

# **LAKE LURE TOWN COUNCIL MEETING PACKET**

Tuesday, March 4, 2025  
9:00 a.m.



**Mayor Carol C. Pritchett**  
**Mayor Pro Tem David DiOrio**  
**Commissioner Patrick Bryant**  
**Commissioner Scott Doster**  
**Commissioner Jim Proctor**

# **TOWN OF LAKE LURE**

## **Town Council Work Session and Action Meeting**

Tuesday, March 4, 2025 – 9:00 a.m.

Lake Lure Fire Department



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### **Agenda**

- I. Call to Order**
- II. Agenda Adoption**
- III. Audit Presentation**
- IV. Public Comments**
- V. Adjournment**

# II

# Agenda Adoption

- A. Approval of Agenda for Special Town Council Work Session and Action Meeting for March 4, 2025

# III

## Audit Presentation

## **Audit Findings Summary And Management Responses**

### **1. Segregation of Duties (repeated)**

Cross training and capacity will allow for a better approach to accounting functions and internal controls

### **2. Significant Audit adjustments (repeated)**

Adjustments to the trial balance have continued to be high. With a later submission requirement, then possibility changes and greater chance to provide earlier adjustments

### **3. State Award-Dredging –Procurement (repeated)**

Operated under a contract with Tim Edwards that appears to not been bid properly. Contract was not renewed and new bid process and procurement procedures were complied with during selection.

### **4. Over Budget Items-“budget Violations”**

Three departments ended with over budget expenditures in ending balances . Appears to be determined during audit adjustments. Overall, the budget for FY 22-23 showed revenues over expenditures over \$2 million dollars. Year ending spending and balances will be analyzed to determine if inter fund or fund transfers need to occur to cover post year adjustments

### **4. LGC Reporting- (This fiscal year)**

Submitted past deadline-access could not be obtained and still not accessible. Using former director’s access code. LGC has been notified and will be attempting to make necessary changes.

### **5. ARPA Procurement Controls (This fiscal year)**

Found four purchasing processes that did not meet appropriate controls. Included purchase of barges, services from Freeman, and services from Imco. There was a basis for each process that factored into selection and decision processing. Will follow up with clarification and documentation.

# 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated **Audit Report Date**, 2025. 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.

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

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

deficiencies described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2023-001, 2023-003, 2023-004, and 2023-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2023-002 to be a significant deficiency.

### **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 instances 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 items 2023-002, 2022-003, and 2023-005.

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

The Town of Lake Lure's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, 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  
Audit Report Date, 2025

**TOWN OF LAKE LURE, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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? Yes

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 Qualified

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

Identification of major federal programs:

<b><u>Program Name</u></b>	<b><u>AL#</u></b>
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027

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, 2023**

**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

Auditee qualified as a State low-risk auditee? No

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, 2023

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

#### Material Weakness

##### **Finding 2023-001: 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 repeat finding from the immediate previous audit, 2022-001.

**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, 2023**

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

**Significant Deficiency, Non-Compliance**

**Finding 2023-002: LGC-203**

**Criteria:** N.C. General Statute 159-33 requires all units of local governments in North Carolina to submit a semi-annual Cash and Investment Report (LGC-203) to the Local Government Commission by January 25th and July 25th of each year.

**Condition:** The LGC-203 reports were filed after the required due date.

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

**Cause:** There are a limited number of personnel for certain functions in the Town.

**Recommendation:** Implement more stringent controls to prevent LGC-203 from being reported after required due date.

**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, 2023

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

##### Material Weakness, Non-Compliance

##### **Finding 2023-003: 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.

**Identification of Repeat Finding:** This is a repeat finding from the immediate previous audit, 2022-003.

**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, 2023

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

#### Material Weakness

##### **Finding 2023-004: 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.

**Identification of Repeat Finding:** This is a repeat finding from the immediate previous audit, 2022-004.

**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, 2023

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

#### Material Weakness, Non-Compliance

##### **Finding 2023-005: Expenditures Over Budget**

**Criteria:** N.C General Statute 159-28 requires that obligations of the unit be pre-audited in accordance with the Local Government Budget and Fiscal Control Act. The statutes require that funds be appropriated before incurring the obligation of funds and that amounts be pre-audited prior to the expenditure being made.

**Condition:** For fiscal year ended June 30, 2023, actual expenditures exceeded the authorized appropriations made by the governing board for the Town for the General Fund.

**Effect:** The Town was in violation of North Carolina State Statutes

**Cause:** The Town expended more than what had been appropriated because budget amendments were not made for those items.

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

**Name of Contact Person:** 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, 2023

### 3. Federal Award Findings and Questioned Costs

#### **Material Weakness, Material Non-Compliance, Procurement and Suspension and Debarment**

##### **U.S. Department of Treasury**

Passed-through N.C. Department of Environmental Quality

Program Name: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

AL Number: 21.027

Grant Number: SRP-W-ARP-0077

##### **Finding 2023-006**

**Criteria:** In accordance with 2 CFR 200, management should have an adequate system of internal control procedures in place to ensure that applicants have all required documentation in their file. In accordance with 42 USC Section 802(c) and 803(c) and Treasury’s Interim Final Rule and Final Rule, recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance.

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

**Context:** Of the 19 procurements during the current year valued at \$2,799,733, we examined 4 (valued at \$1,121,989) and determined that 4 (100% valued at \$1,121,989) did not have documentation to verify that internal controls and compliance with procurement guidelines were being followed. The proper procurement documentation was not kept on file as required by procurement guidelines for use of COVID 19 – Coronavirus State and Local Fiscal Recovery 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:** In accordance with 2 CFR 200, auditors are required to report known questioned costs when likely questioned costs are greater than \$25,000. The sample results identified \$1,121,990 in known questioned costs.

**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, 2023

### 4. State Award Findings

#### **Material Weakness, Non-Material Non-Compliance, Procurement and Suspension and Debarment**

##### **North Carolina Department of Environmental Quality**

Program Name: Water Resources Development Project Grant Program

Grant number DEQ-19

##### **Finding 2023-007**

**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 two 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.

**Identification of a Repeat Finding:** This is a modified and repeated finding from the immediate previous audit, 2022-006.

**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.



# TOWN OF LAKE LURE, NORTH CAROLINA

## SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2023

**Finding 2022-001:**

**Status:** Repeated as 2023-001.

**Finding 2022-002:**

**Status:** Corrected.

**Finding 2022-003:**

**Status:** Repeated as 2023-003.

**Finding 2022-004:**

**Status:** Repeated as 2023-004.

**Finding 2022-005:**

**Status:** Corrected

**Finding 2022-006:**

**Status:** Modified and repeated as 2023-007.

# Memo

To: Mayor and Commission Members  
From: Steve Ford, Finance  
cc: Olivia Stewman, Town Manager  
Date: 02/28/2025  
Re: Hydro Plant-Electric Fund

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Note from the audit team concerning Hydro Operation and follow up from meeting held on Thursday.

*“It appears that there are no current assets in the electric fund so the quick ratio (which is current assets over current liabilities) is still 0. On the Data Input Sheet there are items called “FPICs” these are standard things that either pop out or not. If it pops out then you need to provide a response. It did pop out since it is below 1 – in the Case of the Town you just need to provide a response to the LGC explaining the situation after the audit presentation. The reason that this is a performance indicator because if liabilities are higher than assets then it could indicate the town isn’t able to cover their obligations with their assets. If this isn’t the case for the Town you just need to explain that to your Board members. Or if it is a cause for concern then you and the board members need to come up with a solution. So it really isn’t something that I am bringing up as part of our audit and definitely not considered an audit finding, it is just standard from the LGC’s data input sheet.”*

# IV

## PUBLIC COMMENT

*The public is invited to speak. Please keep comments limited to three minutes or less. Comments may also be submitted in writing to the Town Clerk, [kmartin@townoflakelure.com](mailto:kmartin@townoflakelure.com), at least one hour prior to the meeting.*

**V**

**ADJOURNMENT**