

**TOWN OF LAKE LURE
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

TOWN OF LAKE LURE, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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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 Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying 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, 2022, 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.

We did not audit the financial statements of the Town of Lake Lure ABC Board. Those statements were audited by other auditors whose report 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit Financial Statements section of our report. We are required to be independent of the Town of Lake Lure, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Town of Lake Lure ABC Board were not audited in accordance with *Government Auditing Standards*.

Change in Accounting Principle

As discussed in note 10 to the financial statements, for fiscal year ended June 30, 2022, the Town of Lake Lure adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Lake Lure's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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-Employee 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 Governmental Employees' Retirement System Proportionate Share of Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied 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 and the report of other auditor, the combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards 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 July 21, 2023 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 grants agreements, and other matters. The purpose of the 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'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's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
July 21, 2023

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, 2022. 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

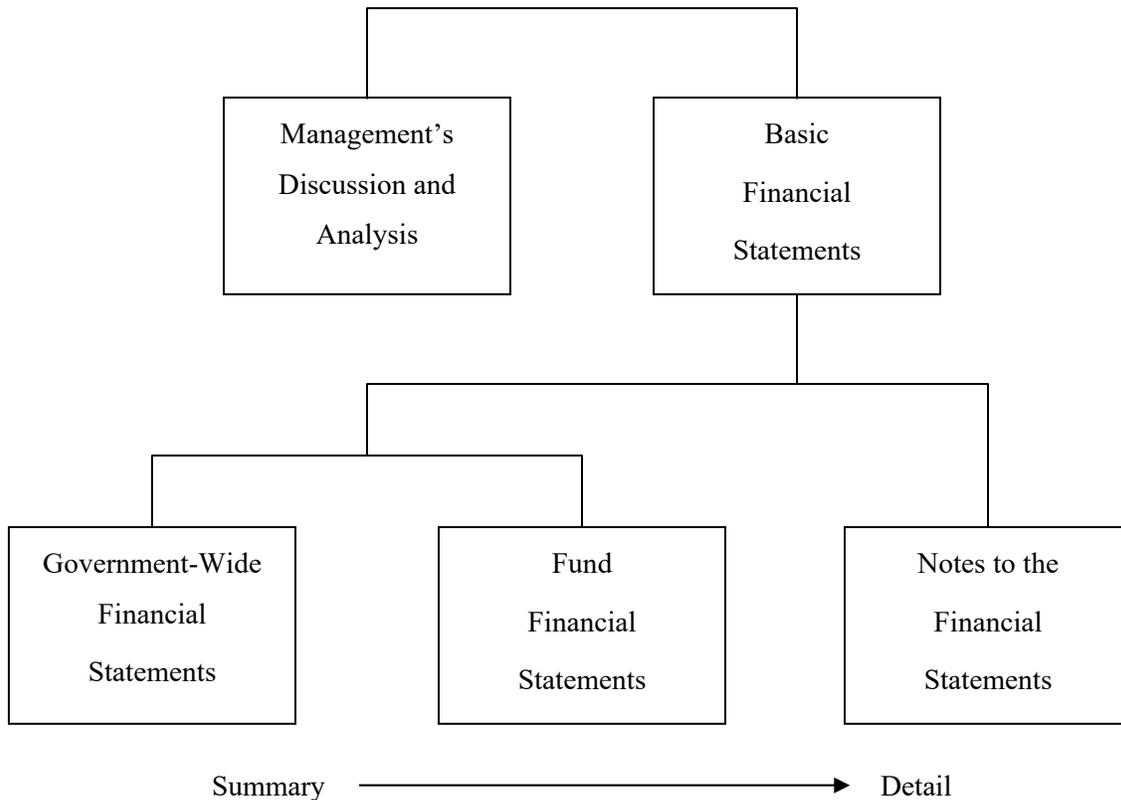
- The assets and deferred outflows of resources of the Town of Lake Lure exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,106,854 (*net position*).
- The government's total net position increased by \$3,991,751, due to increases in both the governmental activities and business-type activities net position.
- As of the close of the current fiscal year, the Town of Lake Lure's governmental funds reported an ending fund balance of \$7,576,039, an increase of \$1,686,985 in comparison with the prior year. Approximately 17.32% of this total amount, or \$1,312,120, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,894,432, or 42.0%, of total General Fund expenditures and transfers out for the fiscal year. Total fund balance at the end of the current fiscal year was \$5,176,381. Approximately 76.27% of this total amount, or \$3,948,100 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 | |
|---|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets and Deferred | | | | | | |
| Outflows of Resources: | | | | | | |
| Current and other assets | \$ 24,663,954 | \$ 6,206,118 | \$ 1,786,369 | \$ 890,141 | \$ 26,450,323 | \$ 7,096,259 |
| Right to use leased assets | 30,804 | - | - | - | 30,804 | - |
| Capital assets | 9,809,277 | 8,804,535 | 8,040,475 | 7,425,196 | 17,849,752 | 16,229,731 |
| Deferred outflows of resources | 1,954,611 | 1,349,991 | 153,289 | 98,569 | 2,107,900 | 1,448,560 |
| Total assets and deferred outflows of resources | 36,458,646 | 16,360,644 | 9,980,133 | 8,413,906 | 46,438,779 | 24,774,550 |
| Liabilities and Deferred | | | | | | |
| Inflows of Resources: | | | | | | |
| Current liabilities | 17,263,989 | 552,250 | 785,606 | 154,632 | 18,049,595 | 706,882 |
| Other liabilities | 5,495,412 | 5,229,533 | 999,728 | 1,102,308 | 6,495,140 | 6,331,841 |
| Deferred inflows of resources | 1,652,245 | 1,510,316 | 134,945 | 110,408 | 1,787,190 | 1,620,724 |
| Total liabilities and deferred inflows of resources | 24,411,646 | 7,292,099 | 1,920,279 | 1,367,348 | 26,331,925 | 8,659,447 |
| Net Position: | | | | | | |
| Net investment in capital assets | 8,376,031 | 7,425,621 | 7,240,751 | 6,505,528 | 15,616,782 | 13,931,149 |
| Stabilization for state statute | 1,227,501 | 999,328 | - | - | 1,227,501 | 999,328 |
| Other restricted | 81,087 | 78,668 | - | - | 81,087 | 78,668 |
| Unrestricted | 2,362,381 | 564,928 | 819,103 | 541,030 | 3,181,484 | 1,105,958 |
| Total net position | \$ 12,047,000 | \$ 9,068,545 | \$ 8,059,854 | \$ 7,046,558 | \$ 20,106,854 | \$ 16,115,103 |

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 \$20,106,854 as of June 30, 2022. The Town's net position increased by \$3,991,751 for the fiscal year ended June 30, 2022. The largest portion of net position (77.67%) 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, 2022 was \$1,308,588. The remaining balance of \$3,184,484 is unrestricted.

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

- Purchasing additional capital assets and equipment
- Sustained increase in Water & Sewer Fund operating revenues
- Federal and State funding of major capital improvements and expansions

Town of Lake Lure's Changes in Net Position

Figure 3

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|---------------------|---------------------------------|---------------------|----------------------|----------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,351,057 | \$ 1,346,503 | \$ 1,946,208 | \$ 2,376,551 | \$ 3,297,265 | \$ 3,723,054 |
| Operating grants and contributions | 539,405 | 216,995 | - | - | 539,405 | 216,995 |
| Capital grants and contributions | 882,854 | - | 1,012,000 | - | 1,894,854 | - |
| General revenues: | | | | | | |
| Property taxes | 4,490,877 | 3,512,333 | - | - | 4,490,877 | 3,512,333 |
| Other taxes restricted to specific programs | 2,034,390 | 1,578,243 | - | - | 2,034,390 | 1,578,243 |
| Other | 5,904 | 4,398 | 1,803 | 1,041 | 7,707 | 5,439 |
| Total revenues | <u>9,304,487</u> | <u>6,658,472</u> | <u>2,960,011</u> | <u>2,377,592</u> | <u>12,264,498</u> | <u>9,036,064</u> |
| Expenses: | | | | | | |
| General government | 1,570,292 | 1,477,286 | - | - | 1,570,292 | 1,477,286 |
| Public safety | 1,598,898 | 1,635,166 | - | - | 1,598,898 | 1,635,166 |
| Transportation and physical development | 512,904 | 508,208 | - | - | 512,904 | 508,208 |
| Environmental protection | 492,925 | 268,494 | - | - | 492,925 | 268,494 |
| Cultural and recreation | 1,922,317 | 1,446,358 | - | - | 1,922,317 | 1,446,358 |
| Interest on long-term debt | 44,808 | 40,819 | - | - | 44,808 | 40,819 |
| Water and sewer | - | - | 1,625,882 | 1,187,493 | 1,625,882 | 1,187,493 |
| Electric | - | - | 504,721 | 490,699 | 504,721 | 490,699 |
| Total expenses | <u>6,142,144</u> | <u>5,376,331</u> | <u>2,130,603</u> | <u>1,678,192</u> | <u>8,272,747</u> | <u>7,054,523</u> |
| Change in net position before transfers and special items | 3,162,343 | 1,282,141 | 829,408 | 699,400 | 3,991,751 | 1,981,541 |
| Transfers | (183,888) | - | 183,888 | - | - | - |
| Change in net position | <u>2,978,455</u> | <u>1,282,141</u> | <u>1,013,296</u> | <u>699,400</u> | <u>3,991,751</u> | <u>1,981,541</u> |
| Net Position: | | | | | | |
| Beginning of year - July 1 | 9,068,545 | 8,164,176 | 7,046,558 | 6,347,158 | 16,115,103 | 14,511,334 |
| Restatement | - | (377,772) | - | - | - | (377,772) |
| Beginning of year, as restated | <u>9,068,545</u> | <u>7,786,404</u> | <u>7,046,558</u> | <u>6,347,158</u> | <u>16,115,103</u> | <u>14,133,562</u> |
| End of year - June 30 | <u>\$ 12,047,000</u> | <u>\$ 9,068,545</u> | <u>\$ 8,059,854</u> | <u>\$ 7,046,558</u> | <u>\$ 20,106,854</u> | <u>\$ 16,115,103</u> |

Governmental Activities. Governmental activities increased the Town of Lake Lure's net position by \$2,978,455. Key elements of this increase are as follows:

- Increase in lake and recreation revenues
- Increase in state shared sales tax revenues
- Renewal of lake dredging grant received
- Increase in property tax collections

Business-Type Activities. Business-type activities increased the Town of Lake Lure's net position by \$1,013,296. Key elements of this increase are as follows:

- New power purchase agreement with Duke Energy
- Personnel reallocation from Hydro Operations
- 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 \$3,948,100, while total fund balance was \$5,176,381. 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 42.58% of total General Fund expenditures and transfers out, while total fund balance represents 55.83% of total General Fund expenditures and transfers out.

At June 30, 2022, the governmental funds of the Town of Lake Lure reported a combined fund balance of \$7,576,039 with a net increase in fund balance of \$1,686,985. 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 \$343,853.

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 \$7,473,842 with \$1,267,843 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 \$586,012 with (\$448,740) 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, 2022 totals \$17,849,752 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 | |
|----------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | \$ 3,073,479 | \$ 3,073,479 | \$ 90,189 | \$ 90,189 | \$ 3,163,668 | \$ 3,163,668 |
| Construction in progress | 459,396 | 1,557,074 | 654,774 | 142,774 | 1,114,170 | 1,699,848 |
| Buildings and system | 2,950,544 | 2,950,544 | 3,958,286 | 3,958,286 | 6,908,830 | 6,908,830 |
| Other improvements | 2,817,413 | 1,719,645 | 1,625,772 | 1,619,572 | 4,443,185 | 3,339,217 |
| Equipment and furniture | 977,171 | 611,196 | 1,252,523 | 1,170,954 | 2,229,694 | 1,782,150 |
| Infrastructure | 3,663,809 | 2,703,639 | 6,801,171 | 6,349,885 | 10,464,980 | 9,053,524 |
| Vehicles and motorized equipment | 2,503,050 | 2,265,801 | 93,828 | 136,021 | 2,596,878 | 2,401,822 |
| Accumulated depreciation | (6,635,585) | (6,076,843) | (6,436,068) | (6,042,485) | (13,071,653) | (12,119,328) |
| Total | <u>\$ 9,809,277</u> | <u>\$ 8,804,535</u> | <u>\$ 8,040,475</u> | <u>\$ 7,425,196</u> | <u>\$ 17,849,752</u> | <u>\$ 16,229,731</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, 2022, the Town of Lake Lure had total notes payable outstanding of \$2,235,821, 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 | |
|---------------------------------|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Installment obligations | \$ 1,436,097 | \$ 1,381,785 | \$ - | \$ - | \$ 1,436,097 | \$ 1,381,785 |
| General obligation indebtedness | - | - | 799,724 | 919,668 | 799,724 | 919,668 |
| Total | <u>\$ 1,436,097</u> | <u>\$ 1,381,785</u> | <u>\$ 799,724</u> | <u>\$ 919,668</u> | <u>\$ 2,235,821</u> | <u>\$ 2,301,453</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 \$64,624,000.

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:

- The Town will maintain a fair and healthy property tax rate
- The Town has experienced a steady increase in tourism.
- Capital items and repairs continue to trend upward
- Streamline personnel cost in General Fund and Hyrdo fund
- Maintain water and sewer rates that will continue to fund repairs over the next 5 years

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities. The Town of Lake Lure maintains a tax rate of 53 cents per \$100. 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 \$20 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, Stephen Ford, 2948 Memorial Highway, Lake Lure, North Carolina 28746.

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TOWN OF LAKE LURE, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2022**

| | Primary Government | | | Town of Lake Lure ABC Board |
|--|----------------------------|-----------------------------|--------------|-----------------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 6,667,064 | \$ 1,049,354 | \$ 7,716,418 | \$ 599,469 |
| Taxes receivable, net | 73,741 | - | 73,741 | - |
| Accounts receivable, net | 43,219 | 223,516 | 266,735 | - |
| Lease receivable | - | 11,313 | 11,313 | - |
| Internal balances | 542,079 | (542,079) | - | - |
| Due from other governments | 830,651 | 1,012,000 | 1,842,651 | - |
| Inventories | 780 | 32,265 | 33,045 | 203,530 |
| Prepaid expenses | - | - | - | 4,736 |
| Total current assets | 8,157,534 | 1,786,369 | 9,943,903 | 807,735 |
| Non-current assets: | | | | |
| Right to use leased assets, net of amortization | 30,804 | - | 30,804 | - |
| Restricted assets: | | | | |
| Cash and cash equivalents, restricted | 16,506,420 | - | 16,506,420 | - |
| Capital assets: | | | | |
| Land and other non-depreciable capital assets | 3,532,875 | 744,963 | 4,277,838 | - |
| Depreciable capital assets, net | 6,276,402 | 7,295,512 | 13,571,914 | 15,268 |
| Total capital assets | 9,809,277 | 8,040,475 | 17,849,752 | 15,268 |
| Total non-current assets | 26,346,501 | 8,040,475 | 34,386,976 | 15,268 |
| Total assets | 34,504,035 | 9,826,844 | 44,330,879 | 823,003 |
| Deferred Outflows of Resources: | | | | |
| Pension deferrals | 712,167 | 53,909 | 766,076 | - |
| RHBF OPEB deferrals | 1,102,168 | 89,092 | 1,191,260 | - |
| Other insurance plan OPEB deferrals | 140,276 | 10,288 | 150,564 | - |
| Total deferred outflows of resources | 1,954,611 | 153,289 | 2,107,900 | - |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | 325,726 | 663,160 | 988,886 | 446,876 |
| Advance from grantor | 16,500,000 | - | 16,500,000 | - |
| Accrued interest payable | 13,175 | - | 13,175 | - |
| Current portion of compensated absences | 47,438 | 2,502 | 49,940 | - |
| Current portion of lease liabilities | 9,148 | - | 9,148 | - |
| Current portion of long-term liabilities | 368,502 | 119,944 | 488,446 | - |
| Total current liabilities | 17,263,989 | 785,606 | 18,049,595 | 446,876 |

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

TOWN OF LAKE LURE, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2022

| | Primary Government | | | Town of Lake Lure ABC Board |
|---------------------------------------|----------------------------|-----------------------------|---------------|-----------------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Long-term liabilities: | | | | |
| Total pension liability (LEO) | 364,542 | - | 364,542 | - |
| Net pension liability (LGERS) | 379,253 | 32,978 | 412,231 | - |
| RHBF OPEB liability | 3,001,046 | 233,968 | 3,235,014 | - |
| Other insurance plan OPEB liability | 519,106 | 45,497 | 564,603 | - |
| Compensated absences | 142,313 | 7,505 | 149,818 | - |
| Due in more than one year | 1,089,152 | 679,780 | 1,768,932 | - |
| Total long-term liabilities | 5,495,412 | 999,728 | 6,495,140 | - |
| Total liabilities | 22,759,401 | 1,785,334 | 24,544,735 | 446,876 |
| Deferred Inflows of Resources: | | | | |
| Pension deferrals | 579,126 | 47,330 | 626,456 | - |
| RHBF OPEB deferrals | 1,004,093 | 71,239 | 1,075,332 | - |
| Other insurance plan OPEB deferrals | 69,026 | 5,078 | 74,104 | - |
| Leases | - | 11,298 | 11,298 | - |
| Total deferred inflows of resources | 1,652,245 | 134,945 | 1,787,190 | - |
| Net Position: | | | | |
| Net investment in capital assets | 8,376,031 | 7,240,751 | 15,616,782 | 15,268 |
| Restricted for: | | | | |
| Stabilization by state statute | 1,227,501 | - | 1,227,501 | - |
| Working capital | - | - | - | 41,592 |
| Municipality profit distribution | - | - | - | 17,536 |
| Public safety | 3,668 | - | 3,668 | - |
| Economic and physical development | 2,419 | - | 2,419 | - |
| Cultural and recreation | 75,000 | - | 75,000 | - |
| Unrestricted | 2,362,381 | 819,103 | 3,181,484 | 301,731 |
| Total net position | \$ 12,047,000 | \$ 8,059,854 | \$ 20,106,854 | \$ 376,127 |

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

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TOWN OF LAKE LURE, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| | Expenses | Program Revenues | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Functions/Programs: | | | | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 1,570,292 | \$ 40,799 | \$ 240,528 | \$ - |
| Public safety | 1,598,898 | 30 | 52,142 | - |
| Transportation and physical development | 512,904 | - | 76,606 | - |
| Environmental protection | 492,925 | 59,275 | - | 882,854 |
| Cultural and recreation | 1,922,317 | 1,250,953 | 170,129 | - |
| Interest on long-term debt | 44,808 | - | - | - |
| Total governmental activities | <u>6,142,144</u> | <u>1,351,057</u> | <u>539,405</u> | <u>882,854</u> |
| Business-Type Activities: | | | | |
| Electric | 504,721 | 321,999 | - | - |
| Water and sewer | <u>1,625,882</u> | <u>1,624,209</u> | - | <u>1,012,000</u> |
| Total business-type activities | <u>2,130,603</u> | <u>1,946,208</u> | - | <u>1,012,000</u> |
| Total primary government | <u>\$ 8,272,747</u> | <u>\$ 3,297,265</u> | <u>\$ 539,405</u> | <u>\$ 1,894,854</u> |
| Component Unit: | | | | |
| ABC Board | <u>\$ 1,349,771</u> | <u>\$ 1,413,495</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, 2022

| | Net (Expense) Revenue and Changes in Net Position | | | Town of Lake Lure ABC Board |
|--|---|-----------------------------|----------------------|-----------------------------------|
| | Primary Government | | | |
| | Governmental Activities | Business-Type Activities | Total | |
| Functions/Programs: | | | | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ (1,288,965) | \$ - | \$ (1,288,965) | |
| Public safety | (1,546,726) | - | (1,546,726) | |
| Transportation and physical development | (436,298) | - | (436,298) | |
| Environmental protection | 449,204 | - | 449,204 | |
| Cultural and recreation | (501,235) | - | (501,235) | |
| Interest on long-term debt | (44,808) | - | (44,808) | |
| Total governmental activities | <u>(3,368,828)</u> | <u>-</u> | <u>(3,368,828)</u> | |
| Business-Type Activities: | | | | |
| Electric | - | (182,722) | (182,722) | |
| Water and sewer | - | 1,010,327 | 1,010,327 | |
| Total business-type activities | <u>-</u> | <u>827,605</u> | <u>827,605</u> | |
| Total primary government | <u>(3,368,828)</u> | <u>827,605</u> | <u>(2,541,223)</u> | |
| Component Unit: | | | | |
| ABC Board | | | | \$ <u>63,724</u> |
| General Revenues: | | | | |
| Ad valorem taxes | 4,490,877 | - | 4,490,877 | - |
| Local option sales tax | 1,750,560 | - | 1,750,560 | - |
| Utilities franchise tax | 259,390 | - | 259,390 | - |
| Video franchise tax | 19,034 | - | 19,034 | - |
| Beer and wine tax | 5,406 | - | 5,406 | - |
| Investment earnings | 5,904 | 1,803 | 7,707 | 627 |
| Total general revenues | <u>6,531,171</u> | <u>1,803</u> | <u>6,532,974</u> | <u>627</u> |
| Transfers | <u>(183,888)</u> | <u>183,888</u> | <u>-</u> | <u>-</u> |
| Total general revenues and transfers | <u>6,347,283</u> | <u>185,691</u> | <u>6,532,974</u> | <u>627</u> |
| Change in net position | 2,978,455 | 1,013,296 | 3,991,751 | 64,351 |
| Net Position: | | | | |
| Beginning of year - July 1 | <u>9,068,545</u> | <u>7,046,558</u> | <u>16,115,103</u> | <u>311,776</u> |
| End of year - June 30 | <u>\$ 12,047,000</u> | <u>\$ 8,059,854</u> | <u>\$ 20,106,854</u> | <u>\$ 376,127</u> |

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

TOWN OF LAKE LURE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

| | Major Funds | | Nonmajor Funds | Total Governmental Funds |
|---|---------------------|--------------------------|--------------------------|--------------------------|
| | General Fund | Dam Capital Project Fund | Other Governmental Funds | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 4,270,158 | \$ 2,419 | \$ 2,394,487 | \$ 6,667,064 |
| Taxes receivable, net | 73,741 | - | - | 73,741 |
| Accounts receivable, net | 43,219 | - | - | 43,219 |
| Inventories | 780 | - | - | 780 |
| Due from other governments | 830,651 | - | - | 830,651 |
| Due from other funds | 329,104 | - | - | 329,104 |
| Advances to other funds | 212,975 | - | - | 212,975 |
| Restricted cash and cash equivalents | 3,668 | 16,500,000 | 2,752 | 16,506,420 |
| Total assets | <u>\$ 5,764,296</u> | <u>\$ 16,502,419</u> | <u>\$ 2,397,239</u> | <u>\$ 24,663,954</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 325,726 | \$ - | \$ - | \$ 325,726 |
| Grants received in advance | - | 16,500,000 | - | 16,500,000 |
| Total liabilities | <u>325,726</u> | <u>16,500,000</u> | <u>-</u> | <u>16,825,726</u> |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue | 170,129 | - | - | 170,129 |
| Property taxes receivable | 73,741 | - | - | 73,741 |
| Clean-up fees receivable | 18,319 | - | - | 18,319 |
| Total deferred inflows of resources | <u>262,189</u> | <u>-</u> | <u>-</u> | <u>262,189</u> |
| Fund Balances: | | | | |
| Non-spendable, not in spendable form: | | | | |
| Inventories | 780 | - | - | 780 |
| Restricted: | | | | |
| Stabilization by state statute | 1,227,501 | - | - | 1,227,501 |
| Restricted, other | 3,668 | 2,419 | 77,752 | 83,839 |
| Committed | - | - | 2,316,005 | 2,316,005 |
| Assigned | 50,000 | - | 3,482 | 53,482 |
| Unassigned | 3,894,432 | - | - | 3,894,432 |
| Total fund balances | <u>5,176,381</u> | <u>2,419</u> | <u>2,397,239</u> | <u>7,576,039</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 5,764,296</u> | <u>\$ 16,502,419</u> | <u>\$ 2,397,239</u> | <u>\$ 24,663,954</u> |

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

TOWN OF LAKE LURE, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022**

| | <u>Total Governmental Funds</u> |
|---|--|
| <p>Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:</p> | |
| Total fund balances | \$ 7,576,039 |
| Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds. | 9,809,277 |
| Right to use assets, net of amortization | 30,804 |
| Net pension liability - LGERS | (379,253) |
| Total pension liability - LEOSSA | (364,542) |
| Total OPEB liabilities | (3,520,152) |
| Deferred outflows of resources related to pensions are not reported in the funds. | 712,167 |
| Deferred outflows of resources related to OPEB are not reported in the funds. | 1,242,444 |
| 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. | 262,189 |
| Deferred inflows of resources related to pensions are not reported in the funds. | (579,126) |
| Deferred inflows of resources related to OPEB are not reported in the funds. | (1,073,119) |
| Accrued interest payable | (13,175) |
| Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(1,656,553)</u> |
| Net position of governmental activities per Exhibit A | <u>\$ 12,047,000</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, 2022

| | Major Funds | | Nonmajor Funds | Total Governmental Funds |
|---|---------------------|-----------------------------|--------------------------------|--------------------------------|
| | General Fund | Dam Capital Project Fund | Other Governmental Funds | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 4,510,224 | \$ - | \$ - | \$ 4,510,224 |
| Unrestricted intergovernmental | 2,034,390 | - | - | 2,034,390 |
| Restricted intergovernmental | 785,706 | - | 183,888 | 969,594 |
| Permits and fees | 825,981 | - | - | 825,981 |
| Sales and service | 487,256 | - | - | 487,256 |
| Investment earnings | 3,484 | 2,419 | 1 | 5,904 |
| Miscellaneous | 320,356 | - | - | 320,356 |
| Total revenues | <u>8,967,397</u> | <u>2,419</u> | <u>183,889</u> | <u>9,153,705</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,325,683 | - | - | 1,325,683 |
| Public safety | 1,684,209 | - | - | 1,684,209 |
| Transportation and physical development | 728,626 | - | - | 728,626 |
| Environmental protection | 492,925 | - | - | 492,925 |
| Cultural and recreation | 2,018,355 | - | 90 | 2,018,445 |
| Unemployment and insurance | 159,768 | - | - | 159,768 |
| Special projects | 912,621 | - | - | 912,621 |
| Debt service: | | | | |
| Principal retirement | 303,989 | - | - | 303,989 |
| Interest and other charges | 45,572 | - | - | 45,572 |
| Total expenditures | <u>7,671,748</u> | <u>-</u> | <u>90</u> | <u>7,671,838</u> |
| Revenues over (under) expenditures | <u>1,295,649</u> | <u>2,419</u> | <u>183,799</u> | <u>1,481,867</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers to other funds | (1,600,000) | - | (183,888) | (1,783,888) |
| Transfers from other funds | - | - | 1,600,000 | 1,600,000 |
| Lease liabilities issued | 39,736 | - | - | 39,736 |
| Debt issued | 349,270 | - | - | 349,270 |
| Total other financing sources (uses) | <u>(1,210,994)</u> | <u>-</u> | <u>1,416,112</u> | <u>205,118</u> |
| Net change in fund balances | 84,655 | 2,419 | 1,599,911 | 1,686,985 |
| Fund Balances: | | | | |
| Beginning of year - July 1 | <u>5,091,726</u> | <u>-</u> | <u>797,328</u> | <u>5,889,054</u> |
| End of year - June 30 | <u>\$ 5,176,381</u> | <u>\$ 2,419</u> | <u>\$ 2,397,239</u> | <u>\$ 7,576,039</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, 2022**

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) \$ 1,686,985

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 | (19,347) |
| Unavailable revenue for NC Dredging grant | 170,129 |

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 | (13,338) |
| Change in accrued interest | 764 |

Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.

1,563,484

| | |
|--|--------|
| Right to use leased asset capital outlay expenditures which were capitalized | 39,736 |
|--|--------|

| | |
|--|---------|
| Amortization expense for intangible assets | (8,932) |
|--|---------|

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

(558,742)

| | |
|-------------------|---------|
| OPEB plan expense | 167,290 |
|-------------------|---------|

| | |
|-------------------------|--------|
| Pension expense - LGERS | 60,121 |
|-------------------------|--------|

| | |
|--------------------------|----------|
| Pension expense - LEOSSA | (24,678) |
|--------------------------|----------|

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.

303,989

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.

(389,006)

| | |
|---|---------------------|
| Change in net position in governmental activities per Exhibit B | <u>\$ 2,978,455</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, 2022

| | General Fund | | | |
|---|--------------------|------------------|---------------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Over/Under |
| | Original | Final | | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 4,429,782 | \$ 4,429,782 | \$ 4,510,224 | \$ 80,442 |
| Unrestricted intergovernmental | 1,615,327 | 1,615,327 | 2,034,390 | 419,063 |
| Restricted intergovernmental | 898,742 | 1,095,595 | 785,706 | (309,889) |
| Permits and fees | 671,161 | 671,161 | 825,981 | 154,820 |
| Sales and services | 504,300 | 504,300 | 487,256 | (17,044) |
| Investment earnings | 3,000 | 3,000 | 3,484 | 484 |
| Miscellaneous | 142,025 | 289,025 | 320,356 | 31,331 |
| Total revenues | <u>8,264,337</u> | <u>8,608,190</u> | <u>8,967,397</u> | <u>359,207</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,287,824 | 1,377,849 | 1,325,683 | 52,166 |
| Public safety | 1,892,852 | 1,958,695 | 1,684,209 | 274,486 |
| Transportation and physical development | 766,101 | 854,788 | 728,626 | 126,162 |
| Environmental protection | 252,400 | 496,679 | 492,925 | 3,754 |
| Cultural and recreation | 1,911,621 | 2,055,612 | 2,018,355 | 37,257 |
| Unemployment and insurance | 157,500 | 169,500 | 159,768 | 9,732 |
| Special projects | 502,100 | 1,040,850 | 912,621 | 128,229 |
| Debt service: | | | | |
| Principal retirement | 329,574 | 329,574 | 303,989 | 25,585 |
| Interest and other charges | 66,365 | 66,365 | 45,572 | 20,793 |
| Total expenditures | <u>7,166,337</u> | <u>8,349,912</u> | <u>7,671,748</u> | <u>678,164</u> |
| Revenues over (under) expenditures | <u>1,098,000</u> | <u>258,278</u> | <u>1,295,649</u> | <u>1,037,371</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers to other funds | (1,600,000) | (1,600,000) | (1,600,000) | - |
| Transfers from other funds | - | 839,722 | - | (839,722) |
| Lease liabilities issued | - | - | 39,736 | 39,736 |
| Debt issued | 502,000 | 502,000 | 349,270 | (152,730) |
| Total other financing sources (uses) | <u>(1,098,000)</u> | <u>(258,278)</u> | <u>(1,210,994)</u> | <u>(952,716)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 84,655 | <u>\$ 84,655</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | | <u>5,091,726</u> | |
| End of year - June 30 | | | <u>\$ 5,176,381</u> | |

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

TOWN OF LAKE LURE, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

| | Major Funds | | |
|---|--------------------------|---------------------------------|-------------------|
| | Electric Fund | Water and Sewer Fund | Total |
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ - | \$ 1,049,354 | \$ 1,049,354 |
| Accounts receivable, net | - | 223,516 | 223,516 |
| Lease receivable | - | 11,313 | 11,313 |
| Due from other governments | - | 1,012,000 | 1,012,000 |
| Inventories | - | 32,265 | 32,265 |
| Total current assets | <u>-</u> | <u>2,328,448</u> | <u>2,328,448</u> |
| Non-current assets: | | | |
| Capital assets: | | | |
| Land and other non-depreciable capital assets | 57,889 | 687,074 | 744,963 |
| Depreciable capital assets, net | <u>976,863</u> | <u>6,318,649</u> | <u>7,295,512</u> |
| Capital assets, net | <u>1,034,752</u> | <u>7,005,723</u> | <u>8,040,475</u> |
| Total non-current assets | <u>1,034,752</u> | <u>7,005,723</u> | <u>8,040,475</u> |
| Total assets | <u>1,034,752</u> | <u>9,334,171</u> | <u>10,368,923</u> |
| Deferred Outflows of Resources: | | | |
| Pension deferrals | 20,216 | 33,693 | 53,909 |
| RHBF OPEB deferrals | 47,147 | 41,945 | 89,092 |
| Other insurance plan OPEB deferrals | <u>4,014</u> | <u>6,274</u> | <u>10,288</u> |
| Total deferred outflows of resources | <u>71,377</u> | <u>81,912</u> | <u>153,289</u> |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 4,796 | 658,364 | 663,160 |
| Due to other funds | 329,104 | - | 329,104 |
| Advances from other funds | - | 212,975 | 212,975 |
| Compensated absences, current | 310 | 2,192 | 2,502 |
| Current portion of long-term debt | <u>-</u> | <u>119,944</u> | <u>119,944</u> |
| Total current liabilities | <u>334,210</u> | <u>993,475</u> | <u>1,327,685</u> |
| Non-current liabilities: | | | |
| RHBF OPEB liability | 112,084 | 121,884 | 233,968 |
| Other insurance plan OPEB liability | 16,583 | 28,914 | 45,497 |
| Compensated absences | 928 | 6,577 | 7,505 |
| Net pension liability | 12,366 | 20,612 | 32,978 |
| Installment obligations payable | <u>-</u> | <u>679,780</u> | <u>679,780</u> |
| Total non-current liabilities | <u>141,961</u> | <u>857,767</u> | <u>999,728</u> |
| Total liabilities | <u>476,171</u> | <u>1,851,242</u> | <u>2,327,413</u> |

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

TOWN OF LAKE LURE, NORTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022**

| | Major Funds | | |
|---------------------------------------|--------------------------|---------------------------------|---------------------|
| | Electric Fund | Water and Sewer Fund | Total |
| Deferred Inflows of Resources: | | | |
| Pension deferrals | 17,749 | 29,581 | 47,330 |
| RHBF OPEB deferrals | 24,194 | 47,045 | 71,239 |
| Other insurance plan OPEB deferrals | 2,003 | 3,075 | 5,078 |
| Leases | - | 11,298 | 11,298 |
| Total deferred inflows of resources | <u>43,946</u> | <u>90,999</u> | <u>134,945</u> |
| Net Position: | | | |
| Net investment in capital assets | 1,034,752 | 6,205,999 | 7,240,751 |
| Unrestricted | <u>(448,740)</u> | <u>1,267,843</u> | <u>819,103</u> |
| Total net position | <u>\$ 586,012</u> | <u>\$ 7,473,842</u> | <u>\$ 8,059,854</u> |

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

TOWN OF LAKE LURE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>Major Funds</u> | | |
|---|--------------------------|---------------------------------|---------------------|
| | <u>Electric Fund</u> | <u>Water and Sewer Fund</u> | <u>Total</u> |
| Operating Revenues: | | | |
| Charges for services | \$ 321,999 | \$ 1,564,834 | \$ 1,886,833 |
| Water and sewer taps | - | 6,721 | 6,721 |
| Other operating revenues | - | 41,309 | 41,309 |
| Total operating revenues | <u>321,999</u> | <u>1,612,864</u> | <u>1,934,863</u> |
| Operating Expenses: | | | |
| Salaries and benefits | 263,713 | 66,616 | 330,329 |
| General operations | 144,572 | 1,213,477 | 1,358,049 |
| Depreciation | 96,436 | 339,340 | 435,776 |
| Total operating expenses | <u>504,721</u> | <u>1,619,433</u> | <u>2,124,154</u> |
| Operating income (loss) | <u>(182,722)</u> | <u>(6,569)</u> | <u>(189,291)</u> |
| Non-Operating Revenues (Expenses): | | | |
| Investment earnings | 82 | 1,721 | 1,803 |
| Interest and other charges | - | (6,449) | (6,449) |
| Lease revenue | - | 11,345 | 11,345 |
| Total non-operating revenues (expenses) | <u>82</u> | <u>6,617</u> | <u>6,699</u> |
| Capital Contributions and Transfers: | | | |
| Capital contributions | - | 1,012,000 | 1,012,000 |
| Transfers from other funds | - | 183,888 | 183,888 |
| Total contributions and transfers | <u>-</u> | <u>1,195,888</u> | <u>1,195,888</u> |
| Change in net position | (182,640) | 1,195,936 | 1,013,296 |
| Net Position: | | | |
| Beginning of year - July 1 | <u>768,652</u> | <u>6,277,906</u> | <u>7,046,558</u> |
| End of year - June 30 | <u>\$ 586,012</u> | <u>\$ 7,473,842</u> | <u>\$ 8,059,854</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, 2022

| | Major Funds | | |
|---|--------------------------|---------------------------------|---------------------|
| | Electric Fund | Water and Sewer Fund | Total |
| Cash Flows from Operating Activities: | | | |
| Cash received from customers | \$ 321,999 | \$ 1,581,453 | \$ 1,903,452 |
| Cash paid for goods and services | (153,650) | (1,083,979) | (1,237,629) |
| Cash paid to or on behalf of employees for services | (283,916) | (71,976) | (355,892) |
| Net cash provided by (used) operating activities | <u>(115,567)</u> | <u>425,498</u> | <u>309,931</u> |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Due to (from) other funds | 135,470 | - | 135,470 |
| Transfers from other funds | - | 183,888 | 183,888 |
| Net cash provided (used) by non-capital financing activities | <u>135,470</u> | <u>183,888</u> | <u>319,358</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and construction of capital assets | (19,985) | (519,070) | (539,055) |
| Principal paid on installment note | - | (119,944) | (119,944) |
| Lease payments received | - | 11,330 | 11,330 |
| Interest paid on installment note | - | (6,449) | (6,449) |
| Net cash provided (used) by capital and related financing activities | <u>(19,985)</u> | <u>(634,133)</u> | <u>(654,118)</u> |
| Cash Flows from Investing Activities: | | | |
| Investment earnings | 82 | 1,721 | 1,803 |
| Net increase (decrease) in cash and cash equivalents | - | (23,026) | (23,026) |
| Cash and Cash Equivalents: | | | |
| Beginning of year - July 1 | - | 1,072,380 | 1,072,380 |
| End of year - June 30 | <u>\$ -</u> | <u>\$ 1,049,354</u> | <u>\$ 1,049,354</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating income (loss) | \$ (182,722) | \$ (6,569) | \$ (189,291) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 96,436 | 339,340 | 435,776 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | - | (31,411) | (31,411) |
| Increase (decrease) in accrued vacation pay | (9,151) | 3,364 | (5,787) |
| Increase (decrease) in accounts payable and accrued liabilities | (9,078) | 129,498 | 120,420 |
| Increase (decrease) in net pension liability | (15,195) | (25,325) | (40,520) |
| (Increase) decrease in deferred outflows of resources for pensions | (4,158) | (6,930) | (11,088) |
| Increase (decrease) in deferred inflows of resources for pensions | 17,392 | 28,987 | 46,379 |
| Increase (decrease) other insurance plan total OPEB liability | 1,306 | 783 | 2,089 |
| (Increase) decrease in deferred outflows for other insurance plan OPEB | 1,255 | 753 | 2,008 |
| Increase (decrease) in deferred inflows for other insurance plan OPEB | (550) | (330) | (880) |
| Increase (decrease) RHBF total OPEB liability | 37,585 | 22,551 | 60,136 |
| (Increase) decrease in deferred outflows for RHBF OPEB | (28,525) | (17,115) | (45,640) |
| Increase (decrease) in deferred inflows for RHBF OPEB | <u>(20,162)</u> | <u>(12,098)</u> | <u>(32,260)</u> |
| Net cash provided (used) by operating activities | <u>\$ (115,567)</u> | <u>\$ 425,498</u> | <u>\$ 309,931</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, 2022

| | <u>Custodial Fund</u> <u>Chimney Rock</u> |
|--|--|
| Assets: | |
| Cash and cash equivalents | \$ 30,384 |
| Receivables: | |
| Utilities receivable, net | <u>13,922</u> |
| Total assets | <u>44,306</u> |
| Liabilities: | |
| Accounts payable and other liabilities | <u>11,359</u> |
| Net Position: | |
| Restricted for: | |
| Other governments | <u>32,947</u> |
| Total net position | <u>\$ 32,947</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, 2022**

| | <u>Custodial Fund</u> <u>Chimney Rock</u> |
|----------------------------------|--|
| Additions: | |
| Charges for water service | \$ 93,597 |
| Deductions: | |
| Operating expenses | <u>96,473</u> |
| Change in fiduciary net position | (2,876) |
| Net Position: | |
| Beginning of year - July 1 | <u>35,823</u> |
| End of year - June 30 | <u>\$ 32,947</u> |

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Town of Lake Lure ABC Board

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

B. Basis of Presentation

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

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Fund Financial Statements. The fund financial statements provide information about the Town's funds, including the Fiduciary Fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities, such as investment earnings.

Governmental Funds

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for general government administration, public safety, street maintenance, and construction.

Dam Capital Project Fund. This fund is to be used for dam replacement as well as dam conversion from old dam to new dam in terms of connecting valves and other related equipment or infrastructure.

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.

American Rescue Plan Special Revenue Fund. This fund accounts for the transactions related to the American Rescue Plan Funds.

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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Proprietary Funds

The Town reports on the following major enterprise funds:

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

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. The water and sewer capital project funds (the Low Pressure Project and Sewer Line Extension) have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the Low Pressure Project Capital Project Fund and Sewer Line Extension Enterprise Fund Capital Project Fund have been included in the supplemental information.

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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, the Dam Capital Project Fund, the American Rescue Plan Special Revenue Fund, the Low Pressure Project Enterprise Fund Capital Project Fund, and the Sewer Line Extension Enterprise 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 Funds. Expenditures may not legally exceed appropriations at the fund level for all annually budgeted funds of the enterprise funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations more than \$2,500. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary and were approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

Deposits and Investments

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

State law [G.S. 159-30] 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 Portfolio 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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 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. The unexpended grant funds of \$16,500,000 are shown as restricted assets in the Dam Capital Project Fund because their use is externally restricted for those purposes. Unspent debt proceeds in the Marina Slip Expansion and Boardwalk Replacement Capital Project Fund of \$2,752 are classified as restricted assets for their fund because their use is restricted for the purpose for which the notes were originally issued.

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021. 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.

Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. There are no variable components under the lease agreement. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

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 |

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 |

Right to Use Assets

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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 assets 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 assets 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, unavailable revenue, pension deferrals and other post-employment benefit plan deferrals.

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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 for Economic and Physical Development – portion of fund balance restricted by revenue source for Dam projects.

Restricted fund balance at June 30, 2022 is as follows:

| <u>Purpose</u> | <u>General Fund</u> | <u>Dam Capital Project Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|-----------------------------------|---------------------|---------------------------------|---------------------------------|---------------------|
| Restricted, all other: | | | | |
| Stabilization by state statute | \$ 1,227,501 | \$ - | \$ - | \$ 1,227,501 |
| Economic and physical development | - | 2,419 | - | 2,419 |
| Public safety | 3,668 | - | - | 3,668 |
| Cultural and recreation | - | - | 77,752 | 77,752 |
| Total | <u>\$ 1,231,169</u> | <u>\$ 2,419</u> | <u>\$ 77,752</u> | <u>\$ 1,311,340</u> |

Restricted net position on Exhibit A differs from restricted fund balance on Exhibit C by unspent debt proceeds in the governmental funds of \$2,752.

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

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

| Purpose | Other Governmental Funds |
|------------------------------|---|
| Committed: | |
| Silt removal capital reserve | \$ 64,265 |
| General capital reserve | 2,251,740 |
| Total | \$ 2,316,005 |

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, 2022 is as follows:

| Purpose | General Fund | Other Governmental Funds | Total |
|---|---------------------|---|--------------|
| Assigned: | | | |
| Council protection | \$ 50,000 | \$ - | \$ 50,000 |
| Marina Slip Expansion and Boardwalk Replacement Capital Project Fund | - | 3,482 | 3,482 |
| Total | \$ 50,000 | \$ 3,482 | \$ 53,482 |

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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 | \$ 5,176,381 |
| Less: | |
| Stabilization by state statute | 1,227,501 |
| Inventories | <u>780</u> |
| Total available fund balance | <u>\$ 3,948,100</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, 2022

2. Stewardship, Compliance, and Accountability

Non-Compliance with North Carolina General Statutes

N.C. General Statute 159-34 requires the Town to have an audit as soon as possible after the close of each fiscal year. The 2022 audit was delayed; refer to finding 2022-003 for further information.

3. 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, 2022, the Town's deposits had a carrying amount of \$24,187,487 and a bank balance of \$24,425,825. 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 \$599,469 and a bank balance was \$597,797. \$347,797 of the bank balance was not covered by federal depository insurance. At June 30, 2022, the Town's petty cash totaled \$375.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Investments

At June 30, 2022, the Town had \$65,360 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM rating by Standard & Poor's (S&P) 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.

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, 2022 were as follows:

| Type of Receivable | Amount (Net of Allowance) | | |
|-------------------------------------|----------------------------|-----------------------------|--------------|
| | Governmental Activities | Business-Type Activities | Total |
| Accounts Receivable: | | | |
| Taxes receivable | \$ 73,741 | \$ - | \$ 73,741 |
| Other accounts receivable | 43,219 | - | 43,219 |
| Customer/client billings | - | 223,516 | 223,516 |
| Total | \$ 116,960 | \$ 223,516 | \$ 340,476 |
| Due from Other Governments: | | | |
| Grant receivable | \$ - | \$ 1,012,000 | \$ 1,012,000 |
| Sales and use tax, sales tax refund | 830,651 | - | 830,651 |
| Total | \$ 830,651 | \$ 1,012,000 | \$ 1,842,651 |

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Allowances for Doubtful Accounts

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

| | <u>Allowance Amount</u> |
|----------------------------------|-----------------------------|
| Governmental Activities: | |
| Taxes receivable | \$ 39,423 |
| Business-Type Activities: | |
| Water and sewer receivables | <u>9,027</u> |
| Total | <u>\$ 48,450</u> |

At June 30, 2022, utilities receivables for other governments in the custodial fund is net of an allowance for doubtful account of \$500.

Lease Receivable

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On July 1, 2021, Town of Lake Lure, NC entered into a 23-month lease as Lessor for the use of Lake Lure Water Tower. An initial lease receivable was recorded in the amount of \$23,623. As of June 30, 2022, the value of the lease receivable is \$11,313. The lessee is required to make monthly fixed payments of \$1,030. The lease has an interest rate of 0.3080%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2022 was \$11,298, and Town of Lake Lure, NC recognized lease revenue of \$12,325 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Capital Assets

Governmental Capital Assets

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

| | <u>July 1, 2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>June 30, 2022</u> |
|---------------------------------------|---------------------|-------------------|------------------|--------------------|----------------------|
| Non-Depreciable Assets: | | | | | |
| Land | \$ 3,073,479 | \$ - | \$ - | \$ - | \$ 3,073,479 |
| Construction in progress | 1,557,074 | 90 | - | (1,097,768) | 459,396 |
| Total non-depreciable capital assets | <u>4,630,553</u> | <u>90</u> | <u>-</u> | <u>(1,097,768)</u> | <u>3,532,875</u> |
| Depreciable Assets: | | | | | |
| Buildings | 2,950,544 | - | - | - | 2,950,544 |
| Other improvements | 1,719,645 | - | - | 1,097,768 | 2,817,413 |
| Equipment and furniture | 611,196 | 365,975 | - | - | 977,171 |
| Infrastructure | 2,703,639 | 960,170 | - | - | 3,663,809 |
| Vehicles and equipment | 2,265,801 | 237,249 | - | - | 2,503,050 |
| Total depreciable assets | <u>10,250,825</u> | <u>1,563,394</u> | <u>-</u> | <u>1,097,768</u> | <u>12,911,987</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings | 1,653,353 | 56,843 | - | - | 1,710,196 |
| Other improvements | 999,902 | 101,672 | - | - | 1,101,574 |
| Equipment and furniture | 469,232 | 107,645 | - | - | 576,877 |
| Infrastructure | 1,352,155 | 135,689 | - | - | 1,487,844 |
| Vehicles and equipment | 1,602,201 | 156,893 | - | - | 1,759,094 |
| Total accumulated depreciation | <u>6,076,843</u> | <u>\$ 558,742</u> | <u>\$ -</u> | <u>\$ -</u> | <u>6,635,585</u> |
| Total depreciable capital assets, net | <u>4,173,982</u> | | | | <u>6,276,402</u> |
| Governmental capital assets, net | <u>\$ 8,804,535</u> | | | | <u>\$ 9,809,277</u> |

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

Governmental Activities:

| | |
|---|-------------------|
| General government | \$ 211,786 |
| Public safety | 100,055 |
| Transportation and physical development | 92,478 |
| Cultural and recreation | 154,423 |
| Total | <u>\$ 558,742</u> |

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2022 are as follows:

| | <u>July 1, 2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2022</u> |
|--|---------------------|------------------|------------------|----------------------|
| Water and Sewer Fund: | | | | |
| Non-Depreciable Assets: | | | | |
| Land | \$ 32,300 | \$ - | \$ - | \$ 32,300 |
| Construction in progress | 142,774 | 512,000 | - | 654,774 |
| Total non-depreciable assets | 175,074 | 512,000 | - | 687,074 |
| Depreciable Assets: | | | | |
| Water plant and lines | 3,958,286 | - | - | 3,958,286 |
| Water reservoir | 24,722 | - | - | 24,722 |
| Waste treatment plant and lines | 6,349,885 | 451,286 | - | 6,801,171 |
| Equipment | 371,111 | 67,784 | - | 438,895 |
| Vehicles | 136,021 | - | 42,193 | 93,828 |
| Total depreciable capital assets | 10,840,025 | 519,070 | 42,193 | 11,316,902 |
| Less Accumulated Depreciation: | | | | |
| Water plant and lines | 1,380,067 | 77,651 | - | 1,457,718 |
| Water reservoir | 18,926 | 494 | - | 19,420 |
| Waste treatment plant and lines | 2,864,570 | 236,122 | - | 3,100,692 |
| Equipment | 315,127 | 19,243 | - | 334,370 |
| Vehicles | 122,416 | 5,830 | 42,193 | 86,053 |
| Total accumulated depreciation | 4,701,106 | \$ 339,340 | \$ 42,193 | 4,998,253 |
| Total depreciable capital assets, net | 6,138,919 | | | 6,318,649 |
| Capital assets, net | 6,313,993 | | | 7,005,723 |
| | | | | |
| | <u>July 1, 2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2022</u> |
| Electric Fund: | | | | |
| Non-Depreciable Assets: | | | | |
| Land | 57,889 | \$ - | \$ - | 57,889 |
| Depreciable Assets: | | | | |
| Furniture and equipment | 799,843 | 13,785 | - | 813,628 |
| Improvements | 1,594,850 | 6,200 | - | 1,601,050 |
| Total depreciable capital assets | 2,394,693 | 19,985 | - | 2,414,678 |
| Less Accumulated Depreciation: | | | | |
| Furniture and equipment | 63,472 | 62,155 | - | 125,627 |
| Improvements | 1,277,907 | 34,281 | - | 1,312,188 |
| Total accumulated depreciation | 1,341,379 | \$ 96,436 | \$ - | 1,437,815 |
| Total depreciable capital assets, net | 1,053,314 | | | 976,863 |
| Capital assets, net | 1,111,203 | | | 1,034,752 |
| Total business-type activities capital assets, net | \$ 7,425,196 | | | \$ 8,040,475 |

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

| | <u>July 1, 2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2022</u> |
|---------------------------------------|----------------------|------------------|------------------|----------------------|
| ABC Board: | | | | |
| Depreciable Assets: | | | | |
| Equipment | \$ 79,511 | \$ - | \$ - | \$ 79,511 |
| Leasehold improvements | <u>27,378</u> | <u>-</u> | <u>-</u> | <u>27,378</u> |
| Total depreciable capital assets | <u>106,889</u> | <u>-</u> | <u>-</u> | <u>106,889</u> |
| Less Accumulated Depreciation: | | | | |
| Equipment | 66,304 | 2,617 | - | 68,921 |
| Leasehold improvements | <u>20,998</u> | <u>1,702</u> | <u>-</u> | <u>22,700</u> |
| Total accumulated depreciation | <u>87,302</u> | <u>\$ 4,319</u> | <u>\$ -</u> | <u>91,621</u> |
| ABC Board capital assets, net | <u>\$ 19,587</u> | | | <u>\$ 15,268</u> |

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2022 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 | \$ 9,809,277 | \$ 7,005,723 | \$ 1,034,752 | \$ 8,040,475 |
| Right-to-use leased assets | 30,804 | - | - | - |
| Long-term debt | (1,466,802) | (799,724) | - | (799,724) |
| Unspent debt proceeds | <u>2,752</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net investment in capital assets | <u>\$ 8,376,031</u> | <u>\$ 6,205,999</u> | <u>\$ 1,034,752</u> | <u>\$ 7,240,751</u> |

Right to Use Lease Assets

The Town has recorded five right to use lease assets. The assets are right to use assets for leased equipment. The related leases are discussed in the *Leases* subsection of the long-term obligations section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

TOWN OF LAKE LURE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

| | <u>July 1, 2021</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2022</u> |
|--|---------------------|------------------|------------------|----------------------|
| Governmental Activities: | | | | |
| Right-to-Use Assets: | | | | |
| Equipment | \$ - | \$ 39,736 | \$ - | \$ 39,736 |
| Less Accumulated Amortization: | | | | |
| Equipment | - | \$ 8,932 | - | 8,932 |
| Total right-to-use assets, net | - | | | 30,804 |
| Governmental activities right-to-use assets, net | \$ - | | | \$ 30,804 |

B. Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2022:

| | <u>Vendors</u> | <u>Salaries and Benefits</u> | <u>Total</u> |
|----------------------------------|----------------|------------------------------|--------------|
| Governmental Activities | \$ 275,086 | \$ 50,640 | \$ 325,726 |
| Business-Type Activities: | | | |
| Water and Sewer Fund | \$ 658,364 | \$ - | \$ 658,364 |
| Electric Fund | 850 | 3,946 | 4,796 |
| Total business-type activities | \$ 659,214 | \$ 3,946 | \$ 663,160 |

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Lake Lure employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Lake Lure's contractually required contribution rate for the year ended June 30, 2022, was 12.10% of compensation for law enforcement officers and 11.35% 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 \$248,436 for the year ended June 30, 2022.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, the Town reported a liability of \$412,231 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, 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, 2022, the Town’s proportion was 0.02688% (measured as of June 30, 2021), which was an increase of 0.00117% from its proportion as of June 30, 2021 (measured as of June 30, 2020).

For the year ended June 30, 2022, the Town recognized pension expense of \$183,085. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 131,145 | \$ - |
| Changes of assumptions | 258,986 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 588,954 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 35,291 | 2,707 |
| Contributions subsequent to the measurement date | 248,436 | - |
| Total | \$ 673,858 | \$ 591,661 |

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

\$248,436 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, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30</u> | <u>Total</u> |
|--------------------------------|---------------------|
| 2023 | \$ 50,753 |
| 2024 | 2,638 |
| 2025 | (39,407) |
| 2026 | (180,223) |
| 2027 | - |
| Thereafter | - |
| Total | <u>\$ (166,239)</u> |

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.50 percent |
| Salary increase | 3.25 to 8.25 percent, including inflation and productivity factor |
| Investment rate of return | 6.50 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, 2020 valuation, with the exception of the discount rate, were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|------------------------------|---|
| Fixed income | 29.0% | 1.4% |
| Global equity | 42.0% | 5.3% |
| Real estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Opportunistic Fixed Income | 7.0% | 6.0% |
| Inflation Sensitive | <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 as part of a study conducted in 2016, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. 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 3.05%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. 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, 2022

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 6.50%, 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

| | 1% Decrease (5.50%) | Discount Rate (6.50%) | 1% Increase (7.50%) |
|--|---------------------------|-----------------------------|---------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 1,600,245 | \$ 412,231 | \$ (565,436) |

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, 2020, the Separation Allowance’s membership consisted of:

| | |
|---|----|
| Retirees receiving benefits | 2 |
| Terminated plan members entitled to, but not yet receiving, benefits | - |
| Active plan members | 10 |
| Total | 12 |

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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2020 valuation. The total pension liability in the December 31, 2020, 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 | 2.25 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.

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.

TOWN OF LAKE LURE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

At June 30, 2022, the Town reported a total pension liability of \$364,542. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$45,120.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 24,461 | \$ 25,490 |
| Changes of assumptions | 58,266 | 9,305 |
| Benefit payments and plan administrative expense made subsequent to the measurement date | 9,491 | - |
| Total | \$ 92,218 | \$ 34,795 |

\$9,491 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | Amount |
|--------------------------------|---------------|
| 2023 | \$ 16,828 |
| 2024 | 13,662 |
| 2025 | 12,940 |
| 2026 | 4,448 |
| 2027 | 54 |
| Thereafter | - |
| Total | \$ 47,932 |

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 2.25 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 (1.25 percent) or 1-percentage point higher (3.25 percent) than the current rate:

| | 1% Decrease (1.25%) | Discount Rate (2.25%) | 1% Increase (3.25%) |
|-------------------------|---------------------------|-----------------------------|---------------------------|
| Total pension liability | \$ 392,820 | \$ 364,542 | \$ 338,545 |

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

| | 2022 |
|---|-------------|
| Beginning balance | \$ 354,197 |
| Service cost | 20,687 |
| Interest on the total pension liability | 6,646 |
| Differences between expected and actual experience in the measurement of the total pension liability | 11,518 |
| Changes of assumptions or other inputs | (8,794) |
| Benefit payments | (19,712) |
| Ending balance of the total pension liability | \$ 364,542 |

Changes of assumptions and other inputs reflect a change in the discount rate from 1.93% at December 31, 2020 (measurement date) to 2.25% at December 31, 2021 (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, 2020 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, 2022

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 | \$ 183,085 | \$ 45,120 | \$ 228,205 |
| Pension liability | 412,231 | 364,542 | 776,773 |
| Proportionate share of the net pension liability | 0.02688% | n/a | - |

Deferred Outflows of Resources:

| | | | |
|---|-------------------|------------------|-------------------|
| Differences between expected and actual experience | \$ 131,145 | \$ 24,461 | \$ 155,606 |
| Changes of assumptions | 258,986 | 58,266 | 317,252 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 35,291 | - | 35,291 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 248,436 | 9,491 | 257,927 |
| Total deferred outflows of resources | <u>\$ 673,858</u> | <u>\$ 92,218</u> | <u>\$ 766,076</u> |

Deferred Inflows of Resources:

| | | | |
|---|-------------------|------------------|-------------------|
| Differences between expected and actual experience | \$ - | \$ 25,490 | \$ 25,490 |
| Changes of assumptions | - | 9,305 | 9,305 |
| Net difference between projected and actual earnings on plan investments | 588,954 | - | 588,954 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 2,707 | - | 2,707 |
| Total deferred inflows of resources | <u>\$ 591,661</u> | <u>\$ 34,795</u> | <u>\$ 626,456</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 for

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 \$62,069 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, 2022

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, 2022

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 5.90% of covered payroll, which amounted to \$123,249.

At June 30, 2022, the Town reported a liability of \$3,235,014 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 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, 2022, the Town's proportion was 0.01046%. For the year ended June 30, 2022, the Town recognized OPEB expense of (\$79,236).

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 19,099 | \$ 60,219 |
| Changes of assumptions | 264,596 | 786,179 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 1,655 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 784,316 | 227,279 |
| Employer contributions subsequent to the measurement date | 123,249 | - |
| Total | \$ 1,191,260 | \$ 1,075,332 |

\$123,249 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30 | Amount |
|--------------------------------|---------------|
| 2023 | \$ (343,644) |
| 2024 | (40,312) |
| 2025 | 148,641 |
| 2026 | 93,312 |
| 2027 | 134,682 |
| Thereafter | - |
| Total | \$ (7,321) |

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020 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, 2021. 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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|----------------------|--|
| Fixed income | 29.0% | 1.4% |
| Global equity | 42.0% | 5.3% |
| Real estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Opportunistic Fixed Income | 7.0% | 6.0% |
| Inflation sensitive | <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 2.16%. 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 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-Year General Obligation Index as of June 30, 2021.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

| | |
|--|--|
| Inflation | 2.50 percent |
| Salary increase | 3.25% - 6.25%, including 2.50% inflation and productivity factor |
| Investment rate of return | 6.50%, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rates - medical | 6.00% grading down to 5.00% by 2026 |
| Healthcare cost trend rates - prescription drug | 9.50% grading down to 5.00% by 2030 |
| 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 RHBFB 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 (1.16 percent) or 1-percentage point higher (3.16 percent) than the current discount rate:

| | 1% Decrease (1.16%) | Discount Rate (2.16%) | 1% Increase (3.16%) |
|--------------------|------------------------------------|--------------------------------------|------------------------------------|
| Net OPEB liability | <u>\$ 3,848,002</u> | <u>\$ 3,235,014</u> | <u>\$ 2,738,562</u> |

Sensitivity of the Board's Proportionate Share of the Net RHBFB 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:

| | 1% Decrease in Healthcare Cost Trend Rates | Current Healthcare Cost Trend Rates | 1% Increase in Healthcare Cost Trend Rates |
|--------------------|---|--|---|
| Net OPEB liability | <u>\$ 2,619,816</u> | <u>\$ 3,235,014</u> | <u>\$ 4,051,131</u> |

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

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:

| | General Employees |
|-----------------------------|------------------------------|
| Retirees receiving benefits | 15 |
| Active plan members | 39 |
| Total | <u>54</u> |

Total Other Insurance Plan OPEB Liability

The Town’s total OPEB liability of \$564,603 was measured as of June 30, 2021 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, 2022

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 | 0.75 percent |
| Wage inflation | 3.25 percent |
| Salary increases, including wage inflation | |
| General employees | 3.25 percent - 8.41 percent |
| Firefighters | 3.25 percent - 8.15 percent |
| Law enforcement officers | 3.25 percent - 7.90 percent |
| Municipal bond index rate | |
| Prior measurement date | 2.21 percent |
| Measurement date | 2.16 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 Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

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, 2015 to December 31, 2019, 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, 2022**

Changes in the Total Other Insurance Plan OPEB Liability

| | Total OPEB - Other Liability |
|--|---|
| Balance at July 1, 2021 | <u>\$ 538,489</u> |
| Changes for the year: | |
| Service cost | 30,627 |
| Interest | 12,439 |
| Differences between expected and actual experience | 3,088 |
| Changes in assumptions or other inputs | (7,396) |
| Benefit payments | <u>(12,644)</u> |
| Net changes | <u>26,114</u> |
| Balance at June 30, 2022 | <u><u>\$ 564,603</u></u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

| | 1% Decrease (1.16%) | Discount Rate (2.16%) | 1% Increase (3.16%) |
|----------------------|------------------------------------|--------------------------------------|------------------------------------|
| Total OPEB liability | <u>\$ 689,206</u> | <u>\$ 564,603</u> | <u>\$ 469,524</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:

| | 1% Decrease | Current Rate | 1% Increase |
|----------------------|------------------------|-------------------------|------------------------|
| Total OPEB liability | <u>\$ 464,326</u> | <u>\$ 564,603</u> | <u>\$ 698,934</u> |

TOWN OF LAKE LURE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$57,210. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 36,138 | \$ 41,742 |
| Changes of assumptions | 101,782 | 32,362 |
| Benefit payments and plan administrative expense made subsequent to the measurement date | 12,644 | - |
| Total | \$ 150,564 | \$ 74,104 |

\$12,644 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30 | Amount |
|--------------------------------|---------------|
| 2023 | \$ 14,144 |
| 2024 | 14,144 |
| 2025 | 14,294 |
| 2026 | 11,271 |
| 2027 | 7,911 |
| Thereafter | 2,052 |
| Total | \$ 63,816 |

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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:

| | <u>RHBF OPEB</u> | <u>Other Insurance Plan OPEB</u> | <u>Total</u> |
|---|---------------------|--|---------------------|
| OPEB expense | \$ (79,236) | \$ 57,210 | \$ (22,026) |
| OPEB liability | 3,235,014 | 564,603 | 3,799,617 |
| Proportionate share of the net OPEB liability | 0.01046% | n/a | - |
| Deferred Outflows of Resources: | | | |
| Differences between expected and actual experience | \$ 19,099 | \$ 36,138 | \$ 55,237 |
| Changes of assumptions | 264,596 | 101,782 | 366,378 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 784,316 | - | 784,316 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 123,249 | 12,644 | 135,893 |
| Total deferred outflows of resources | <u>\$ 1,191,260</u> | <u>\$ 150,564</u> | <u>\$ 1,341,824</u> |
| Deferred Inflows of Resources: | | | |
| Differences between expected and actual experience | \$ 60,219 | \$ 41,742 | \$ 101,961 |
| Changes of assumptions | 786,179 | 32,362 | 818,541 |
| Net difference between projected and actual earnings on OPEB plan investments | 1,655 | - | 1,655 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 227,279 | - | 227,279 |
| Total deferred inflows of resources | <u>\$ 1,075,332</u> | <u>\$ 74,104</u> | <u>\$ 1,149,436</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, 2022

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 | \$ 766,076 |
| OPEB deferrals | <u>1,341,824</u> |
| Total | <u>\$ 2,107,900</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) | \$ - | \$ 73,741 |
| Clean up fees (General Fund) | - | 18,319 |
| Unavailable revenue | - | 170,129 |
| Leases | 11,298 | - |
| Pension deferrals | 626,456 | - |
| OPEB deferrals | <u>1,149,436</u> | - |
| Total | <u>\$ 1,787,190</u> | <u>\$ 262,189</u> |

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, 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, 2022

Long-Term Obligations

Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On July 1, 2021, the Town of Lake Lure, NC entered into a 48-month lease as Lessee for the use of Sharp Copier - MX5071. An initial lease liability was recorded in the amount of \$11,705. As of June 30, 2022, the value of the lease liability is \$8,801. The Town of Lake Lure, NC is required to make monthly fixed payments of \$247. The lease has an interest rate of 0.5600%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$11,704 with accumulated amortization of \$2,899 is included with Equipment on the Lease Class activities table found below.

On July 23, 2021, the Town of Lake Lure, NC entered into a 60-month lease as Lessee for the use of Sharp copier - 2948 Memorial Highway. An initial lease liability was recorded in the amount of \$5,358. As of June 30, 2022, the value of the lease liability is \$4,299. The Town of Lake Lure, NC is required to make monthly fixed payments of \$91. The lease has an interest rate of 0.6870%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$5,357 with accumulated amortization of \$1,007 is included with Equipment on the Lease Class activities table found below.

On July 1, 2021, the Town of Lake Lure, NC entered into a 59-month lease as Lessee for the use of Sharp Copier - 197 Buffalo Shoals Road. An initial lease liability was recorded in the amount of \$6,785. As of June 30, 2022, the value of the lease liability is \$5,423. The Town of Lake Lure, NC is required to make monthly fixed payments of \$117. The lease has an interest rate of 0.6870%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$6,784 with accumulated amortization of \$1,366 is included with Equipment on the Lease Class activities table found below.

On July 1, 2021, the Town of Lake Lure, NC entered into a 47-month lease as Lessee for the use of Sharp - Color Multifunctional Printer. An initial lease liability was recorded in the amount of \$11,462. As of June 30, 2022, the value of the lease liability is \$8,559. The Town of Lake Lure, NC is required to make monthly fixed payments of \$247. The lease has an interest rate of 0.5600%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$11,461 with accumulated amortization of \$2,877 is included with Equipment on the Lease Class activities table found below.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

On August 16, 2021, the Town of Lake Lure, NC entered into a 60-month lease as Lessee for the use of Kyocera - Fire Dept. An initial lease liability was recorded in the amount of \$4,426. As of June 30, 2022, the value of the lease liability is \$3,623. The Town of Lake Lure, NC is required to make monthly fixed payments of \$75.00. The lease has an interest rate of 0.6870%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$4,424 with accumulated amortization of \$775 is included with Equipment on the Lease Class activities table found below.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

| <u>Year Ending</u> <u>June 30</u> | <u>Governmental Activities</u> | |
|--------------------------------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 9,148 | \$ 164 |
| 2024 | 9,204 | 108 |
| 2025 | 9,013 | 52 |
| 2026 | 3,264 | 12 |
| 2027 | 76 | - |
| Total | <u>\$ 30,705</u> | <u>\$ 336</u> |

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Installment Notes Payable

A schedule of the Town's governmental activities debt 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 | \$ 46,028 |
| 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 | 55,793 |
| 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 | 32,966 |
| 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 | 905,071 |
| 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 | 29,523 |
| 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 | 26,529 |
| Note payable, bearing interest at 4.25% per annum, with 36 monthly payments of \$10,361 principal and interest, beginning June 2022 and ending May 2025; collateralized by vehicles and equipment | <u>340,187</u> |
| Total installment debt | <u>\$ 1,436,097</u> |

The Town's outstanding note from direct placements related to the governmental activities of \$46,028 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 \$55,793 is secured by a security interest in various vehicles. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the various vehicles securing the loan and the Town will relinquish all rights to the vehicles.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The Town's outstanding note from direct placements related to the governmental activities of \$32,966 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 \$905,071 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 \$29,523 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 \$26,529 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.

The Town's outstanding note from direct placements related to the governmental activities of \$340,187 is secured by a security interest in various vehicles and equipment. Upon the failure to pay or make timely payments or the failure to budget/appropriate for the debt service, the outstanding principal and interest are due. Upon default, the lender will take possession of the various vehicles and equipment securing the loan and the Town will relinquish all rights to the vehicles and equipment.

Annual debt service payments are as follows:

| Year Ending | Governmental Activities | |
|--------------------|--------------------------------|-------------------|
| | Principal | Interest |
| June 30 | | |
| 2023 | \$ 368,502 | \$ 42,607 |
| 2024 | 257,669 | 31,162 |
| 2025 | 219,524 | 22,354 |
| 2026 | 111,248 | 16,654 |
| 2027 | 114,566 | 13,336 |
| 2028-2030 | <u>364,588</u> | <u>19,117</u> |
| Total | <u>\$ 1,436,097</u> | <u>\$ 145,230</u> |

At June 30, 2022, the Town had a legal debt margin of approximately \$64,624,000.

TOWN OF LAKE LURE, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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:

| | Balance |
|--|----------------|
| 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%. | \$ 223,821 |
| 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. | 575,903 |
| Total | \$ 799,724 |

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 |
| 2023 | \$ 119,944 | \$ 5,159 |
| 2024 | 119,944 | 3,869 |
| 2025 | 119,944 | 2,580 |
| 2026 | 119,944 | 1,290 |
| 2027 | 63,990 | - |
| 2028-2031 | 255,958 | - |
| Total | \$ 799,724 | \$ 12,898 |

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

In addition, the Town has a State revolving loan of \$1,784,316 for sanitary sewer line project under the North Carolina Clean Water Revolving Loan and Grant Act of 1987. Payments are due annually on May 1 decreasing installments through May 1, 2041, with an interest rate of 0%. No drawdowns have been made at June 30, 2022.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

| | <u>July 1, 2021</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2022</u> | <u>Current</u> |
|--|---------------------|---------------------|---------------------|----------------------|-------------------|
| Governmental Activities: | | | | | |
| Direct placement installment purchases | \$ 1,381,785 | \$ 349,270 | \$ (294,958) | \$ 1,436,097 | \$ 368,502 |
| Lease liabilities | - | 39,736 | (9,031) | 30,705 | 9,148 |
| Net OPEB - medical liability | 2,309,481 | 691,565 | - | 3,001,046 | - |
| Total OPEB - other liability | 495,081 | 24,025 | - | 519,106 | - |
| Total pension liability (LEO) | 354,197 | 10,345 | - | 364,542 | - |
| Compensated absences | 176,413 | 116,034 | (102,696) | 189,751 | 47,438 |
| Net pension liability (LGERS) | <u>845,230</u> | <u>-</u> | <u>(465,977)</u> | <u>379,253</u> | <u>-</u> |
| Total governmental activities | <u>\$ 5,562,187</u> | <u>\$ 1,230,975</u> | <u>\$ (872,662)</u> | <u>\$ 5,920,500</u> | <u>\$ 425,088</u> |
| Business-Type Activities: | | | | | |
| Water and Sewer Fund: | | | | | |
| Direct borrowing notes payable | \$ 919,668 | \$ - | \$ (119,944) | \$ 799,724 | \$ 119,944 |
| Net OPEB - medical liability | 99,333 | 22,551 | - | 121,884 | - |
| Total OPEB - other liability | 28,131 | 783 | - | 28,914 | - |
| Compensated absences | 5,405 | 10,241 | (6,877) | 8,769 | 2,192 |
| Net pension liability (LGERS) | <u>45,937</u> | <u>-</u> | <u>(25,325)</u> | <u>20,612</u> | <u>-</u> |
| Total Water and Sewer Fund | <u>1,098,474</u> | <u>33,575</u> | <u>(152,146)</u> | <u>979,903</u> | <u>122,136</u> |
| Electric Fund: | | | | | |
| Net OPEB - medical liability | 74,499 | 37,585 | - | 112,084 | - |
| Total OPEB - other liability | 15,277 | 1,306 | - | 16,583 | - |
| Compensated absences | 10,389 | 1,501 | (10,652) | 1,238 | 310 |
| Net pension liability (LGERS) | <u>27,561</u> | <u>-</u> | <u>(15,195)</u> | <u>12,366</u> | <u>-</u> |
| Total Electric Fund | <u>127,726</u> | <u>40,392</u> | <u>(25,847)</u> | <u>142,271</u> | <u>310</u> |
| Total business-type activities | <u>\$ 1,226,200</u> | <u>\$ 73,967</u> | <u>\$ (177,993)</u> | <u>\$ 1,122,174</u> | <u>\$ 122,446</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, 2022

Interfund Balances and Activity

Transfers to/from Other Funds

Transfers to/from other funds for the year ended June 30, 2022 consist of the following:

| <u>Fund</u> | <u>From</u> | <u>To</u> | <u>Purpose</u> |
|---|---------------------|---------------------|---|
| General Fund | \$ 1,600,000 | \$ - | \$0.03 tax collection toward capital expenses |
| Capital Reserve Capital Project Fund | - | 1,600,000 | |
| Water and Sewer Fund | - | 183,888 | For capital infrastructure improvements |
| ARPA Special Revenue Fund | 183,888 | - | |
| Total | <u>\$ 1,783,888</u> | <u>\$ 1,783,888</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 2023. The loan will be repaid to the General Fund at that time.

The due to/from other funds of \$329,104 at year-end is due to a cash advance from the General Fund to the Electric Fund during the year ended 2022 to cover the negative cash balance.

4. 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, 2022, 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.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

5. Federal and State-Assisted Programs

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

6. Concentration in Electric Fund Revenues

The Town generates hydroelectricity, which it sells to Duke Energy on a contractual agreement. The Town's purchases of power for the fiscal year ended June 30, 2022 were \$324,270.

7. 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, 2022, the Town did not receive any tax distributions from the ABC Board.

8. Reimbursements for Pandemic-Related Expenditures

In fiscal year 2020-2021 the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$367,778 of fiscal recovery funds to be paid in two equal installments. The first installment of \$183,888 was received in July 2021. The second installment was received subsequent to year end. Town staff and the Town Council have elected to use the money for sewer enhancement and repairs. \$183,888 was transferred from the ARPA Special Revenue Fund to the Water and Sewer fund and spent prior to June 30, 2022.

9. Subsequent Event

In July 2022, the Town secured a borrowing of \$54,548 for financing a new police vehicle.

Subsequent to year end, the Town signed a promissory note for a federal revolving loan. The total award amount was \$2,284,316 of which \$500,000 is principal forgiveness and the remaining portion of \$1,784,316 is the amount of the note. The note will be repaid over 5 years at an interest rate of 0%. This promissory note is related to the Clean Water State Revolving Fund which was issued from the U.S. Department of Environmental Protection Agency and passed-through the N.C. Department of Environmental Quality; project no. CS370489-05.

TOWN OF LAKE LURE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

10. Change in Accounting Principle

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|-------------------|
| Beginning balance | \$ 354,197 | \$ 289,024 | \$ 269,421 |
| Service cost | 20,687 | 10,725 | 10,161 |
| Interest on the total pension liability | 6,646 | 9,101 | 9,475 |
| Differences between expected and actual experience in the measurement of the total pension liability | 11,518 | (19,107) | 11,199 |
| Changes of assumptions or other inputs | (8,794) | 84,166 | 6,993 |
| Benefit payments | <u>(19,712)</u> | <u>(19,712)</u> | <u>(18,225)</u> |
| Ending balance of the total pension liability | <u>\$ 364,542</u> | <u>\$ 354,197</u> | <u>\$ 289,024</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

**SCHEDULES OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SIX FISCAL YEARS**

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

TOWN OF LAKE LURE, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A
PERCENTAGE OF COVERED-EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SIX FISCAL YEARS**

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|-------------|
| Total pension liability | \$ 364,542 | \$ 354,197 | \$ 289,024 |
| Covered-employee payroll | 504,880 | 437,934 | 467,995 |
| Total pension liability as a percentage of covered-employee payroll | 72.20% | 80.88% | 61.76% |

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 TOTAL PENSION LIABILITY AS A
PERCENTAGE OF COVERED-EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SIX FISCAL YEARS**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|
| Total pension liability | \$ 269,421 | \$ 325,986 | \$ 221,542 |
| Covered-employee payroll | 409,924 | 476,842 | 462,140 |
| Total pension liability as a percentage of covered-employee payroll | 65.72% | 68.36% | 47.94% |

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 SIX FISCAL YEARS ***

| | Retiree Health Benefit Fund | | |
|---|------------------------------------|--------------|--------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
| Town's proportion of the net OPEB liability (asset) (%) | 0.01046% | 0.00895% | 0.00818% |
| Town's proportionate share of the net OPEB liability (asset) (\$) | \$ 3,235,014 | \$ 2,483,313 | \$ 2,588,269 |
| Town's covered payroll* | \$ 1,898,349 | \$ 1,858,924 | \$ 1,779,228 |
| Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 170.41% | 133.59% | 145.47% |
| Plan fiduciary net position as a percentage of the total OPEB liability** | 7.72% | 6.92% | 4.40% |

* 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

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

| | Retiree Health Benefit Fund | | |
|---|------------------------------------|--------------|--------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
| Town's proportion of the net OPEB liability (asset) (%) | 0.00788% | 0.00900% | 0.00992% |
| Town's proportionate share of the net OPEB liability (asset) (\$) | \$ 2,243,524 | \$ 2,950,894 | \$ 4,316,628 |
| Town's covered payroll* | \$ 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 | 136.52% | 182.65% | 260.04% |
| Plan fiduciary net position as a percentage of the total OPEB liability** | 4.40% | 3.52% | 2.41% |

TOWN OF LAKE LURE, NORTH CAROLINA

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

| Retiree Health Benefit Fund | | | |
|---|----------------|----------------|----------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
| Contractually required contribution | \$ 123,249 | \$ 126,810 | \$ 120,273 |
| Contributions in relation to the contractually required contribution | <u>123,249</u> | <u>126,810</u> | <u>120,273</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered payroll | \$ 2,088,961 | \$ 1,898,349 | \$ 1,858,924 |
| Contributions as a percentage of covered payroll | 5.90% | 6.68% | 6.47% |

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 SIX FISCAL YEARS**

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

TOWN OF LAKE LURE, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - OTHER INSURANCE PLAN
SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FIVE FISCAL YEARS *

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 30,627 | \$ 15,377 | \$ 13,765 | \$ 16,745 | \$ 20,070 |
| Interest | 12,439 | 16,249 | 15,580 | 11,315 | 10,356 |
| Differences between expected and actual experience | 3,088 | (54,926) | (3,039) | 80,222 | (476) |
| Changes of assumptions | (7,396) | 117,310 | 29,565 | (19,202) | (50,301) |
| Benefit payments | <u>(12,644)</u> | <u>(8,723)</u> | <u>(6,303)</u> | <u>(6,494)</u> | <u>(5,303)</u> |
| Net change in total OPEB liability | 26,114 | 85,287 | 49,568 | 82,586 | (25,654) |
| Total OPEB liability - beginning | <u>538,489</u> | <u>453,202</u> | <u>403,634</u> | <u>321,048</u> | <u>346,702</u> |
| Total OPEB liability - ending | <u>\$ 564,603</u> | <u>\$ 538,489</u> | <u>\$ 453,202</u> | <u>\$ 403,634</u> | <u>\$ 321,048</u> |
| | | | | | |
| Covered-employee payroll | \$ 1,810,286 | \$ 1,810,286 | \$ 1,533,608 | \$ 1,533,608 | \$ 1,325,312 |
| Total OPEB liability as a percentage of covered-employee payroll | 31.19% | 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> |
|--------------------|-------------|
| 2022 | 2.16% |
| 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.

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TOWN OF LAKE LURE, NORTH CAROLINA

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

| | Local Governmental Employees' Retirement System | | | | |
|--|--|--------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Town's proportion of the net pension liability (asset) (%) | 0.02688% | 0.02571% | 0.02519% | 0.02297% | 0.02523% |
| Town's proportion of the net pension liability (asset) (\$) | \$ 412,231 | \$ 918,728 | \$ 687,919 | \$ 544,926 | \$ 385,445 |
| Town's covered payroll* | \$ 1,898,349 | \$ 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 | 21.72% | 49.42% | 38.66% | 33.16% | 23.86% |
| Plan fiduciary net position as a percentage of the total pension liability** | 95.51% | 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 NINE FISCAL YEARS ***

| | Local Governmental Employees' Retirement System | | | |
|--|--|--------------|--------------|--------------|
| | 2017 | 2016 | 2015 | 2014 |
| 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 NINE FISCAL YEARS**

| Local Governmental Employees' Retirement System | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
| Contractually required contribution | \$ 248,436 | \$ 192,353 | \$ 165,217 | \$ 138,911 | \$ 126,416 |
| Contributions in relation to the contractually required contribution | <u>248,436</u> | <u>192,353</u> | <u>165,217</u> | <u>138,911</u> | <u>126,416</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Town's covered payroll | \$ 2,088,961 | \$ 1,898,349 | \$ 1,858,924 | \$ 1,779,228 | \$ 1,643,398 |
| Contributions as a percentage of covered payroll | 11.89% | 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 NINE FISCAL YEARS**

| Local Governmental Employees' Retirement System | | | | |
|--|----------------|----------------|----------------|----------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| 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, 2022

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|------------------|------------------|--------------------------------|
| Revenues: | | | |
| Ad Valorem Taxes: | | | |
| Taxes | \$ 4,424,282 | \$ 4,491,780 | \$ 67,498 |
| Penalties and interest | 5,500 | 18,444 | 12,944 |
| Total | <u>4,429,782</u> | <u>4,510,224</u> | <u>80,442</u> |
| Unrestricted Intergovernmental: | | | |
| Local option sales tax | 1,372,527 | 1,750,560 | 378,033 |
| Utilities franchise tax | 220,000 | 259,390 | 39,390 |
| Video franchise tax | 17,600 | 19,034 | 1,434 |
| Beer and wine tax | 5,200 | 5,406 | 206 |
| Total | <u>1,615,327</u> | <u>2,034,390</u> | <u>419,063</u> |
| Restricted Intergovernmental: | | | |
| Powell Bill allocation | 65,000 | 76,606 | 11,606 |
| Solid waste disposal tax | 650 | 1,018 | 368 |
| ABC revenue for law enforcement | 750 | - | (750) |
| ABC revenue for alcohol education | 21,250 | 4 | (21,246) |
| Other grants | 1,007,945 | 708,078 | (299,867) |
| Total | <u>1,095,595</u> | <u>785,706</u> | <u>(309,889)</u> |
| Permits and Fees: | | | |
| Boating permits | 595,000 | 705,584 | 110,584 |
| Zoning permits | 67,457 | 105,727 | 38,270 |
| Vacation rental fees | 8,504 | 14,420 | 5,916 |
| Fire inspection fees | - | 30 | 30 |
| Golf cart permits | 200 | 220 | 20 |
| Total | <u>671,161</u> | <u>825,981</u> | <u>154,820</u> |
| Sales and Services: | | | |
| Marina sales and fees | 353,500 | 315,387 | (38,113) |
| Beach sales and fees | 65,000 | 74,439 | 9,439 |
| Other lake fees | 85,800 | 97,430 | 11,630 |
| Total | <u>504,300</u> | <u>487,256</u> | <u>(17,044)</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, 2022

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|-----------------------------|------------------|------------------|--------------------------------|
| Investment Earnings: | | | |
| Interest income | 3,000 | 3,484 | 484 |
| Miscellaneous: | | | |
| Rents received | 20,000 | 15,167 | (4,833) |
| Contributions | 247,000 | 240,524 | (6,476) |
| Miscellaneous | 22,025 | 64,665 | 42,640 |
| Total | <u>289,025</u> | <u>320,356</u> | <u>31,331</u> |
| Total revenues | <u>8,608,190</u> | <u>8,967,397</u> | <u>359,207</u> |
| Expenditures: | | | |
| General Government: | | | |
| Governing Body: | | | |
| Salaries and benefits | 14,300 | 14,210 | 90 |
| Contracted services | 48,250 | 35,911 | 12,339 |
| Operating expenses | 20,750 | 18,679 | 2,071 |
| Total | <u>83,300</u> | <u>68,800</u> | <u>14,500</u> |
| Administration: | | | |
| Salaries and benefits | 725,754 | 692,688 | 33,066 |
| Operating expenses | 295,400 | 287,447 | 7,953 |
| Contract services | 89,275 | 84,150 | 5,125 |
| Capital outlay | - | 28,525 | (28,525) |
| Total | <u>1,110,429</u> | <u>1,092,810</u> | <u>17,619</u> |
| Central Services: | | | |
| Operating expenditures | 114,120 | 105,053 | 9,067 |
| Capital outlay | 70,000 | 59,020 | 10,980 |
| Total | <u>184,120</u> | <u>164,073</u> | <u>20,047</u> |
| Total general government | <u>1,377,849</u> | <u>1,325,683</u> | <u>52,166</u> |

TOWN OF LAKE LURE, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|---|------------------|------------------|--------------------------------|
| Public Safety: | | | |
| Police: | | | |
| Salaries and benefits | 793,570 | 655,646 | 137,924 |
| Operating expenses | 101,350 | 102,478 | (1,128) |
| Capital outlay | 104,000 | 105,617 | (1,617) |
| Total | <u>998,920</u> | <u>863,741</u> | <u>135,179</u> |
| Fire and EMS: | | | |
| Salaries and benefits | 600,017 | 547,861 | 52,156 |
| Operating expenses | 128,300 | 113,612 | 14,688 |
| Contract services | 154,800 | 144,800 | 10,000 |
| Capital outlay | 76,658 | 14,195 | 62,463 |
| Total | <u>959,775</u> | <u>820,468</u> | <u>139,307</u> |
| Total public safety | <u>1,958,695</u> | <u>1,684,209</u> | <u>274,486</u> |
| Transportation and Physical Development: | | | |
| Streets and Highways: | | | |
| Salaries and benefits | 419,538 | 299,460 | 120,078 |
| Operating expenses | 156,500 | 150,649 | 5,851 |
| Contracted services | 750 | - | 750 |
| Capital outlay | 278,000 | 278,517 | (517) |
| Total transportation and physical development | <u>854,788</u> | <u>728,626</u> | <u>126,162</u> |
| Environmental Protection: | | | |
| Sanitation: | | | |
| Contracted services | 191,400 | 196,186 | (4,786) |
| Tipping fees | 38,000 | 31,898 | 6,102 |
| Total | <u>229,400</u> | <u>228,084</u> | <u>1,316</u> |
| Dam: | | | |
| Operating expenses | 267,279 | 264,841 | 2,438 |
| Total environmental protection | <u>496,679</u> | <u>492,925</u> | <u>3,754</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, 2022

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|------------------------------------|------------------|------------------|--------------------------------|
| Cultural and Recreation: | | | |
| Community Development: | | | |
| Salaries and benefits | 257,680 | 249,079 | 8,601 |
| Operating expenses | 27,750 | 19,800 | 7,950 |
| Contracted services | 38,000 | 27,828 | 10,172 |
| Total | <u>323,430</u> | <u>296,707</u> | <u>26,723</u> |
| Parks: | | | |
| Salaries and benefits | 330,682 | 319,731 | 10,951 |
| Operating expenditures | 1,049,000 | 1,078,008 | (29,008) |
| Capital outlay | 98,000 | 97,000 | 1,000 |
| Total | <u>1,477,682</u> | <u>1,494,739</u> | <u>(17,057)</u> |
| Beach and Marina: | | | |
| Operating expenditures | <u>17,500</u> | <u>12,859</u> | <u>4,641</u> |
| Golf Course: | | | |
| Operating expenditures | 5,000 | 4,367 | 633 |
| Contracted services | 101,000 | 100,035 | 965 |
| Total | <u>106,000</u> | <u>104,402</u> | <u>1,598</u> |
| Lake: | | | |
| Capital outlay | <u>131,000</u> | <u>109,648</u> | <u>21,352</u> |
| Total cultural and recreation | <u>2,055,612</u> | <u>2,018,355</u> | <u>37,257</u> |
| Unemployment and Insurance: | | | |
| Operating expenditures | <u>169,500</u> | <u>159,768</u> | <u>9,732</u> |
| Special Projects: | | | |
| Operating expenditures | <u>1,040,850</u> | <u>912,621</u> | <u>128,229</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, 2022

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|------------------|---------------------|--------------------------------|
| Debt Service: | | | |
| Principal retirement | 329,574 | 303,989 | 25,585 |
| Interest and other charges | <u>66,365</u> | <u>45,572</u> | <u>20,793</u> |
| Total | <u>395,939</u> | <u>349,561</u> | <u>46,378</u> |
| | | | |
| Total expenditures | <u>8,349,912</u> | <u>7,671,748</u> | <u>678,164</u> |
| | | | |
| Revenues over (under) expenditures | <u>258,278</u> | <u>1,295,649</u> | <u>1,037,371</u> |
| | | | |
| Other Financing Sources (Uses): | | | |
| Transfers to other funds | (1,600,000) | (1,600,000) | - |
| Transfers from other funds | 839,722 | - | (839,722) |
| Lease liabilities issued | - | 39,736 | 39,736 |
| Proceeds from long-term debt | <u>502,000</u> | <u>349,270</u> | <u>(152,730)</u> |
| Total other financing sources (uses) | <u>(258,278)</u> | <u>(1,210,994)</u> | <u>(952,716)</u> |
| | | | |
| Net change in fund balance | <u>\$ -</u> | 84,655 | <u>\$ 84,655</u> |
| | | | |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>5,091,726</u> | |
| | | | |
| End of year - June 30 | | <u>\$ 5,176,381</u> | |

TOWN OF LAKE LURE, NORTH CAROLINA

**DAM CAPITAL PROJECT FUND - MAJOR FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual</u> | | <u>Variance Over/Under</u> |
|----------------------------|----------------------------------|------------------------|-------------------------|--------------------------|--------------------------------|
| | | | <u>Current Year</u> | <u>Total To Date</u> | |
| Revenues: | | | | | |
| Interest revenue | \$ - | \$ - | \$ 2,419 | \$ 2,419 | \$ 2,419 |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,419</u> | <u>\$ 2,419</u> | <u>\$ 2,419</u> |

TOWN OF LAKE LURE, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2022

| | <u>Special Revenue Funds</u> | <u>Capital Project Funds</u> | <u>Total</u> |
|---------------------------|--------------------------------------|--------------------------------------|---------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 75,000 | \$ 2,319,487 | \$ 2,394,487 |
| Restricted cash | - | <u>2,752</u> | <u>2,752</u> |
| Total assets | <u>\$ 75,000</u> | <u>\$ 2,322,239</u> | <u>\$ 2,397,239</u> |
| Fund Balances: | | | |
| Restricted, all other | \$ 75,000 | \$ 2,752 | \$ 77,752 |
| Committed | - | 2,316,005 | 2,316,005 |
| Assigned | - | <u>3,482</u> | <u>3,482</u> |
| Total fund balances | <u>\$ 75,000</u> | <u>\$ 2,322,239</u> | <u>\$ 2,397,239</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, 2022**

| | <u>Special Revenue Funds</u> | <u>Capital Project Funds</u> | <u>Total</u> |
|--|--------------------------------------|--------------------------------------|---------------------|
| Revenues: | | | |
| Restricted intergovernmental | \$ 183,888 | \$ - | \$ 183,888 |
| Investment earnings | <u>-</u> | <u>1</u> | <u>1</u> |
| Total revenues | <u>183,888</u> | <u>1</u> | <u>183,889</u> |
| Expenditures: | | | |
| Current: | | | |
| Cultural and recreation | <u>-</u> | <u>90</u> | <u>90</u> |
| Revenues over (under) expenditures | <u>183,888</u> | <u>(89)</u> | <u>183,799</u> |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds | - | 1,600,000 | 1,600,000 |
| Transfers to other funds | <u>(183,888)</u> | <u>-</u> | <u>(183,888)</u> |
| Total other financing sources (uses) | <u>(183,888)</u> | <u>1,600,000</u> | <u>1,416,112</u> |
| Net change in fund balances | - | 1,599,911 | 1,599,911 |
| Fund Balances: | | | |
| Beginning of year - July 1 | <u>75,000</u> | <u>722,328</u> | <u>797,328</u> |
| End of year - June 30 | <u>\$ 75,000</u> | <u>\$ 2,322,239</u> | <u>\$ 2,397,239</u> |

TOWN OF LAKE LURE, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2022

| | <u>American Rescue Plan Special Revenue Fund</u> | <u>Bridge Preservation Reserve Special Revenue Fund</u> | <u>Total Nonmajor Special Revenue Funds</u> |
|---------------------------|--|---|---|
| Assets: | | | |
| Cash and cash equivalents | \$ - | \$ 75,000 | \$ 75,000 |
| Fund Balances: | | | |
| Restricted | \$ - | \$ 75,000 | \$ 75,000 |

TOWN OF LAKE LURE, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2022**

| | American Rescue Plan Special Revenue Fund | Bridge Preservation Reserve Special Revenue Fund | Total Nonmajor Special Revenue Funds |
|--|--|---|---|
| Revenues: | | | |
| Restricted intergovernmental revenues | \$ 183,888 | \$ - | \$ 183,888 |
| Other Financing Sources (Uses): | | | |
| Transfers to other funds | <u>(183,888)</u> | <u>-</u> | <u>(183,888)</u> |
| Net change in fund balances | - | - | - |
| Fund Balances: | | | |
| Beginning of year - July 1 | <u>-</u> | <u>75,000</u> | <u>75,000</u> |
| End of year - June 30 | <u>\$ -</u> | <u>\$ 75,000</u> | <u>\$ 75,000</u> |

TOWN OF LAKE LURE, NORTH CAROLINA

AMERICAN RESCUE PLAN SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2022

| | <u>Project Authorization</u> | <u>Actual</u> | | | <u>Variance Over/Under</u> |
|--|----------------------------------|------------------------|-------------------------|--------------------------|--------------------------------|
| | | <u>Prior Years</u> | <u>Current Year</u> | <u>Total To Date</u> | |
| Revenues: | | | | | |
| Restricted intergovernmental | \$ 367,777 | \$ - | \$ 183,888 | \$ 183,888 | \$ (183,889) |
| Revenues over (under) expenditures | 367,777 | - | 183,888 | 183,888 | 183,889 |
| Other Financing Sources (Uses): | | | | | |
| Transfers to Water Sewer | (367,777) | - | (183,888) | (183,888) | (183,889) |
| Net change in fund balance | \$ - | \$ - | \$ - | \$ - | \$ - |

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, 2022**

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

TOWN OF LAKE LURE, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2022

| | 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 |
|---------------------------|--|---|---|---|
| Assets: | | | | |
| Cash and cash equivalents | \$ 64,265 | \$ 2,251,740 | \$ 3,482 | \$ 2,319,487 |
| Restricted cash | - | - | 2,752 | 2,752 |
| Total assets | <u>\$ 64,265</u> | <u>\$ 2,251,740</u> | <u>\$ 6,234</u> | <u>\$ 2,322,239</u> |
| Fund Balances: | | | | |
| Restricted, all other | \$ - | \$ - | \$ 2,752 | \$ 2,752 |
| Committed | 64,265 | 2,251,740 | - | 2,316,005 |
| Assigned | - | - | 3,482 | 3,482 |
| Total fund balances | <u>\$ 64,265</u> | <u>\$ 2,251,740</u> | <u>\$ 6,234</u> | <u>\$ 2,322,239</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, 2022**

| | 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 |
|--|--|---|---|---|
| Revenues: | | | | |
| Investment earnings | \$ - | \$ - | \$ 1 | \$ 1 |
| Expenditures: | | | | |
| Current: | | | | |
| Cultural and recreation | - | - | 90 | 90 |
| Revenues over (under) expenditures | - | - | (89) | (89) |
| Other Financing Sources (Uses): | | | | |
| Transfers from other funds | - | 1,600,000 | - | 1,600,000 |
| Net change in fund balances | - | 1,600,000 | (89) | 1,599,911 |
| Fund Balances: | | | | |
| Beginning of year - July 1 | 64,265 | 651,740 | 6,323 | 722,328 |
| End of year - June 30 | <u>\$ 64,265</u> | <u>\$ 2,251,740</u> | <u>\$ 6,234</u> | <u>\$ 2,322,239</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, 2022**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|----------------------------|---------------|------------------|--------------------------------|
| Net change in fund balance | \$ - | \$ - | \$ - |
| Fund Balance: | | | |
| 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, 2022**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|--------------------|---------------------|--------------------------------|
| Other Financing Sources (Uses): | | | |
| Transfers from other funds | \$ 1,600,000 | \$ 1,600,000 | \$ - |
| Transfers to other funds | <u>(1,600,000)</u> | <u>-</u> | <u>1,600,000</u> |
| Total other financing sources (uses) | <u>-</u> | <u>1,600,000</u> | <u>1,600,000</u> |
| | | | |
| Net change in fund balance | <u>\$ -</u> | <u>1,600,000</u> | <u>\$ 1,600,000</u> |
| | | | |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>651,740</u> | |
| | | | |
| End of year - June 30 | | <u>\$ 2,251,740</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, 2022

| | Project Authorization | Actual | | Total To Date | Variance Over/Under |
|--|--------------------------|----------------|-----------------|------------------|------------------------|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| Interest revenue | \$ - | \$ 4,001 | \$ 1 | \$ 4,002 | \$ 4,002 |
| Expenditures: | | | | | |
| Cultural and recreation: | | | | | |
| Demolition | 35,000 | 35,000 | - | 35,000 | - |
| Construction - docks and boardwalk | 919,292 | 1,022,619 | 90 | 1,022,709 | (103,417) |
| Boat ramp | 78,608 | 22,767 | - | 22,767 | 55,841 |
| Security cameras | 17,100 | 17,292 | - | 17,292 | (192) |
| Contingency | 50,000 | - | - | - | 50,000 |
| Total expenditures | 1,100,000 | 1,097,678 | 90 | 1,097,768 | 2,232 |
| Revenues over (under) expenditures | (1,100,000) | (1,093,677) | (89) | (1,093,766) | 6,234 |
| Other Financing Sources (Uses): | | | | | |
| Proceeds from long-term debt | 1,100,000 | 1,100,000 | - | 1,100,000 | - |
| Net change in fund balance | \$ - | \$ 6,323 | \$ (89) | \$ 6,234 | \$ 6,234 |

TOWN OF LAKE LURE, NORTH CAROLINA

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|----------------|---------------------|--------------------------------|
| Revenues: | | | |
| Operating revenues: | | | |
| Charges for services | \$ 400,000 | \$ 321,999 | \$ (78,001) |
| Non-operating revenues: | | | |
| Interest earnings | <u>325</u> | <u>82</u> | <u>(243)</u> |
| Total revenues | <u>400,325</u> | <u>322,081</u> | <u>(78,244)</u> |
| Expenditures: | | | |
| Operations: | | | |
| Salaries and employee benefits | 277,325 | 283,916 | (6,591) |
| Operating expenditures | 144,200 | 144,572 | (372) |
| Capital outlay | <u>22,800</u> | <u>19,985</u> | <u>2,815</u> |
| Total expenditures | <u>444,325</u> | <u>448,473</u> | <u>(4,148)</u> |
| Revenues over (under) expenditures | (44,000) | (126,392) | (82,392) |
| Other Financing Sources (Uses): | | | |
| Transfers in | <u>44,000</u> | <u>-</u> | <u>(44,000)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | (126,392) | <u>\$ (126,392)</u> |
| Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual: | | | |
| Reconciling items: | | | |
| Depreciation | | (96,436) | |
| Change in compensated absences | | 9,151 | |
| Change in other insurance plan OPEB liability | | (1,306) | |
| Change in deferred outflows of resources - other insurance plan OPEB | | (1,255) | |
| Change in deferred inflows of resources - other insurance plan OPEB | | 550 | |
| Change in RHBF OPEB liability | | (37,585) | |
| Change in deferred outflows of resources - RHBF OPEB | | 28,525 | |
| Change in deferred inflows of resources - RHBF OPEB | | 20,162 | |
| Change in deferred outflows - pension | | 4,158 | |
| Change in net pension liability | | 15,195 | |
| Change in deferred inflows - pension | | (17,392) | |
| Capital asset additions | | <u>19,985</u> | |
| Change in net position | | <u>\$ (182,640)</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, 2022

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|---|------------------|------------------|--------------------------------|
| Revenues: | | | |
| Operating revenues: | | | |
| Charges for service | \$ 1,620,000 | \$ 1,576,179 | \$ (43,821) |
| Water and sewer taps | 10,000 | 6,721 | (3,279) |
| Other operating revenues | 19,360 | 32,047 | 12,687 |
| Total operating revenues | <u>1,649,360</u> | <u>1,614,947</u> | <u>(34,413)</u> |
| Non-operating revenues: | | | |
| Miscellaneous revenues | - | 9,262 | 9,262 |
| Interest earnings | 750 | 1,721 | 971 |
| Total non-operating revenues | <u>750</u> | <u>10,983</u> | <u>10,233</u> |
| Total revenues | <u>1,650,110</u> | <u>1,625,930</u> | <u>(24,180)</u> |
| Expenditures: | | | |
| Water administration and operations: | | | |
| Salaries and employee benefits | - | 71,900 | (71,900) |
| Operating expenditures | 96,700 | 83,884 | 12,816 |
| Capital outlay | 411,500 | 30,125 | 381,375 |
| Total water administration and operations | <u>508,200</u> | <u>185,909</u> | <u>322,291</u> |
| Sewer administration and operations: | | | |
| Salaries and employee benefits | 3,000 | 76 | 2,924 |
| Operating expenditures | 670,021 | 694,437 | (24,416) |
| Engineering costs | 600,926 | 435,156 | 165,770 |
| Capital outlay | 703,000 | 488,945 | 214,055 |
| Total sewer administration and operations | <u>1,976,947</u> | <u>1,618,614</u> | <u>358,333</u> |
| Debt service: | | | |
| Principal | 119,945 | 119,944 | 1 |
| Interest | 7,740 | 6,449 | 1,291 |
| Total debt service | <u>127,685</u> | <u>126,393</u> | <u>1,292</u> |
| Total expenditures | <u>2,612,832</u> | <u>1,930,916</u> | <u>681,916</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, 2022

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|----------------|---------------------|--------------------------------|
| Revenues over (under) expenditures | (962,722) | (304,986) | 657,736 |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds | 1,349,847 | 183,888 | (1,165,959) |
| Transfers to other funds | (387,125) | - | 387,125 |
| Total other financing sources (uses) | <u>962,722</u> | <u>183,888</u> | <u>(778,834)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | (121,098) | <u>\$ (121,098)</u> |
| Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual: | | | |
| Reconciling items: | | | |
| Depreciation | | (339,340) | |
| Principal retirement | | 119,944 | |
| Change in compensated absences | | (3,364) | |
| Change in other insurance plan OPEB liability | | (783) | |
| Change in deferred outflows of resources - other insurance plan OPEB | | (753) | |
| Change in deferred inflows of resources - other insurance plan OPEB | | 330 | |
| Change in RHBF OPEB liability | | (22,551) | |
| Change in deferred outflows of resources - RHBF OPEB | | 17,115 | |
| Change in deferred inflows of resources - RHBF OPEB | | 12,098 | |
| Change in deferred outflows - pension | | 6,930 | |
| Change in net pension liability | | 25,325 | |
| Change in deferred inflows - pension | | (28,987) | |
| Capital asset additions | | 519,070 | |
| Capital contributions, revenues from Sewer Line Extension Project | | <u>1,012,000</u> | |
| Change in net position | | <u>\$ 1,195,936</u> | |

TOWN OF LAKE LURE, NORTH CAROLINA

SEWER LINE EXTENSION ENTERPRISE FUND CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022

| | Project Authorization | Actual | | | Variance Over/Under |
|--|--------------------------|----------------|-----------------|------------------|------------------------|
| | | Prior Years | Current Year | Total To Date | |
| Revenues: | | | | | |
| Restricted intergovernmental | \$ 8,500,000 | \$ - | \$ 1,012,000 | \$ 1,012,000 | \$ (7,488,000) |
| Expenditures: | | | | | |
| Engineering | 526,386 | - | - | - | 526,386 |
| Construction | 20,109,614 | - | 512,000 | 512,000 | 19,597,614 |
| Permitting | 354,000 | - | - | - | 354,000 |
| Other professional services | 10,000 | - | - | - | 10,000 |
| Total expenditures | 21,000,000 | - | 512,000 | 512,000 | 20,488,000 |
| Revenues over (under) expenditures | (12,500,000) | - | 500,000 | 500,000 | 13,000,000 |
| Other Financing Sources (Uses): | | | | | |
| Transfers from general fund | 250,000 | - | - | - | (250,000) |
| Proceeds from long-term debt | 12,250,000 | - | - | - | (12,250,000) |
| Total | 12,500,000 | - | - | - | (12,500,000) |
| Net change in fund balance | \$ - | \$ - | \$ 500,000 | \$ 500,000 | \$ 500,000 |

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, 2022

| | <u>Project Authorization</u> | <u>Actual</u> | | | <u>Variance Over/Under</u> |
|--|----------------------------------|------------------------|-------------------------|--------------------------|--------------------------------|
| | | <u>Prior Years</u> | <u>Current Year</u> | <u>Total To Date</u> | |
| Expenditures: | | | | | |
| 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 | 251,605 | - | - | - | 251,605 |
| 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 |
| Other Financing Sources (Uses): | | | | | |
| Proceeds from long-term debt | <u>12,831,866</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(12,831,866)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (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, 2022

| <u>Fiscal Year</u> | <u>Uncollected Balance July 1, 2021</u> | <u>Additions</u> | <u>Collections and Credits</u> | <u>Uncollected Balance June 30, 2022</u> |
|---|---|---------------------|------------------------------------|--|
| 2021-2022 | \$ - | \$ 4,429,471 | \$ 4,400,314 | \$ 29,157 |
| 2020-2021 | 30,457 | - | 16,459 | 13,998 |
| 2019-2020 | 19,655 | - | 7,861 | 11,794 |
| 2018-2019 | 24,747 | - | 7,462 | 17,285 |
| 2017-2018 | 15,057 | - | 5,812 | 9,245 |
| 2016-2017 | 14,193 | - | 4,942 | 9,251 |
| 2015-2016 | 13,096 | - | 4,955 | 8,141 |
| 2014-2015 | 11,500 | - | 4,261 | 7,239 |
| 2013-2014 | 6,457 | - | 4,293 | 2,164 |
| 2012-2013 | 8,706 | - | 3,816 | 4,890 |
| 2011-2012 | 7,359 | - | 7,359 | - |
| Total | <u>\$ 151,227</u> | <u>\$ 4,429,471</u> | <u>\$ 4,467,534</u> | 113,164 |
| Less: Allowance for uncollectible ad valorem taxes receivable | | | | <u>(39,423)</u> |
| Ad valorem taxes receivable, net | | | | <u>\$ 73,741</u> |
| Reconciliation with Revenues: | | | | |
| Taxes - ad valorem | | | | \$ 4,510,224 |
| Reconciling items: | | | | |
| Interest collected | | | | (18,444) |
| Miscellaneous adjustments | | | | (31,605) |
| Amounts written off for tax years per Statute of Limitations | | | | <u>7,359</u> |
| Total collections and credit | | | | <u>\$ 4,467,534</u> |

TOWN OF LAKE LURE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>Town-Wide</u> | | | <u>Total Levy</u> | |
|---|-------------------------------|-------------|---------------------------|---|--|
| | <u>Property Valuation</u> | <u>Rate</u> | <u>Amount of Levy</u> | <u>Property Excluding Registered Motor Vehicles</u> | <u>Registered Motor Vehicles</u> |
| Original Levy: | | | | | |
| Property taxed at current year's rate | \$ 831,390,432 | 0.530 | \$ 4,406,369 | \$ 4,313,632 | \$ 92,737 |
| Discoveries | <u>4,358,860</u> | | <u>23,102</u> | <u>23,102</u> | <u>-</u> |
| Total property valuation | <u>\$ 835,749,292</u> | | | | |
| Net Levy | | | 4,429,471 | 4,336,734 | 92,737 |
| Uncollected taxes at June 30, 2022 | | | <u>(29,157)</u> | <u>(29,157)</u> | <u>-</u> |
| Current Year's Taxes Collected | | | <u>\$ 4,400,314</u> | <u>\$ 4,307,577</u> | <u>\$ 92,737</u> |
| Current Levy Collection Percentage | | | <u>99.34%</u> | <u>99.33%</u> | <u>100.00%</u> |

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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 (*Government Auditing Standards*), 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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 21, 2023. 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.

Report on 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2022-001, 2022-002, 2022-003, and 2022-004 that we consider to be material weaknesses.

Report on 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 an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2022-003.

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, Responses, and Questioned Costs. The Town's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

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 results 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
July 21, 2023

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Lake Lure, North Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Lake Lure's major federal programs for the year ended June 30, 2022. The Town of Lake Lure's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the Town of Lake Lure complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Lake Lure and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Lake Lure's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, and the terms and conditions of its federal awards applicable to the Town of Lake Lure's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Lake Lure's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Town of Lake Lure's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Lake Lure's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town of Lake Lure's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lake Lure's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2022-005. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures of the Town of Lake Lure's response to the non-compliance finding identified in our compliance audit described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The Town of Lake Lure's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2022-005 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the Town of Lake Lure's response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The Town of Lake Lure's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
July 21, 2023

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

“A Professional Association of Certified Public Accountants and Management Consultants”

Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor’s Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Lake Lure, North Carolina’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Lake Lure’s major state programs for the year ended June 30, 2022. The Town of Lake Lure’s major state programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the Town of Lake Lure complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Lake Lure and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Town of Lake Lure’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Lake Lure's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Lake Lure's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Town of Lake Lure's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Lake Lure's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town of Lake Lure's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lake Lure's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2022-006. Our opinion on the major state program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures of the Town of Lake Lure's response to the non-compliance findings identified in our compliance audit described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The Town of Lake Lure's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2022-006 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Lake Lure's response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The Town of Lake Lure's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
July 21, 2023

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TOWN OF LAKE LURE, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

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? No

Non-compliance material to financial statements noted? Yes

Federal Awards

Internal control over major federal programs:

• Material weakness identified? Yes

• Significant deficiency identified? None reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

| <u>Program Name</u> | <u>AL#</u> |
|--|------------|
| Clean Water State Revolving Fund Cluster | 66.458 |

Dollar threshold used to distinguish between Type and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

TOWN OF LAKE LURE, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major state programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? Yes

Identification of major state programs:

Program Name

Water Resources Development Project Grant Program

TOWN OF LAKE LURE, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

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

Material Weakness

Finding 2022-001: 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. 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 modified and repeated finding from the immediate previous audit, 2021-001.

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.

Name of Contact Person: Stephen Ford, 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, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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

Material Weakness

Finding 2022-002: Bank Reconciliation

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

Condition: Account reconciliations were prepared but not balanced to the general ledger, such that checks written in July 2022 were included on June 2022's bank reconciliation as outstanding checks.

Effect: Lack of timely balancing of the reconciliations greatly increases the risk of improper financial reporting.

Cause: Outstanding items on the bank reconciliations were not agreed to the general ledger during the year.

Recommendation: The Town should evaluate the internal controls over bank reconciliations and require the outstanding items be balanced to source documents and general control accounts monthly.

Name of Contact Person: Stephen Ford, 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, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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

Material Weakness, Non-Compliance

Finding 2022-003: Delayed Audit

Criteria: N.C. General Statute 159-34 requires the Town to have an audit as soon as possible after the close of each fiscal year.

Condition: The annual audit was delayed due to turnover in financial personnel.

Effect: Delays of timely reporting and errors in financial reporting could occur.

Cause: Staff turnover.

Recommendation: Management should cross-train where possible so that vacancies in key personnel do not create significant disruptions in day-to-day operations.

Name of Contact Person: Stephen Ford, 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, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

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

Material Weakness

Finding 2022-004: Significant Audit Adjustments

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting. This includes identifying all necessary adjustments to the Town's general ledger to conform to accounting principles generally accepted in the United States of America and generally accepted governmental auditing standards.

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

Effect: Several year-end closing entries had not been completed prior to sending the trial balance to the auditor.

Cause: Due to staff turnover, there was limited time to reconcile year-end balances. As a result, there were several significant audit adjustments required to prevent the financial statements from being materially misstated.

Recommendation: Management should reconcile the subsidiary ledgers at year-end and full accrual entries, along with any adjusting entries, should be posted as needed to the final trial balance, to prevent material audit adjustments in the future.

Name of Contact Person: Stephen Ford, 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, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

3. Federal Award Findings

U.S. Department of Environmental Protection Agency

Passed-through N.C. Department of Environmental Quality

Program Name: Clean Water State Revolving Fund Cluster

AL Number: 66.458

Grant Number: CS370489-05

Finding 2022-005: Procurement and Suspension and Debarment

Material Weakness, Non-Compliance

Criteria: In accordance with Section 602(b)(14) of the Clean Water Act, management should have an adequate system of internal control procedures in place to ensure that procurement policies are implemented and functioning as intended. Projects receiving Clean Water State Revolving Fund funding must comply with engineering procurement guidelines. To comply management must follow North Carolina General Statute 143-64.31, Article 3D procurement of architectural, engineering, and surveying services. Management must monitor activities under federal awards to assure compliance with federal requirements.

Condition: The Town's internal controls over procurement are not functioning as intended.

Context: During our testing, we examined one purchase and determined that the required procurements guidelines were not followed. Expenditures were approved prior to payment; however proper procurement documentation was not kept on file as required by procurement guidelines for use of Clean Water State Revolving Fund funding.

Effect: Purchases may be made without the proper procurement procedures being followed.

Cause: Due to staff turnover at the Town, there were instances where proper procurement documentation was not kept on file.

Questioned Cost: None. This finding represents an internal control issue; therefore, questioned costs are not applicable.

Recommendation: The Town should have a system in place to ensure that the procurement policies are implemented and functioning as intended.

Views of Responsible Officials and Planned Corrective Actions: The Town agrees with this finding. Please refer to the Corrective Action Plan section of this report.

TOWN OF LAKE LURE, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

4. State Award Findings

North Carolina Department of Environmental Quality

Program Name: Water Resources Development Project Grant Program

Grant number DEQ-19

Finding 2022-006: Procurement and Suspension and Debarment

Material Weakness, Non-Compliance

Criteria: In accordance with G. S. 143, Article 8, management should have an adequate system of internal control procedures in place to ensure that procurement policies are implemented and functioning as intended. Management must monitor activities under state awards to assure compliance with state requirements.

Condition: The Town implemented procurement policies that conform with state laws. However, the Town's internal controls over procurement were not functioning as intended.

Context: During our testing, we examined four purchases and determined that they did not follow the Town's policy. Expenditures were approved prior to payment; however proper procurement documentation were not kept on file as required by the state and Town's policy.

Effect: Purchases may be made without the proper procurement approvals.

Cause: Due to the staff turnover at the Town, there were instances where a proper procurement documentation was not on file.

Questioned Costs: None. This finding represents an internal control issue; therefore, questioned costs are not applicable.

Recommendation: The Town should have a system in place to ensure that the procurement policies are implemented and functioning as intended.

Views of Responsible Officials and Planned Corrective Action: 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.



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022**

2. Financial Statement Findings

Finding: 2022-001

Name of Contact Person: Stephen Ford, Finance Director

Corrective Action: The Town has approved funding for three administrative positions and restructured three other positions that will provide adequate staffing for separation of duties and enhanced internal controls necessary for the current accounting, banking, and cash receipting systems for the Town.

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

Finding: 2022-002

Name of Contact Person: Stephen Ford, Finance Director

Corrective Action: The Town, during staff transition of Finance Directors in late June 2022, did have some accounting entry and bookkeeping postings that were entered incorrect periods and bank reconciliation were not updated to reflect this issue. The Town utilizes the services of a very qualified professional accounting consultant (CPA, former Finance Manager, former external auditor). After reviewing the bank reconciliations and accounting records, the incorrect periods and related issues were found but not updated. Hopefully this is an isolated incident due to timing and miscommunication and not indicative of a system flaw.

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



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022**

2. Financial Statement Findings (continued)

Finding: 2022-003

Name of Contact Person: Stephen Ford, Finance Director

Corrective Action: The Town has always considered the audit process and audit report as a great tool and aid. That appreciation for the process still exists in the organization at all levels. Over the last two years, the Town has undergone a significant staff transition. The Town Manager, Finance Director, Town Clerk, HR Director, Water Customer Service Representative, the Front Office Staff, the Public Works Director, the Community Development Director, and several clerical and technical positions have transitioned. This has had a tremendous positive impact on the Town. But it has also caused some challenges in locating records and confirmation of procedures and actions. Also with the acceptance of significant federal and state funding and grants, the Town now undergoes additional reviews and single audit procedures. The Town has taken large and great steps to providing needed information and data and will continue to do so as staff adhere to procedures and record keeping requirements

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

Finding: 2022-004

Name of Contact Person: Stephen Ford, Finance Director

Corrective Action: The Town, during staff transition of Finance Directors in late June 2022, did have some accounting postings that were entered into incorrect periods. The same were not updated to reflect this issue. The Town utilizes the services of a very qualified professional accounting consultant (CPA, former Finance Manager, former external auditor). After reviewing the accounting records the incorrect periods, incorrect accounts and related issues were found but not updated. Hopefully this is an isolated incident due to timing and miscommunication and not indicative of a system flaw as also explained in regards to the bank reconciliation process.

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



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022**

3. Federal Award Findings

Finding: 2022-005

Name of Contact Person: Stephen Ford, Finance Director

Corrective Action: As stated before over the last two years, the Town has undergone a significant staff transition. The Town Manager, Finance Director, Town Clerk, HR Director, Water Customer Service Representative, the Front Office Staff, the Public Works Director, the Community Development Director, and several clerical and technical positions have transitioned. This has had a tremendous positive impact on the Town. But it has also caused some challenges in locating records and confirmation of procedures and actions.

It is also believed that former management, department heads, and employees adhere to procurement procedures and requirements. However, records and documentation cannot be found providing supporting evidence of adherence and compliance. This process has been greatly improved and communicated throughout the organization.

4. State Award Findings

Finding: 2022-006

Name of Contact Person: Stephen Ford, Finance Director

Corrective Action: As stated before over the last two years, the Town has undergone a significant staff transition. The Town Manager, Finance Director, Town Clerk, HR Director, Water Customer Service Representative, the Front Office Staff, the Public Works Director, the Community Development Director, and several clerical and technical positions have transitioned. This has had a tremendous positive impact on the Town. But it has also caused some challenges in locating records and confirmation of procedures and actions.

It is also believed that former management, department heads, and employees adhere to procurement procedures and requirements. However, records and documentation cannot be found providing supporting evidence of adherence and compliance. This process has been greatly improved and communicated throughout the organization.

TOWN OF LAKE LURE, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Finding 2021-001:

Status: Modified and repeated as 2022-001.

Finding 2021-002:

Status: Corrected.

TOWN OF LAKE LURE, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

| Federal/State Program Program Title | Federal Assistance Listing Number | State/ Pass-Through Grantor's Number | Federal (Direct and Pass-Through) Expenditures | State Expenditures | Pass-through to Subrecipients |
|---|--|---|---|-------------------------------|--|
| <u>Federal Assistance</u> | | | | | |
| <u>U.S. Department of Treasury</u> | | | | | |
| Direct Program - | | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | NC0240 | \$ 183,888 | \$ - | \$ - |
| Passed-through N.C. Department of Environmental Quality COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | SRP-W-ARP-0077 | 512,000 | - | - |
| Total U.S. Department of Treasury | | | 695,888 | - | - |
| <u>U.S. Department of Environmental Protection Agency</u> | | | | | |
| Passed-through N.C. Department of Environmental Quality Clean Water State Revolving Fund (CWSRF) Cluster: | | | | | |
| Clean Water State Revolving Fund | 66.458 | CS370489-05 | 1,067,061 | - | - |
| Total Clean Water State Revolving Fund (CWSRF) Cluster | | | 1,067,061 | - | - |
| Total U.S. Department of Environmental Protection Agency | | | 1,067,061 | - | - |
| Total Federal Assistance | | | \$ 1,762,949 | \$ - | \$ - |
| <u>State Assistance</u> | | | | | |
| <u>North Carolina Department of Transportation</u> | | | | | |
| Powell Bill | | DOT-4 | | \$ 112,500 | \$ - |
| Total North Carolina Department of Transportation | | | | 112,500 | - |
| <u>North Carolina Department of Environmental Quality</u> | | | | | |
| Water Resources Development Project Grant Program | | DEQ-19 | | 632,969 | - |
| Total North Carolina Department of Environmental Quality | | | | 632,969 | - |
| Total State Assistance | | | | \$ 745,469 | \$ - |

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the Town of Lake Lure under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Lake Lure, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Town of Lake Lure.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited, as to reimbursement.

Note 3 - Indirect Cost Rate

The Town of Lake Lure has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Loans Outstanding

The Town of Lake Lure had the following loan balances outstanding at June 30, 2022 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. No drawdowns have been made at June 30, 2022 for the Clean Water State Revolving Fund. The balance of loans outstanding at June 30, 2022 consist of:

| Program Name | Federal Assistance Listing Number | Pass-Through Grantor's Number | Amount Outstanding |
|-----------------------------------|--|--|-------------------------------|
| Clean Water State Revolving Funds | 66.458 | CS370489-05 | \$ - |

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