insurance Plan OPEB Liability

The Town’s total OPEB liability of \$538,489 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2020 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	3.50 percent
Measurement date	2.21 percent
Healthcare cost trend rates	
Dental	4.00 percent
Vision	2.50 percent

The Town selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

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, 2020 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, 2020 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2020 valuation.

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Changes in the Total Other Insurance Plan OPEB Liability

	<u>Total OPEB - Other Liability</u>
<b>Balance at July 1, 2020</b>	\$ 453,202
Changes for the year:	
Service cost	15,377
Interest	16,249
Differences between expected and actual experience	(54,926)
Changes in assumptions or other inputs	117,310
Benefit payments	(8,723)
Net changes	85,287
<b>Balance at June 30, 2021</b>	<u>\$ 538,489</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

*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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<b>1% Decrease (1.21%)</b>	<b>Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Total OPEB liability	<u>\$ 658,776</u>	<u>\$ 538,489</u>	<u>\$ 446,938</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:

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 445,375</u>	<u>\$ 538,489</u>	<u>\$ 663,094</u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$46,417. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 45,191	\$ 49,779
Changes of assumptions	122,177	35,321
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>8,294</u>	<u>-</u>
Total	<u><u>\$ 175,662</u></u>	<u><u>\$ 85,100</u></u>

\$8,294 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 ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2022	\$ 14,791
2023	14,791
2024	14,791
2025	14,941
2026	11,918
Thereafter	<u>11,036</u>
Total	<u><u>\$ 82,268</u></u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 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	\$ (134,354)	\$ 46,417	\$ (87,937)
OPEB liability	2,483,313	538,489	3,021,802
Proportionate share of the net OPEB liability	0.00895%	n/a	-

#### Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 2,250	\$ 45,191	\$ 47,441
Changes of assumptions	108,907	122,177	231,084
Net difference between projected and actual earnings on OPEB plan investments	5,231	-	5,231
Changes in proportion and differences between Town contributions and proportionate share of contributions	377,555	-	377,555
Benefit payments and administrative costs paid subsequent to the measurement date	126,810	8,294	135,104
Total deferred outflows of resources	<u>\$ 620,753</u>	<u>\$ 175,662</u>	<u>\$ 796,415</u>

#### Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 97,150	\$ 49,779	\$ 146,929
Changes of assumptions	1,007,767	35,321	1,043,088
Changes in proportion and differences between Town contributions and proportionate share of contributions	373,662	-	373,662
Total deferred inflows of resources	<u>\$ 1,478,579</u>	<u>\$ 85,100</u>	<u>\$ 1,563,679</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

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

#### Group Life Insurance

In addition to the Death Benefit Plan, the Town has elected to provide additional death benefit coverage for all eligible employees through the North Carolina League of Municipality. The Town pays the full cost of a life insurance policy for all regular full-time employees who work a minimum of 32 hours per week. Employee coverage is equivalent to double the employee's current salary and payable to the designated beneficiary of the employee.

#### Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Pension deferrals	\$ 652,145
OPEB deferrals	796,415
Total	<u>\$ 1,448,560</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)	\$ -	\$ 93,088
Clean up fees (General Fund)	-	18,319
Pension deferrals	57,045	-
OPEB deferrals	1,563,679	-
Total	<u>\$ 1,620,724</u>	<u>\$ 111,407</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### **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 regard 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, 2021, 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, 2021

### 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	\$ 91,234
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	32,500
Note payable, bearing interest at 3.80% per annum, with 36 monthly payments of \$2,884 principal and interest, beginning February 2021 and ending January 2024; collateralized by vehicles	84,952
Note payable, bearing interest at 4.00% per annum, with 36 monthly payments of \$1,492 principal and interest, beginning June 2021 and ending May 2024; collateralized by vehicle	49,160
Note payable, bearing interest at 2.92% per annum, with 20 semi-annual payments of \$63,951 principal and interest, beginning July 2020 and ending January 2030; collateralized by marina expansion	1,004,042
Note payable, bearing interest at 3.25% per annum, with 36 monthly payments of \$3,331 principal and interest, beginning April 2020 and ending March 2023; collateralized by vehicles	67,840
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>52,057</u>
Total installment debt	<u>\$ 1,381,785</u>

The Town's outstanding note from direct placements related to the governmental activities of \$91,234 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 \$32,500 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

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 \$84,952 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 \$49,160 is secured by a security interest in a vehicle. 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 vehicle securing the loan and the Town will relinquish all rights to the vehicle.

The Town's outstanding note from direct placements related to the governmental activities of \$1,004,042 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 \$67,840 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 \$52,057 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:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2022	\$ 288,551	\$ 38,467
2023	253,958	30,136
2024	140,904	23,590
2025	107,970	19,932
2026	111,248	16,654
2027-2030	479,154	32,454
Total	<u>\$ 1,381,785</u>	<u>\$ 161,233</u>

## TOWN OF LAKE LURE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

At June 30, 2021, the Town had a legal debt margin of approximately \$64,565,000.

#### General Obligation Indebtedness

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

A schedule of the Town's Water and Sewer Fund 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%.	\$ 279,771
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>639,897</u>
Total	<u>\$ 919,668</u>

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
2022	\$ 119,944	\$ 6,449
2023	119,944	5,159
2024	119,944	3,869
2025	119,944	2,580
2026	119,948	1,290
2027-2031	<u>319,944</u>	<u>-</u>
Total	<u>\$ 919,668</u>	<u>\$ 19,347</u>

# TOWN OF LAKE LURE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>	<u>Current</u>
<b>Governmental Activities:</b>					
Direct placement installment purchases	\$ 1,466,999	\$ 148,383	\$ (233,597)	\$ 1,381,785	\$ 288,551
Net OPEB - medical liability	2,407,090	-	(97,609)	2,309,481	-
Total OPEB - other liability	415,764	79,317	-	495,081	-
Total pension liability (LEO)	289,024	65,173	-	354,197	-
Compensated absences	169,812	98,268	(91,667)	176,413	44,103
Net pension liability (LGRS)	632,885	212,345	-	845,230	-
Total governmental activities	<u>\$ 5,381,574</u>	<u>\$ 603,486</u>	<u>\$ (422,873)</u>	<u>\$ 5,562,187</u>	<u>\$ 332,654</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer Fund:</b>					
Direct borrowing notes payable	\$ 1,039,612	\$ -	\$ (119,944)	\$ 919,668	\$ 119,944
Net OPEB - medical liability	103,531	-	(4,198)	99,333	-
Total OPEB - other liability	24,720	3,411	-	28,131	-
Compensated absences	1,026	5,052	(673)	5,405	1,351
Net pension liability (LGRS)	34,397	11,540	-	45,937	-
Total Water and Sewer Fund	<u>1,203,286</u>	<u>20,003</u>	<u>(124,815)</u>	<u>1,098,474</u>	<u>121,295</u>
<b>Electric Fund:</b>					
Net OPEB - medical liability	77,648	-	(3,149)	74,499	-
Total OPEB - other liability	12,718	2,559	-	15,277	-
Compensated absences	5,602	7,758	(2,971)	10,389	2,597
Net pension liability (LGRS)	20,637	6,924	-	27,561	-
Total Electric Fund	<u>116,605</u>	<u>17,241</u>	<u>(6,120)</u>	<u>127,726</u>	<u>2,597</u>
Total business-type activities	<u>\$ 1,319,891</u>	<u>\$ 37,244</u>	<u>\$ (130,935)</u>	<u>\$ 1,226,200</u>	<u>\$ 123,892</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, 2021

### Interfund Balances and Activity

#### Transfers to/from Other Funds

Transfers to/from other funds for the year ended June 30, 2021 consist of the following:

<u>Fund</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
General Fund	\$ 483,936	\$ -	
Capital Reserve Capital Project Fund	-	483,936	\$0.03 tax collection toward capital expenses
Capital Reserve Capital Project Fund	11,728	-	
General Fund	-	11,728	Fund capital improvements and infrastructure projects
	<u>\$ 495,664</u>	<u>\$ 495,664</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 2022. The loan will be repaid to the General Fund at that time.

The due to/from other funds of \$193,634 at year-end is due to a cash advance from the General Fund to the Electric Fund during the year ended 2021 to cover the negative cash balance.

### 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, 2021, the Town did not reported any revenues and expenditures 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.

### 4. Federal and State-Assisted Programs

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying general-purpose financial statements for the refund of grant monies.

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### **5. 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, 2021 were \$727,802.

### **6. Related Organizations**

The Town of Lake Lure ABC Board is a component unit of the Town of Lake Lure and therefore, are related parties. For the fiscal year ended June 30, 2021, the Town did not receive any tax distributions from the ABC Board.

### **7. Restatement**

During the fiscal year ended June 30, 2021, the Town determined that capital assets had been sold in the prior year accounted for in governmental activities should have been disposed. Therefore, an adjustment to beginning net position decreased net position by \$377,772.

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

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 84, *Fiduciary Activities*, in the fiscal year ended June 30, 2021. The implementation required the Town to report a fund previously reported as an agency fund in a custodial fund. As a result, net position for the custodial fund increased \$10,562.

### **9. Summary Disclosure of Significant Commitments and Contingencies**

#### **Coronavirus Disease (COVID-19)**

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19), a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 may continue to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

### **10. Subsequent Event**

The Town of Lake Lure was awarded \$367,777 from the Federal American Rescue Plan (ARP). Subsequent to year end, the Town received \$183,888. The remaining amount of \$183,889 will be released no sooner than one year after the first disbursement, and may vary slightly depending on funds returned and other factors.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 289,024	\$ 269,421	\$ 325,986	\$ 221,542	\$ 222,873
Service cost	10,725	10,161	9,493	11,812	12,251
Interest on the total pension liability	9,101	9,475	10,157	8,444	7,682
Differences between expected and actual experience in the measurement of the total pension liability	(19,107)	11,199	(58,423)	70,536	-
Changes of assumptions or other inputs	84,166	6,993	(8,656)	19,204	(5,863)
Benefit payments	(19,712)	(18,225)	(9,136)	(5,552)	(15,401)
Ending balance of the total pension liability	<u>\$ 354,197</u>	<u>\$ 289,024</u>	<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 FIVE FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 354,197	\$ 289,024	\$ 269,421	\$ 325,986	\$ 221,542
Covered payroll	437,934	467,995	409,924	476,842	462,140
Total pension liability as a percentage of covered payroll	80.88%	61.76%	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 FIVE FISCAL YEARS \***

	<b>Retiree Health Benefit Fund</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Town's proportion of the net OPEB liability (asset) (%)	0.00895%	0.00818%	0.00788%	0.00900%	0.00992%
Town's proportionate share of the net OPEB liability (asset) (\$)	\$ 2,483,313	\$ 2,588,269	\$ 2,243,524	\$ 2,950,894	\$ 4,316,628
Town's covered payroll*	\$ 1,858,924	\$ 1,779,228	\$ 1,643,398	\$ 1,615,634	\$ 1,659,982
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	133.59%	145.47%	136.52%	182.65%	260.04%
Plan fiduciary net position as a percentage of the total OPEB liability**	6.92%	4.40%	4.40%	3.52%	2.41%

\* 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 FIVE FISCAL YEARS \***

	<b>Retiree Health Benefit Fund</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 126,810	\$ 120,273	\$ 111,558	\$ 99,426	\$ 90,470
Contributions in relation to the contractually required contribution	<u>126,810</u>	<u>120,273</u>	<u>111,558</u>	<u>99,426</u>	<u>90,470</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,898,349	\$ 1,858,924	\$ 1,779,228	\$ 1,643,398	\$ 1,615,634
Contributions as a percentage of covered payroll	6.68%	6.47%	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 FOUR FISCAL YEARS \***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>				
Service cost	\$ 15,377	\$ 13,765	\$ 16,745	\$ 20,070
Interest	16,249	15,580	11,315	10,356
Differences between expected and actual experience	(54,926)	(3,039)	80,222	(476)
Changes of assumptions	117,310	29,565	(19,202)	(50,301)
Benefit payments	<u>(8,723)</u>	<u>(6,303)</u>	<u>(6,494)</u>	<u>(5,303)</u>
Net change in total OPEB liability	85,287	49,568	82,586	(25,654)
Total OPEB liability - beginning	<u>453,202</u>	<u>403,634</u>	<u>321,048</u>	<u>346,702</u>
Total OPEB liability - ending	<u>\$ 538,489</u>	<u>\$ 453,202</u>	<u>\$ 403,634</u>	<u>\$ 321,048</u>
 Covered payroll	 \$ 1,810,286	 \$ 1,533,608	 \$ 1,533,608	 \$ 1,325,312
Total OPEB liability as a percentage of covered payroll	29.75%	29.55%	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>
2021	2.21%
2020	3.50%
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 EIGHT FISCAL YEARS \***

<b>Local Government Employees' Retirement System</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Town's proportion of the net pension liability (asset) (%)	0.02571%	0.02519%	0.02297%	0.02523%
Town's proportion of the net pension liability (asset) (\$)	\$ 918,728	\$ 687,919	\$ 544,926	\$ 385,445
Town's covered payroll*	\$ 1,858,924	\$ 1,779,228	\$ 1,643,398	\$ 1,615,634
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	49.42%	38.66%	33.16%	23.86%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%

\* 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 PROPORTIONATE SHARE  
OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST EIGHT FISCAL YEARS \***

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

**TOWN OF LAKE LURE, NORTH CAROLINA**

**TOWN OF LAKE LURE'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST EIGHT FISCAL YEARS**

<b>Local Government Employees' Retirement System</b>				
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Contractually required contribution	\$ 192,353	\$ 165,217	\$ 138,911	\$ 126,416
Contributions in relation to the contractually required contribution	<u>192,353</u>	<u>165,217</u>	<u>138,911</u>	<u>126,416</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,898,349	\$ 1,858,924	\$ 1,779,228	\$ 1,643,398
Contributions as a percentage of covered payroll	10.13%	8.89%	7.81%	7.69%

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 EIGHT FISCAL YEARS**

<b>Local Government Employees' Retirement System</b>				
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Contractually required contribution	\$ 123,780	\$ 117,305	\$ 111,991	\$ 106,548
Contributions in relation to the contractually required contribution	<u>123,780</u>	<u>117,305</u>	<u>111,991</u>	<u>106,548</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$1,615,634	\$1,659,982	\$1,552,910	\$1,495,102
Contributions as a percentage of covered payroll	7.66%	7.07%	7.21%	7.13%

**TOWN OF LAKE LURE, NORTH CAROLINA****GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Taxes	\$ 3,506,222	\$ 3,514,835	\$ 8,613
Penalties and interest	5,500	9,806	4,306
Total	<u>3,511,722</u>	<u>3,524,641</u>	<u>12,919</u>
<b>Unrestricted Intergovernmental:</b>			
Local option sales tax	1,150,000	1,330,360	180,360
Utilities franchise tax	220,000	219,351	(649)
Video franchise tax	17,826	23,374	5,548
Beer and wine tax	5,050	5,158	108
Total	<u>1,392,876</u>	<u>1,578,243</u>	<u>185,367</u>
<b>Restricted Intergovernmental:</b>			
Powell Bill allocation	68,000	62,443	(5,557)
State grant - Parkland	50,000	-	(50,000)
Solid waste disposal tax	700	917	217
ABC revenue for law enforcement	750	-	(750)
ABC revenue for alcohol education	21,250	1,130	(20,120)
On behalf payments - fire	178,800	-	(178,800)
Other grants	868,070	87,161	(780,909)
CARES Act	45,245	34,405	(10,840)
Total	<u>1,232,815</u>	<u>186,056</u>	<u>(1,046,759)</u>
<b>Permits and Fees:</b>			
Boating permits	595,000	708,622	113,622
Zoning permits	29,000	41,236	12,236
Vacation rental fees	3,500	6,650	3,150
Fire inspection fees	100	50	(50)
Golf cart permits	150	360	210
Total	<u>627,750</u>	<u>756,918</u>	<u>129,168</u>
<b>Sales and Services:</b>			
Marina sales and fees	266,500	399,689	133,189
Beach sales and fees	50,000	63,531	13,531
Other lake fees	74,550	84,446	9,896
Total	<u>391,050</u>	<u>547,666</u>	<u>156,616</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, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Investment Earnings:</b>			
Interest income	3,500	3,756	256
<b>Miscellaneous:</b>			
Rents received	21,000	30,733	9,733
Contributions	10,000	-	(10,000)
Miscellaneous	32,725	51,043	18,318
Total	63,725	81,776	18,051
Total revenues	7,223,438	6,679,056	(544,382)
<b>Expenditures:</b>			
<b>General Government:</b>			
<b>Governing Body:</b>			
Salaries and benefits	14,300	14,210	90
Operating expenses	18,000	13,719	4,281
Total	32,300	27,929	4,371
<b>Administration:</b>			
Salaries and benefits	642,804	614,097	28,707
Operating expenses	304,460	300,325	4,135
Contract services	62,893	60,405	2,488
Capital outlay	37,000	10,200	26,800
Total	1,047,157	985,027	62,130
<b>Central Services:</b>			
Operating expenditures	106,500	101,622	4,878
Capital outlay	33,550	7,800	25,750
Total	140,050	109,422	30,628
Total general government	1,219,507	1,122,378	97,129
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries and benefits	736,040	699,648	36,392
Operating expenses	95,300	87,502	7,798
Capital outlay	90,000	90,000	-
Total	921,340	877,150	44,190

**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, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Fire and EMS:</b>			
Salaries and benefits	563,226	491,661	71,565
Operating expenses	136,750	119,516	17,234
Contract services	207,458	207,458	-
Capital outlay	150,000	-	150,000
Total	1,057,434	818,635	238,799
 Total public safety	 1,978,774	 1,695,785	 282,989
<b>Transportation and Physical Development:</b>			
<b>Streets and Highways:</b>			
Salaries and benefits	380,402	332,290	48,112
Operating expenses	137,500	128,362	9,138
Contracted services	750	570	180
Capital outlay	226,938	224,781	2,157
 Total transportation and physical development	 745,590	 686,003	 59,587
<b>Environmental Protection:</b>			
<b>Sanitation:</b>			
Contracted services	191,400	191,355	45
Tipping fees	38,000	37,857	143
Total	229,400	229,212	188
 <b>Dam:</b>			
Operating expenses	248,781	39,282	209,499
Capital outlay	10,300	-	10,300
Total	259,081	39,282	219,799
 Total environmental protection	 488,481	 268,494	 219,987
<b>Cultural and Recreation:</b>			
<b>Community Development:</b>			
Salaries and benefits	227,005	209,182	17,823
Operating expenses	41,700	23,285	18,415
Contracted services	69,500	57,181	12,319
Capital outlay	50,000	-	50,000
Total	388,205	289,648	98,557

**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, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Parks:</b>			
Salaries and benefits	299,255	285,581	13,674
Operating expenditures	658,550	642,197	16,353
Capital outlay	48,750	-	48,750
Total	<u>1,006,555</u>	<u>927,778</u>	<u>78,777</u>
<b>Beach and Marina:</b>			
Operating expenditures	<u>17,500</u>	<u>13,392</u>	<u>4,108</u>
Total	<u>17,500</u>	<u>13,392</u>	<u>4,108</u>
<b>Golf Course:</b>			
Operating expenditures	5,000	2,700	2,300
Contracted services	<u>101,000</u>	<u>100,340</u>	<u>660</u>
Total	<u>106,000</u>	<u>103,040</u>	<u>2,960</u>
<b>Lake:</b>			
Capital outlay	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>Beach:</b>			
Operating expenditures	7,800	7,800	-
Capital outlay	<u>54,000</u>	<u>54,000</u>	<u>-</u>
Total	<u>61,800</u>	<u>61,800</u>	<u>-</u>
<b>Community Center:</b>			
Capital outlay	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Total cultural and recreation	<u>2,130,060</u>	<u>1,395,658</u>	<u>734,402</u>
<b>Unemployment and Insurance:</b>			
Operating expenditures	<u>158,500</u>	<u>145,345</u>	<u>13,155</u>
<b>Special Projects:</b>			
Operating expenditures	<u>544,500</u>	<u>68,712</u>	<u>475,788</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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Debt Service:</b>			
Principal retirement	257,582	233,597	23,985
Interest and other charges	75,480	26,880	48,600
Total	<u>333,062</u>	<u>260,477</u>	<u>72,585</u>
 Total expenditures	 <u>7,598,474</u>	 <u>5,642,852</u>	 <u>1,955,622</u>
 Revenues over (under) expenditures	 <u>(375,036)</u>	 <u>1,036,204</u>	 <u>1,411,240</u>
 <b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(529,181)	(483,936)	45,245
Transfers from other funds	757,717	11,728	(745,989)
Proceeds from long-term debt	<u>146,500</u>	<u>148,383</u>	<u>1,883</u>
Total other financing sources (uses)	<u>375,036</u>	<u>(323,825)</u>	<u>(698,861)</u>
 Net change in fund balance	 <u>\$ -</u>	 712,379	 <u>\$ 712,379</u>
 <b>Fund Balance:</b>			
Beginning of year - July 1		<u>4,379,347</u>	
 End of year - June 30		<u><u>\$ 5,091,726</u></u>	

**TOWN OF LAKE LURE, NORTH CAROLINA****NONMAJOR GOVERNMENTAL FUNDS****COMBINING BALANCE SHEET****JUNE 30, 2021**

	<b>Special Revenue Fund</b>	<b>Capital Project Funds</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 75,000	\$ 719,457	\$ 794,457
Restricted cash	-	2,871	2,871
Total assets	<u>\$ 75,000</u>	<u>\$ 722,328</u>	<u>\$ 797,328</u>
<b>Fund Balances:</b>			
Restricted, all other	\$ 75,000	\$ 2,871	\$ 77,871
Committed	-	716,005	716,005
Assigned	-	3,452	3,452
Total fund balances	<u>\$ 75,000</u>	<u>\$ 722,328</u>	<u>\$ 797,328</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, 2021**

	<b>Special Revenue Fund</b>	<b>Capital Project Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 642	\$ 642
<b>Expenditures:</b>			
Current:			
Cultural and recreation	-	134,054	134,054
Revenues over (under) expenditures	-	(133,412)	(133,412)
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	-	483,936	483,936
Transfers to other funds	-	(11,728)	(11,728)
Total other financing sources (uses)	-	472,208	472,208
Net change in fund balances	-	338,796	338,796
<b>Fund Balances:</b>			
Beginning of year - July 1	75,000	383,532	458,532
End of year - June 30	<u>\$ 75,000</u>	<u>\$ 722,328</u>	<u>\$ 797,328</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, 2021**

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

## TOWN OF LAKE LURE, NORTH CAROLINA

## NONMAJOR CAPITAL PROJECT FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2021

	Capital Reserve and Silt Removal Capital Project Fund	Capital Reserve Capital Project Fund	Marina Slip Expansion and Boardwalk Replacement Capital Project Fund	Total Nonmajor Capital Project Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 64,265	\$ 651,740	\$ 3,452	\$ 719,457
Restricted cash	-	-	2,871	2,871
Total assets	<u>\$ 64,265</u>	<u>\$ 651,740</u>	<u>\$ 6,323</u>	<u>\$ 722,328</u>
<b>Fund Balances:</b>				
Restricted, all other	\$ -	\$ -	\$ 2,871	\$ 2,871
Committed	64,265	651,740	-	716,005
Assigned	-	-	3,452	3,452
Total fund balances	<u>\$ 64,265</u>	<u>\$ 651,740</u>	<u>\$ 6,323</u>	<u>\$ 722,328</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, 2021**

	<b>Capital Reserve and Silt Removal Capital Project Fund</b>	<b>Capital Reserve Capital Project Fund</b>	<b>Marina Slip Expansion and Boardwalk Replacement Capital Project Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 642	\$ 642
<b>Expenditures:</b>				
Current:				
Cultural and recreation	-	-	134,054	134,054
Revenues over (under) expenditures	-	-	(133,412)	(133,412)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	-	483,936	-	483,936
Transfers to other funds	-	(11,728)	-	(11,728)
Total other financing sources (uses)	-	472,208	-	472,208
Net change in fund balances	-	472,208	(133,412)	338,796
<b>Fund Balances:</b>				
Beginning of year - July 1	64,265	179,532	139,735	383,532
End of year - June 30	<u>\$ 64,265</u>	<u>\$ 651,740</u>	<u>\$ 6,323</u>	<u>\$ 722,328</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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	\$ -	\$ -	\$ -
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>64,265</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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	\$ 483,936	\$ 483,936	\$ -
Transfers to other funds	<u>(483,936)</u>	<u>(11,728)</u>	<u>472,208</u>
Total other financing sources (uses)	<u>-</u>	<u>472,208</u>	<u>472,208</u>
 Net change in fund balance	 <u>\$ -</u>	 472,208	 <u>\$ 472,208</u>
 <b>Fund Balance:</b>			
Beginning of year - July 1		<u>179,532</u>	
End of year - June 30		<u>\$ 651,740</u>	

## TOWN OF LAKE LURE, NORTH CAROLINA

MARINA SLIP EXPANSION AND BOARDWALK  
REPLACEMENT CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

		Actual			
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Over/Under
<b>Revenues:</b>					
Interest revenue	\$ -	\$ 3,359	\$ 642	\$ 4,001	\$ 4,001
<b>Expenditures:</b>					
Cultural and recreation:					
Demolition	35,000	35,000	-	35,000	-
Construction - docks and boardwalk	919,292	899,554	123,065	1,022,619	(103,327)
Boat ramp	78,608	22,550	217	22,767	55,841
Security cameras	17,100	6,520	10,772	17,292	(192)
Contingency	50,000	-	-	-	50,000
Total expenditures	1,100,000	963,624	134,054	1,097,678	2,322
Revenues over (under) expenditures	(1,100,000)	(960,265)	(133,412)	(1,093,677)	6,323
<b>Other Financing Sources (Uses):</b>					
Proceeds from long-term debt	1,100,000	1,100,000	-	1,100,000	-
Net change in fund balance	\$ -	\$ 139,735	\$ (133,412)	\$ 6,323	\$ 6,323

**TOWN OF LAKE LURE, NORTH CAROLINA****ELECTRIC FUND****SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 600,000	\$ 727,802	\$ 127,802
Non-operating revenues:			
Interest earnings	<u>1,500</u>	<u>292</u>	<u>(1,208)</u>
Total revenues	<u>601,500</u>	<u>728,094</u>	<u>126,594</u>
<b>Expenditures:</b>			
Operations:			
Salaries and employee benefits	281,238	242,761	38,477
Operating expenditures	172,775	136,056	36,719
Capital outlay	<u>219,900</u>	<u>218,910</u>	<u>990</u>
Total	<u>673,913</u>	<u>597,727</u>	<u>76,186</u>
Total expenditures	<u>673,913</u>	<u>597,727</u>	<u>76,186</u>
Revenues over (under) expenditures	<u>(72,413)</u>	<u>130,367</u>	<u>202,780</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	188,375	-	(188,375)
Transfers out	<u>(115,962)</u>	<u>-</u>	<u>115,962</u>
Total other financing sources (uses)	<u>72,413</u>	<u>-</u>	<u>(72,413)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>130,367</u>	<u>\$ 130,367</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Reconciling items:			
Depreciation		(111,490)	
Change in compensated absences		(4,787)	
Change in other insurance plan OPEB liability		(2,559)	
Change in deferred outflows of resources - other insurance plan OPEB		2,544	
Change in deferred inflows of resources - other insurance plan OPEB		(1,129)	
Change in RHBF OPEB liability		3,149	
Change in deferred outflows of resources - RHBF OPEB		7,459	
Change in deferred inflows of resources - RHBF OPEB		(1,497)	
Change in deferred outflows - pension		2,987	
Change in net pension liability		(6,924)	
Change in deferred inflows - pension		365	
Capital asset additions		<u>218,910</u>	
Change in net position		<u>\$ 237,395</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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for service	\$ 1,540,000	\$ 1,611,096	\$ 71,096
Water and sewer taps	10,000	5,709	(4,291)
Other operating revenues	19,360	31,805	12,445
Total operating revenues	<u>1,569,360</u>	<u>1,648,610</u>	<u>79,250</u>
Non-operating revenues:			
Miscellaneous revenues	-	139	139
Interest earnings	750	749	(1)
Total non-operating revenues	<u>750</u>	<u>888</u>	<u>138</u>
Total revenues	<u>1,570,110</u>	<u>1,649,498</u>	<u>79,388</u>
<b>Expenditures:</b>			
Water administration and operations:			
Salaries and employee benefits	37,642	34,456	3,186
Operating expenditures	110,283	97,304	12,979
Capital outlay	197,000	-	197,000
Total water administration and operations	<u>344,925</u>	<u>131,760</u>	<u>213,165</u>
Sewer administration and operations:			
Salaries and employee benefits	3,000	1,560	1,440
Operating expenditures	580,300	567,510	12,790
Engineering costs	162,125	161,693	432
Total sewer administration and operations	<u>745,425</u>	<u>730,763</u>	<u>14,662</u>
Debt service:			
Principal	119,945	119,944	1
Interest	9,030	7,738	1,292
Total debt service	<u>128,975</u>	<u>127,682</u>	<u>1,293</u>
Total expenditures	<u>1,219,325</u>	<u>990,205</u>	<u>229,120</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, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
Revenues over (under) expenditures	<u>350,785</u>	<u>659,293</u>	<u>308,508</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	200,658	-	(200,658)
Transfers to other funds	<u>(551,443)</u>	<u>-</u>	<u>551,443</u>
Total other financing sources (uses)	<u>(350,785)</u>	<u>-</u>	<u>350,785</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	659,293	<u>\$ 659,293</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Reconciling items:			
Depreciation		(317,523)	
Principal retirement		119,944	
Change in compensated absences		(4,379)	
Change in other insurance plan OPEB liability		(3,411)	
Change in deferred outflows of resources - other insurance plan OPEB		3,392	
Change in deferred inflows of resources - other insurance plan OPEB		(1,506)	
Change in RHBF OPEB liability		4,198	
Change in deferred outflows of resources - RHBF OPEB		9,946	
Change in deferred inflows of resources - RHBF OPEB		(1,996)	
Change in deferred outflows - pension		4,979	
Change in net pension liability		(11,540)	
Change in deferred inflows - pension		<u>608</u>	
Change in net position		<u>\$ 462,005</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, 2021**

		<b>Actual</b>			
	<b><u>Project Authorization</u></b>	<b><u>Prior Years</u></b>	<b><u>Current Year</u></b>	<b><u>Total To Date</u></b>	<b><u>Variance Over/Under</u></b>
<b>Expenditures:</b>					
Construction	\$ 10,715,591	\$ -	\$ -	\$ -	\$ 10,715,591
Contingency	610,000	-	-	-	610,000
Engineering costs	1,254,670	142,774	-	142,774	1,111,896
Closing costs	<u>251,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,605</u>
Total expenditures	<u>12,831,866</u>	<u>142,774</u>	<u>-</u>	<u>142,774</u>	<u>12,689,092</u>
Revenues over (under) expenditures	(12,831,866)	(142,774)	-	(142,774)	12,689,092
<b>Other Financing Sources (Uses):</b>					
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>\$ (142,774)</u>	<u>\$ -</u>	<u>\$ (142,774)</u>	<u>\$ (142,774)</u>



**TOWN OF LAKE LURE, NORTH CAROLINA****SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2021**

<b>Year Ended June 30</b>	<b>Uncollected Balance July 1, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
2020-2021	\$ -	\$ 3,510,481	\$ 3,480,024	\$ 30,457
2019-2020	37,814	-	18,159	19,655
2018-2019	30,619	-	5,872	24,747
2017-2018	18,325	-	3,268	15,057
2016-2017	16,308	-	2,115	14,193
2015-2016	14,233	-	1,137	13,096
2014-2015	12,750	-	1,250	11,500
2013-2014	7,750	-	1,293	6,457
2012-2013	9,611	-	905	8,706
2011-2012	7,652	-	293	7,359
2010-2011	6,922	-	6,922	-
Total	<u>\$ 161,984</u>	<u>\$ 3,510,481</u>	<u>\$ 3,521,238</u>	<u>151,227</u>
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(58,139)</u>
Ad valorem taxes receivable, net				<u>\$ 93,088</u>
<b>Reconciliation with Revenues:</b>				
Taxes - ad valorem				\$ 3,524,641
Reconciling items:				
Interest collected				(9,806)
Miscellaneous adjustments				(519)
Amounts written off for tax years per Statute of Limitations				<u>6,922</u>
Total collections and credit				<u>\$ 3,521,238</u>

## TOWN OF LAKE LURE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
TOWN-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2021

				Total Levy	
	Town-Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Amount of Levy		
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 835,156,776	0.420	\$ 3,507,658	\$ 3,432,707	\$ 74,951
<b>Discoveries</b>	<u>672,131</u>		<u>2,823</u>	<u>2,823</u>	<u>-</u>
Total property valuation	<u>\$ 835,828,907</u>				
<b>Net Levy</b>			3,510,481	3,435,530	74,951
Uncollected taxes at June 30, 2021			<u>(30,457)</u>	<u>(30,457)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 3,480,024</u>	<u>\$ 3,405,073</u>	<u>\$ 74,951</u>
<b>Current Levy Collection Percentage</b>			<u>99.13%</u>	<u>99.11%</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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 19, 2021. 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 *Governmental Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable non-compliance associated with the Town of Lake Lure ABC Board.

### **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) as a basis for designing 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002 that we consider to be material weaknesses.

### **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 financial statements. 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  
November 19, 2021

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

## **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021**

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

#### **Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	None reported
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, 2021**

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

##### **Material Weakness**

##### **Finding 2021-001: 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:** 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, 2020-001.

**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 findings 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, 2021**

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

##### **Material Weakness**

##### **Finding 2021-002: Prior Period Adjustment**

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

**Condition:** During the fiscal year ended June 30, 2021, the Town determined that capital assets had been sold in the prior year accounted for in governmental activities should have been disposed. Therefore, an adjustment to beginning net position decreased net position by \$377,772.

**Effect:** For the statements affected, the prior year financial statements were misstated.

**Cause:** The disposal was missed during the review of the capital assets reports by management.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2020-002, modified.

**Recommendation:** Additional detailed review of capital asset and depreciation reports should be implemented to prevent prior period adjustments in the future.

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

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the findings 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, 2021**

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

##### **Material Weakness**

##### **Finding 2021-001: Segregation of Duties**

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

**Corrective Action:** There are limited Town resources; the Town has budgeted an accountant position and has contracted a third party to generate journal entries and these are reviewed by the Finance Officer. An additional accountant position has been recently hired and is the process of training. Additional staff has taken on various duties as front desk balances daily deposits and assistant finance director has taken over payroll duties.

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

##### **Material Weakness**

##### **Finding 2021-002: Prior Period Adjustment**

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

**Corrective Action:** The Town sold property at the end of previous fiscal year that was disposed, but not recorded and removed from ledger. Disposal was missed during the review of the capital assets report. Additional detailed review of capital asset and depreciation reports will be implemented to prevent prior period adjustments in the future.

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



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

### **SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2021**

**Finding 2020-001:**

**Status:** Repeated as 2021-001.

**Finding 2020-002:**

**Status:** Modified and repeated as 2021-002.

**Finding 2020-003:**

**Status:** Corrected.

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