

TOWN OF KURE BEACH, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015



**Town Council Members**

Dean Lambeth, Mayor  
Craig Bloszinsky, Mayor Pro Tem  
Emilie Swearingen  
David Heglar  
Steve Pagley

**Administrative and Financial Staff**

Nancy Avery, Town Clerk  
Arlen Copenhaver, Budget and Finance Officer

**TOWN OF KURE BEACH, NORTH CAROLINA**

**Table of Contents**

**June 30, 2015**

---

	<u>Page No.</u>
Independent Auditor’s Report .....	1-2
Management’s Discussion and Analysis .....	3-10
<b><i>Basic Financial Statements</i></b>	
Government-Wide Financial Statements:	
Statement of Net Position (Exhibit 1) .....	11
Statement of Activities (Exhibit 2).....	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet (Exhibit 3).....	13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit 4).....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit 5) .....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities (Exhibit 6).....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund (Exhibit 7) .....	17
Proprietary Fund:	
Statement of Fund Net Position (Exhibit 8).....	18
Statement of Revenues, Expenses and Changes in Net Position (Exhibit 9) .....	19
Statement of Cash Flows (Exhibit 10) .....	20
Notes to Financial Statements .....	21-42
<b>Required Supplementary Financial Data:</b>	
Law Enforcement Officers’ Special Separation Allowance – Schedule of Funding Progress (Exhibit 11).....	43
Law Enforcement Officers’ Special Separation Allowance – Schedule of Employer Contributions (Exhibit 11).....	43
Other Postemployment Benefits - Schedule of Funding Progress (Exhibit 12) .....	44
Other Postemployment Benefits - Schedule of Employer Contributions (Exhibit 12) .....	44
Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees’ Retirement System (Exhibit 13) .....	45
Schedule of Contributions – Local Government Employees’ Retirement System (Exhibit 13).....	45
<b><i>Individual Fund Statements and Schedules</i></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
General Fund (Statement 1).....	46-49
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Water and Sever Fund (Statement 2).....	50-51

**Other Schedules**

Schedule of Ad Valorem Taxes Receivable (Schedule 1) .....	52
Analysis of Current Year Levy (Schedule 2) .....	53

## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Town Council  
Town of Kure Beach, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Kure Beach, North Carolina (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinions***

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type

activities, and each major fund of the Town of Kure Beach, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10; the Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress and Schedule of Employer Contributions on page 43; Other Postemployment Benefits - Schedule of Funding Progress and Schedule of Employer Contributions on page 44; and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and the Schedule of Contributions, on page 45, be presented to supplement the basic financial statements. Such information, although not a required 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, economic or historical context. We 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 and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Town of Kure Beach, North Carolina. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund budgetary schedules and other schedules, as listed on the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the budgetary schedules and other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
October 9, 2015

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

---

As management of the Town of Kure Beach, North Carolina (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. 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**

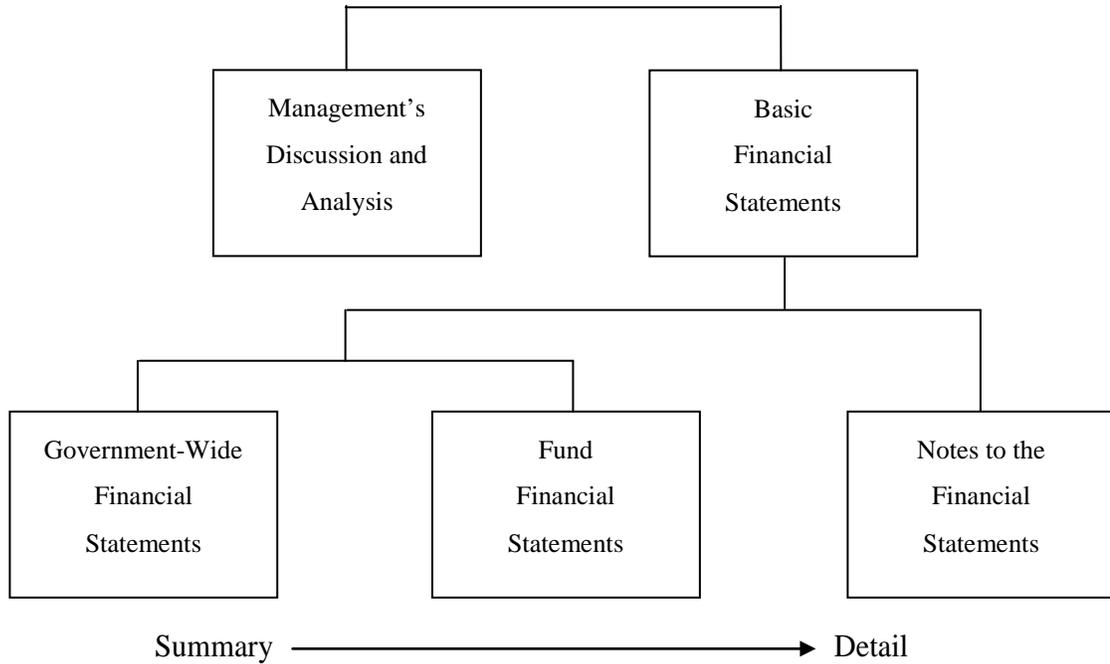
- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$14,050,374 (net position).
- The government's total net position increased by \$704,538.
- As of the close of the current fiscal year, the Town's total governmental funds reported combined ending fund balances of \$4,049,401 with a net change of \$563,769 in fund balance. Approximately 16% of this total amount or \$653,680 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,262,251 or 54% of total General Fund expenditures for the fiscal year. The combined unassigned and assigned fund balance for the General Fund was \$3,395,721 or 82% of total General Fund expenditures for the fiscal year.
- The Town's governmental activities capital assets (net of accumulated depreciation) increased by \$322,388 during the current fiscal year. The key factor in this increase was the purchase of three vacant lots for future expansion of Town facilities/operations to better serve the needs of the Town's population.
- The Town's total long-term liabilities decreased by \$32,016 during the current fiscal year. The key factor in this decrease was the required annual payment of principal on outstanding installment purchases.
- The business-type activities revenue decreased by \$385,237 (19%). The most significant component of the decrease was a refund of wastewater treatment facility charges from the Carolina and Kure Beach Sewer Authority that was included in the prior year revenue.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town of Kure Beach, North Carolina'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 Kure Beach, North Carolina.

**Required Components of Annual Financial Report**

Figure 1



**Basic Financial Statements**

The first two statements (Exhibits 1 and 2) 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 3 through 10) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements 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 total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### June 30, 2015

---

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, 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 Kure Beach.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

### **Fund Financial Statements**

The fund financial statements (see Figure 1) 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 Kure Beach, 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 can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds* - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All 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* that 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 government 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 Kure Beach 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 Fund* - The Town of Kure Beach has one kind of proprietary fund, an Enterprise Fund.

*An Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Kure Beach, North Carolina uses an enterprise fund to account for its water and sewer fund activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

*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 immediately follow Exhibit 10 of the audit report.

*Other Information* - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 43 of 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.

**Government-Wide Financial Analysis**  
**Town of Kure Beach, North Carolina's Net Position**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current and other assets	\$ 4,340,528	\$ 3,707,953	\$ 2,376,827	\$ 2,155,387	\$ 6,717,355	\$ 5,863,340
Capital assets	6,552,205	6,229,817	5,288,651	5,454,395	11,840,856	11,684,212
Deferred outflows of resources	124,154	91,308	38,437	28,362	162,591	119,670
Total assets	<u>11,016,887</u>	<u>10,029,078</u>	<u>7,703,915</u>	<u>7,638,144</u>	<u>18,720,802</u>	<u>17,667,222</u>
<b>Liabilities:</b>						
Long-term liabilities	3,119,636	3,066,474	907,139	992,317	4,026,775	4,058,791
Other liabilities	122,296	202,654	72,470	59,941	194,766	262,595
Deferred inflows of resources	342,501	-	106,386	-	448,887	-
Total liabilities	<u>3,584,433</u>	<u>3,269,128</u>	<u>1,085,995</u>	<u>1,052,258</u>	<u>4,670,428</u>	<u>4,321,386</u>
<b>Net Position:</b>						
Net investment in capital						
assets	4,269,046	4,150,603	4,598,898	4,717,976	8,867,944	8,868,579
Restricted	653,680	870,112	-	-	653,680	870,112
Unrestricted	<u>2,509,728</u>	<u>1,739,235</u>	<u>2,019,022</u>	<u>1,867,910</u>	<u>4,528,750</u>	<u>3,607,145</u>
Total net position	<u>\$ 7,432,454</u>	<u>\$ 6,759,950</u>	<u>\$ 6,617,920</u>	<u>\$ 6,585,886</u>	<u>\$ 14,050,374</u>	<u>\$ 13,345,836</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Kure Beach exceeded liabilities by \$14,050,374 as of June 30, 2015. The Town's net position for governmental activities and business-type activities were \$7,432,454 and \$6,617,920, respectively, for the fiscal year ended June 30, 2015. However, the largest portion, \$8,867,944, reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

are not available for future spending. Although the Town'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's net position of \$653,680 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,528,750 is unrestricted. Also the Town of Kure Beach, North Carolina implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$216,632. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Kure Beach, North Carolina's management.

Several particular aspects of the Town's financial operations positively influenced the total governmental net position, notably, the continued diligence in the collection of property taxes by accomplishing a tax collection percentage of 99.25%.

**Town of Kure Beach, North Carolina's Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 862,203	\$ 854,226	\$ 1,638,086	\$ 2,023,185	\$ 2,500,289	\$ 2,877,411
Operating grants and contributions	250,547	245,307	-	-	250,547	245,307
Capital grants and contributions	2,480	-	-	-	2,480	-
General revenues:						
Property taxes	2,128,297	2,123,926	-	-	2,128,297	2,123,926
Other taxes	676,471	622,592	-	-	676,471	622,592
Grants and contributions not restricted to specific programs	347,871	246,781	-	-	347,871	246,781
Transfers from other funds	-	160,000	-	-	-	160,000
Other	993	1,214	1,031	1,169	2,024	2,383
Total revenues	<u>4,268,862</u>	<u>4,254,046</u>	<u>1,639,117</u>	<u>2,024,354</u>	<u>5,907,979</u>	<u>6,278,400</u>
<b>Expenses:</b>						
General government	558,774	919,843	-	-	558,774	919,843
Public safety	1,869,676	1,929,610	-	-	1,869,676	1,929,610
Highways/streets	39,414	11,064	-	-	39,414	11,064
Environmental protection	900,542	942,293	-	-	900,542	942,293
Parks and recreation	126,780	55,984	-	-	126,780	55,984
Interest on long-term debt	81,619	86,812	-	-	81,619	86,812
Water and sewer	-	-	1,607,083	1,512,866	1,607,083	1,512,866

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
	Transfers to other funds	\$ -	\$ -	\$ -	\$ 160,000	\$ -
Other	19,553	23,940	-	-	19,553	23,940
Total expenses	<u>3,596,358</u>	<u>3,969,546</u>	<u>1,607,083</u>	<u>1,672,866</u>	<u>5,203,441</u>	<u>5,642,412</u>
Increase in net position	672,504	284,500	32,034	351,488	704,538	635,988
Net position, July 1,	<u>6,759,950</u>	<u>6,475,450</u>	<u>6,585,886</u>	<u>6,234,398</u>	<u>13,345,836</u>	<u>12,709,848</u>
Net position, June 30,	<u>\$ 7,432,454</u>	<u>\$ 6,759,950</u>	<u>\$ 6,617,920</u>	<u>\$ 6,585,886</u>	<u>\$ 14,050,374</u>	<u>\$ 13,345,836</u>

*Governmental Activities* - Governmental activities increased the Town's net position by \$672,504, thereby accounting for 95% of the total growth in the net position of the Town. The key elements of this increase are as follows:

- Increase in local option sales tax revenues.
- Increase in utility sales tax revenues.
- Strong property tax collection rate of 99.25%

*Business-Type Activities* - Business-type activities of the Town reported \$6,617,920 in net position, an increase of \$32,034.

**Financial Analysis of the Town's Funds**

As noted earlier, the Town of Kure Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds* - The focus of the Town'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's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Kure Beach. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,262,251, while the total fund balance reached \$4,049,401. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 54% of total General Fund expenditures, while total fund balance is 97% of total General Fund expenditures.

At June 30, 2015, the governmental funds of the Town of Kure Beach reported a fund balance of \$4,049,401.

*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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

Revenues were more than the budgeted amounts primarily because the Town did not expect to receive some of the unrestricted intergovernmental funds that became available. Expenditures were held in check to comply with its budgetary requirements.

*Proprietary Fund* - The Town's proprietary fund provides the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,019,022. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

**Capital Asset and Debt Administration**

*Capital Assets* - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$11,840,856 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the additions (there were no significant demolitions or disposals, other than vehicles) of three vacant lots for future expansion of Town facilities/operations.

**Town of Kure Beach, North Carolina's Capital Assets**  
**Figure 4**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 4,213,583	\$ 3,804,111	\$ 20,697	\$ 20,697	\$ 4,234,280	\$ 3,824,808
Building	739,430	765,421	123,470	128,299	862,900	893,720
Equipment and vehicles	315,874	347,523	44,571	35,089	360,445	382,612
Improvements other than buildings	445,421	465,383	-	-	445,421	465,383
Plant and Distribution Systems	-	-	5,099,913	5,270,309	5,099,913	5,270,309
Infrastructure	837,897	847,379	-	-	837,897	847,379
<b>Total</b>	<b>\$ 6,552,205</b>	<b>\$ 6,229,817</b>	<b>\$ 5,288,651</b>	<b>\$ 5,454,394</b>	<b>\$ 11,840,856</b>	<b>\$ 11,684,211</b>

Additional information on the Town's capital assets can be found in the notes to the basic financial statements.

*Long-Term Debt* - As of June 30, 2015, the Town had total debt outstanding of \$2,972,912. Installment debt for governmental type activities and business-type activities were \$2,283,159 and \$689,753, respectively.

Additional information regarding the Town's long-term debt can be found in the notes to the basic financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

---

**Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the Town.

- Tourism to the Town has continued to increase.
- The Town approved a \$4,019,829 General Fund budget for fiscal year 2015-2016. This budget represents a 4.6% decrease from the fiscal year 2014-2015 amended budget. The decrease primarily relates to the level of planned capital expenditures.

**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 Officer, 117 Settlers Lane, Kure Beach, NC 28449. You can also call (910) 458-8216, visit our website [www.townofkurebeach.org](http://www.townofkurebeach.org) or send an email to [acopenhaver@townofkurebeach.org](mailto:acopenhaver@townofkurebeach.org) for more information.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2015**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 3,461,085	\$ 2,096,490	\$ 5,557,575
Investments	56,060	-	56,060
Receivables, net	318,247	236,686	554,933
Restricted cash and cash equivalents	364,608	-	364,608
Total current assets	<u>4,200,000</u>	<u>2,333,176</u>	<u>6,533,176</u>
Non-current assets:			
Net pension asset	<u>140,528</u>	<u>43,651</u>	<u>184,179</u>
Capital assets:			
Land, non-depreciable improvements, and construction in progress	4,213,583	20,697	4,234,280
Other capital assets, net of depreciation	<u>2,338,622</u>	<u>5,267,954</u>	<u>7,606,576</u>
Total capital assets	<u>6,552,205</u>	<u>5,288,651</u>	<u>11,840,856</u>
Total assets	<u>10,892,733</u>	<u>7,665,478</u>	<u>18,558,211</u>
<b>Deferred Outflows of Resources</b>			
Pension deferrals	22,288	6,923	29,211
Contributions to pension plan in current fiscal year	101,866	31,514	133,380
Total deferred outflows of resources	<u>124,154</u>	<u>38,437</u>	<u>162,591</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	122,296	66,110	188,406
Customer deposits	-	6,360	6,360
Current portion of long-term liabilities	<u>290,550</u>	<u>81,633</u>	<u>372,183</u>
Total current liabilities	<u>412,846</u>	<u>154,103</u>	<u>566,949</u>
Long-term liabilities:			
Due in more than one year	<u>2,829,086</u>	<u>825,506</u>	<u>3,654,592</u>
Total liabilities	<u>3,241,932</u>	<u>979,609</u>	<u>4,221,541</u>
<b>Deferred Inflows of Resources</b>			
Pension deferrals	<u>342,501</u>	<u>106,386</u>	<u>448,887</u>
<b>Net Position</b>			
Net investment in capital assets	4,269,046	4,598,898	8,867,944
Restricted for:			
Stabilization by State Statute	289,944	-	289,944
Streets	217,723	-	217,723
Federal Asset Forfeitures	146,013	-	146,013
Unrestricted	<u>2,509,728</u>	<u>2,019,022</u>	<u>4,528,750</u>
Total net position	<u>\$ 7,432,454</u>	<u>\$ 6,617,920</u>	<u>\$ 14,050,374</u>

*The notes to the financial statements are an integral part of this statement*

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Statement of Activities**  
**Year Ended June 30, 2015**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants	Capital Grants
Primary government:				
Governmental activities:				
General government	\$ 558,774	\$ 520,996	\$ -	\$ -
Public safety	1,869,676	8,884	185,145	2,480
Transportation	39,414	-	65,402	-
Parks and recreation	126,780	17,567	-	-
Special projects	19,553	22,289	-	-
Environmental protection	900,542	292,467	-	-
Interest on long-term debt	81,619	-	-	-
Total governmental activities	<u>3,596,358</u>	<u>862,203</u>	<u>250,547</u>	<u>2,480</u>
Business-type activities:				
Water and sewer	<u>1,607,083</u>	<u>1,638,086</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>1,607,083</u>	<u>1,638,086</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 5,203,441</u>	<u>\$ 2,500,289</u>	<u>\$ 250,547</u>	<u>\$ 2,480</u>

**General Revenues:**

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes, licenses and fees

Grants and contributions not restricted to specific programs

Investment earnings, unrestricted

Total general revenues, special items, and transfers

Change in net position

Net position, beginning, previously reported

Restatement

Net position - beginning, restated

Net position - ending

Exhibit 2

Net (Expense) Revenue and Changes in Net Position  
Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (37,778)	\$ -	\$ (37,778)
(1,673,167)	-	(1,673,167)
25,988	-	25,988
(109,213)	-	(109,213)
2,736	-	2,736
(608,075)	-	(608,075)
(81,619)	-	(81,619)
<u>(2,481,128)</u>	<u>-</u>	<u>(2,481,128)</u>
-	31,003	31,003
-	31,003	31,003
<u>(2,481,128)</u>	<u>31,003</u>	<u>(2,450,125)</u>
2,128,297	-	2,128,297
668,296	-	668,296
8,175	-	8,175
347,871	-	347,871
993	1,031	2,024
<u>3,153,632</u>	<u>1,031</u>	<u>3,154,663</u>
<u>672,504</u>	<u>32,034</u>	<u>704,538</u>
6,925,240	6,637,228	13,562,468
(165,290)	(51,342)	(216,632)
<u>6,759,950</u>	<u>6,585,886</u>	<u>13,345,836</u>
<u>\$ 7,432,454</u>	<u>\$ 6,617,920</u>	<u>\$ 14,050,374</u>

**TOWN OF KURE BEACH, NORTH CAROLINA**

Exhibit 3

**Balance Sheet**

**Governmental Funds**

**June 30, 2015**

	Major Governmental Fund
	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,461,085
Investments	56,060
Restricted cash	364,608
Taxes receivable, net	28,303
Account receivables, net	289,944
Total assets	<u>\$ 4,200,000</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 122,296
Total liabilities	<u>122,296</u>
<b>Deferred Inflow of Resources</b>	
Property taxes receivable	<u>28,303</u>
<b>Fund Balances</b>	
Restricted for:	
State statute	289,944
Streets	217,723
Federal asset forfeitures	146,013
Assigned:	
Beach protection	186,640
Storm water	946,830
Unassigned	2,262,251
Total fund balances	<u>4,049,401</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,200,000</u>

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**Governmental Funds**  
**June 30, 2015**

---

Exhibit 4

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$ 4,049,401
Net pension asset	140,528
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	101,866
Changes in proportion and differences between employer contributions and proportionate share of contributions are deferred outflows on the Statement of Net Position	22,288
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets at historical costs	10,406,006
Less: accumulated depreciation	<u>3,853,801</u>
Net adjustment to increase fund balance-total governmental funds to arrive at net assets - governmental activities	<u>6,816,887</u>
Liabilities for earned but considered deferred inflows of resources in fund statements	<u>28,303</u>
Liabilities owed from governmental activities are not due and payable in the current period and therefore are not reported in the funds	
Installment purchases debt	2,283,159
Net pension obligation	261,375
Other postemployment benefits	466,224
Compensated absences	108,878
Pension related deferrals	<u>342,501</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets - governmental activities	<u>3,462,137</u>
Net position of governmental activities	<u><u>\$ 7,432,454</u></u>

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2015**

Exhibit 5

	Major Governmental Fund
	<u>General Fund</u>
<b>Revenues</b>	
Ad valorem taxes	\$ 2,119,661
Other taxes and licenses	7,595
Unrestricted intergovernmental	1,017,529
Restricted intergovernmental	69,751
Permits and fees	883,279
Sales and services	161,419
Investment earnings	993
Total revenues	<u>4,260,227</u>
<b>Expenditures</b>	
Current:	
General government	543,541
Public safety	1,750,761
Transportation	39,414
Parks and recreation	117,751
Special projects	19,553
Environmental protection	836,255
Debt service	335,504
Capital outlay	511,509
Total expenditures	<u>4,154,288</u>
Excess of revenues over expenditures	<u>105,939</u>
<b>Other Financing Sources</b>	
Proceeds from installment purchases	457,830
Total other financing sources	<u>457,830</u>
Net change in fund balances	<u>563,769</u>
Fund balances, beginning	<u>3,485,632</u>
Fund balances, ending	<u>\$ 4,049,401</u>

*The notes to the financial statements are an integral part of this statement*

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of the Governmental Funds to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2015**

---

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 563,769
--	------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	511,884
Depreciation expense for governmental assets	(187,711)
Gain on disposal of capital asset	(1,784)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	101,866
--	---------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	8,636
--	-------

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 governmental funds:

Compensated absences	(12,503)
Pension expense	(14,396)
Net pension obligation	(5,205)
Other postemployment benefits	(88,107)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(203,945)
-----------

Total changes in net position of governmental activities	<u>\$ 672,504</u>
--	-------------------

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Annual Budget and Actual - General Fund**  
**Year Ended June 30, 2015**

Exhibit 7

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues</b>				
Ad valorem taxes	\$ 2,100,250	\$ 2,100,250	\$ 2,119,661	\$ 19,411
Other taxes and licenses	7,500	7,500	7,595	95
Unrestricted intergovernmental	905,125	905,125	1,017,529	112,404
Restricted intergovernmental	62,500	65,900	69,751	3,851
Permits and fees	832,751	832,751	883,279	50,528
Sales and services	130,539	141,513	161,419	19,906
Investment earnings	1,026	1,026	993	(33)
Total revenues	<u>4,039,691</u>	<u>4,054,065</u>	<u>4,260,227</u>	<u>206,162</u>
<b>Expenditures</b>				
Current:				
General government	826,975	782,875	543,541	239,334
Public safety	1,807,395	1,815,919	1,750,761	65,158
Transportation	62,030	67,030	39,414	27,616
Parks and recreation	132,018	132,018	117,751	14,267
Special projects	22,450	22,450	19,553	2,897
Environmental protection	816,615	856,615	836,255	20,360
Debt service	335,506	335,506	335,504	2
Capital outlay	189,827	605,848	511,509	94,339
Total expenditures	<u>4,192,816</u>	<u>4,618,261</u>	<u>4,154,288</u>	<u>463,973</u>
Revenues over (under) expenditures	<u>(153,125)</u>	<u>(564,196)</u>	<u>105,939</u>	<u>670,135</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from installment purchases	99,000	508,471	457,830	(50,641)
Total other financing sources (uses)	<u>99,000</u>	<u>508,471</u>	<u>457,830</u>	<u>(50,641)</u>
Fund balance appropriated	<u>54,125</u>	<u>55,725</u>	<u>-</u>	<u>(55,725)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>563,769</u>	<u>\$ 563,769</u>
Fund balances, beginning			<u>3,485,632</u>	
Fund balances, ending			<u>\$ 4,049,401</u>	

*The notes to the financial statements are an integral part of this statement*

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2015**

Exhibit 8

	Major Enterprise Fund
	Water and Sewer Fund
<b>Assets</b>	
Current assets:	
Cash and equivalents	\$ 2,096,490
Account receivables, net	236,686
Total current assets	<u>2,333,176</u>
Noncurrent assets:	
Net pension asset	43,651
Capital assets, net	5,288,651
Total assets	<u>7,665,478</u>
<b>Deferred Outflows of Resources</b>	
Contributions to pension plan	31,514
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,923
Total deferred outflows of resources	<u>38,437</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	66,110
Customer deposits	6,360
Current portion of long-term debt	81,633
Total current liabilities	<u>154,103</u>
Noncurrent liabilities:	
Compensated absences	39,184
Other postemployment benefits payable	178,202
Non-current portion of long-term debt	608,120
Total liabilities	<u>979,609</u>
<b>Deferred Outflows of Resources</b>	
Pension deferrals	<u>106,386</u>
<b>Net Position</b>	
Net investment in capital assets	4,598,898
Unrestricted	2,019,022
Total Net Position	<u><u>\$ 6,617,920</u></u>

*The notes to the financial statements are an integral part of this statement*

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**Year Ended June 30, 2015**

Exhibit 9

	Major Enterprise Fund
	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 1,632,530
Other operating revenues	5,556
Total operating revenues	<u>1,638,086</u>
Operating expenses:	
Administration	394,634
Water and sewer system operations	991,998
Depreciation	198,973
Total operating expenses	<u>1,585,605</u>
Operating income	<u>52,481</u>
Non-operating revenues (expenses):	
Investment earnings	1,031
Interest and fees	(21,478)
Total non-operating revenues (expenses)	<u>(20,447)</u>
Net income	<u>32,034</u>
Change in net position	<u>32,034</u>
Total net position, previously reported	6,637,228
Restatement	51,342
Total net position, restated	<u>6,585,886</u>
Total net position, ending	<u>\$ 6,617,920</u>

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2015**

Exhibit 10

	Major Enterprise Fund
	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,640,726
Cash paid for goods and services	(777,939)
Cash paid to employees for services	<u>(582,014)</u>
Net cash provided by operating activities	<u>280,773</u>
Cash flows from noncapital financing activities:	
Advances from other funds	<u>(194,705)</u>
Net cash used in noncapital financing activities	<u>(194,705)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(33,229)
Proceeds from installment purchases	32,216
Principal paid on installment purchases	(78,882)
Interest and fees paid on installment purchases	<u>(21,478)</u>
Net cash used in capital and related financing activities	<u>(101,373)</u>
Cash flows from investing activities:	
Interest	<u>1,029</u>
Net decrease in cash and cash equivalents	(14,276)
Balances, beginning	<u>2,110,766</u>
Balances, ending	<u>\$ 2,096,490</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 52,481</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	198,973
Pension expense	4,472
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	2,640
Deferred outflows of resources for pensions	(31,514)
Increase in:	
Accounts payable and accrued liabilities	12,529
Compensated absences	4,854
Other postemployment benefits payable	<u>36,338</u>
Total adjustments	<u>228,292</u>
Net cash provided by operating activities	<u>\$ 280,773</u>

*The notes to the financial statements are an integral part of this statement*

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Kure Beach, North Carolina (the "Town") conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

**Reporting Entity**

The Town is a municipal corporation, which is governed by an elected mayor and four-member council.

**Basis of Presentation**

*Government-Wide Statements:* The statement of net position and the statement of activities display information about the primary government. 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 and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental and proprietary* - 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 non-major funds.

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

The Town reports the following major governmental fund:

*General Fund* – This 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 public safety, street maintenance and construction, and sanitation services.

The Town reports the following major enterprise fund:

*Water and Sewer Fund* – This fund is used to account for the Town's water and sewer operations.

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 and Proprietary Fund Financial Statements* - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

The Town considers all revenues available if they are collected within 90 days after year end, except for property taxes. Ad valorem taxes receivable 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.

## **TOWN OF KURE BEACH, NORTH CAROLINA**

### **Notes to Financial Statements**

---

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sales taxes and certain intergovernmental revenues, such as the utilities sales 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 because the tax is levied by New Hanover 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. 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.

#### **Budgetary Data**

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General and Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The Budget Officer is authorized by the budget ordinance to transfer appropriations within a fund under the following conditions as specified in North Carolina General Statute Chapter 159: amounts between line item expenditures without limitation and without a report being required up to \$10,000 at any one time; amounts within departments and of the same fund and reported as part of the financial statements and shall make an official report immediately to Town Council on such transfers; and may not transfer amounts between funds without prior Town Council action.

#### **Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity**

##### Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by the State law (G.S. 159-31). The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. State law (G.S. 159-30(c)) authorizes the Town 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 investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

##### **Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Restricted Cash**

Restricted cash recorded in the Governmental Fund and General Fund represents unexpended Powell Bill and Federal Asset Forfeiture funds of \$217,723 and \$146,885, respectively, because their use is completely restricted to the purpose for which the grant or contribution was issued or given, which is street improvements and law enforcement equipment or training.

**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 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**Allowance for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. At year end, the Town believes that receivables are fully collectable.

**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. Capitalization cost for the Town's assets are \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Town are depreciated on a class life basis at the following rates:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture and office equipment	10 years
Maintenance and construction equipment	5 years
Medium and heavy motor vehicles	5 years
Automobiles and light trucks	5 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element called deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as expense or expenditure until then. The Town has two items that meet this criterion, contributions made to the pension plan in the 2015 fiscal year and deferrals of pension assets that resulted from the implementation of GASB Statement 68. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

# TOWN OF KURE BEACH, NORTH CAROLINA

## Notes to Financial Statements

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Compensated Absences**

Vacation leave is accumulated at the rate of up to twenty (20) days per year with each leave being fully vested when earned. For the Town's government-wide and proprietary funds an expense and a liability for compensated absences and the salary-related payments are recorded within the funds 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 financial statements.

The Town's sick leave policies provide 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 the 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 a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through State statutes.

#### Fund Balances

In the governmental fund financial statements, fund balance is composed of three 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:

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

## TOWN OF KURE BEACH, NORTH CAROLINA

### Notes to Financial Statements

---

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted for Streets - Powell Bill - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Federal asset forfeiture - portion of fund balance that is restricted by Federal regulations. This amount represents the balance of total unexpended federal asset forfeiture funds received by the Town.

Assigned Fund Balance – portion of fund balance that the Town intends to use for specific purposes.

Assigned for Storm Water – portion of fund balance that has been budgeted by Town Council for maintenance and improvement of the Town’s storm water system.

Assigned for Beach Protection – portion of fund balance that has been budgeted by Town Council for beach related expenditures.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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 hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, 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.

The Town has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that an unrestricted fund balance in the Governmental Funds of no less than 32% of the total projected expenditures be maintained. Unrestricted fund balance is the total of all committed, assigned and unassigned fund balance, as reported in the Annual Financial Report. Unrestricted fund balance in excess of 32% is available for general appropriation during the budget year as approved by the Town Council. Restricted fund balances only can be used, by authorization of the Town Council, for the purposes for which they were externally restricted. At the end of the fiscal year, after the annual audit is complete and financial statements have been reported, the Town Council may, at its discretion, credit any unrestricted fund balance in excess of 75% of the subsequent year’s total expenditures, to a capital reserve fund. This designation will be done by formal resolution of the Town Council. If a catastrophic, economic or natural event occurs that requires a 25% or more deviation from the total budgeted revenues or expenditures, the unrestricted fund balance can be reduced below 32% of the total projected expenditures by Town Council action. In such an event, the Town Council shall develop a recovery plan to rebuild the fund balance within 36 months of the current fiscal year end.

#### **Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The

# TOWN OF KURE BEACH, NORTH CAROLINA

## Notes to Financial Statements

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Town of Kure Beach, North Carolina's employer contributions are recognized when due and the Town of Kure Beach, North Carolina has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

### NOTE 2 – DETAIL NOTES ON ALL FUNDS

#### A. Assets

##### Deposits

All the deposits of the Town 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 agents in the unit's name. 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, these deposits are considered to be held by the Town'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 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 under-collateralization, and this 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 deposits are properly secured.

The Town's deposits had a carrying amount of \$5,921,383 and a bank balance of \$5,932,196. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral under the pooling method. The Town's petty cash fund totaled \$200.

##### Investments

The Town's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Cash Portfolio	\$ 5,816	N/A	AAAm
NC Capital Management Trust - Term Portfolio	50,244	0.19 years	Unrated
	<u>\$ 56,060</u>		

*Interest Rate Risk* - The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits the Town's investment portfolio to maturities of 12 months or less.

**TOWN OF KURE BEACH, NORTH CAROLINA****Notes to Financial Statements**

---

## NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

*Credit Risk* – The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town’s investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2015. The Town’s investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

*Custodial credit risk* – For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Town has no formal policy on custodial credit risk, but management procedures are that the Town shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the Town’s name. At year end, the Town did not have any uninsured or unregistered investments that were not in the Town’s name.

**Receivables**

The amounts presented in the Balance Sheet and the Statement of Net Position is net of allowances for doubtful accounts, if any.

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from other Governments</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 58,346	\$ 28,303	\$ 231,598	\$ 318,247
Total Governmental Activities	<u>\$ 58,346</u>	<u>\$ 28,303</u>	<u>\$ 231,598</u>	<u>\$ 318,247</u>
Business-Type Activities:				
Water and Sewer Fund	\$ 236,686	\$ -	\$ -	\$ 236,686
Total Business-Type Activities	<u>\$ 236,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,686</u>

Based on historical experience an allowance for doubtful accounts has not been established.

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

**Capital Assets**

Capital asset activity for the Primary Government was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,804,111	\$ 409,472	\$ -	\$ 4,213,583
Total capital assets not being depreciated	<u>3,804,111</u>	<u>409,472</u>	<u>-</u>	<u>4,213,583</u>
Capital assets being depreciated:				
Buildings	1,304,247	-	-	1,304,247
Equipment and vehicles	3,179,586	80,616	93,826	3,166,376
Improvements	582,642	-	-	582,642
Infrastructure	1,117,362	21,796	-	1,139,158
Total capital assets being depreciated	<u>6,183,837</u>	<u>102,412</u>	<u>93,826</u>	<u>6,192,423</u>
Less accumulated depreciation for:				
Buildings	538,826	25,991	-	564,817
Equipment and vehicles	2,832,064	110,480	92,042	2,850,502
Improvements	117,259	19,962	-	137,221
Infrastructure	269,983	31,278	-	301,261
Total accumulated depreciation	<u>3,758,132</u>	<u>187,711</u>	<u>92,042</u>	<u>3,853,801</u>
Total capital assets being depreciated, net	<u>2,425,705</u>			<u>2,338,622</u>
Government activity capital assets, net	<u>\$ 6,229,816</u>			<u>\$ 6,552,205</u>

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

General Government	\$ 12,877
Public Safety	104,818
Environmental Protection	60,987
Cultural and Recreational	9,029
Total depreciation expense	<u>\$ 187,711</u>

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

---

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Capital asset activity for the Business-Type Activities was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 20,697	\$ -	\$ -	\$ 20,697
Total capital assets not being depreciated	<u>20,697</u>	<u>-</u>	<u>-</u>	<u>20,697</u>
Capital assets being depreciated:				
Plant and Distribution				
Systems	8,392,449	-	-	8,392,449
Buildings	193,162	-	-	193,162
Equipment and vehicles	492,127	33,229	-	525,356
Total capital assets being depreciated	<u>9,077,738</u>	<u>33,229</u>	<u>-</u>	<u>9,110,967</u>
Less accumulated depreciation for:				
Plant and Distribution				
Systems	3,122,140	170,396	-	3,292,536
Buildings	64,863	4,829	-	69,692
Equipment and vehicles	457,037	23,748	-	480,785
Total accumulated depreciation	<u>3,644,040</u>	<u>198,973</u>	<u>-</u>	<u>3,843,013</u>
Total capital assets being depreciated, net	<u>5,433,698</u>			<u>5,267,954</u>
Water and Sewer activity capital assets, net	<u>\$ 5,454,395</u>			<u>\$ 5,288,651</u>

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

---

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

**B. Liabilities**

Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

*Plan Description:* The Town of Kure Beach is a participating employer in the statewide 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 the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Kure Beach 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 Kure Beach's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

---

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

officers and 7.28% 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 Kure Beach were \$133,380 for the year ended June 30, 2015.

*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, 2015, the Town reported an asset of \$184,179 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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, 2014, the Town's proportion was 0.031%, which was an increase of 0.003% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$18,868. At June 30, 2015, 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
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ -	\$ 20,125
Net difference between projected and actual earnings on pension plan investments	-	428,762
Changes in proportion and differences between Town contributions and proportionate share of contributions	29,211	-
Town contributions subsequent to the measurement date	133,380	-
	<u>\$ 162,591</u>	<u>\$ 448,887</u>

\$133,380 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016.

**TOWN OF KURE BEACH, NORTH CAROLINA**

**Notes to Financial Statements**

---

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ 104,919
2017	104,919
2018	104,919
2019	104,919
	<u>\$ 419,676</u>

*Actuarial Assumptions:* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increase	4.25 to 8.55%, including inflation and productivity factor
Investment rate of return	7.25%, 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

---

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	4.5%	3.7%
	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Towns' proportionate share of the net pension liability (asset)	\$ 625,179	\$ (184,179)	\$ (865,630)

**TOWN OF KURE BEACH, NORTH CAROLINA**

**Notes to Financial Statements**

---

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Kure Beach, North Carolina 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. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	11
	<hr/>
	12
	<hr/> <hr/>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

# TOWN OF KURE BEACH, NORTH CAROLINA

## Notes to Financial Statements

---

### NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25-7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases.

*Annual Pension Cost and Net Pension Obligation:* The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contributions	\$ 21,579
Interest on net pension obligation	12,561
Adjustment to annual required contribution	(26,167)
Annual pension cost (expense)	<u>7,973</u>
Contributions made	<u>(2,768)</u>
Increase (decrease) in net pension obligation	5,205
Net pension obligation, beginning of year	<u>256,170</u>
Net pension obligation, end of year	<u><u>\$ 261,375</u></u>

---

### Three Year Trend Information

---

For Year Ended June 30	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2015	\$ 7,973	34.7%	\$ 261,375
2014	14,026	19.7%	256,170
2013	16,993	16.3%	239,967

### Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$137,460. The covered payroll (annual payroll of active employees covered by the plan) was \$593,539, and the ratio of the UAAL to the covered payroll was 23.2 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

*Plan Description:* The Town contributes to the Supplemental Retirement Income Plan ("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 and other employees 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.

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

---

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5.00% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$108,877, which consisted of \$90,345 from the Town and \$18,532 from the law enforcement officers and other employees. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the CAFR for the State of North Carolina. The State's CAFR includes 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.

**Other Postemployment Benefits (OPEB)**

Healthcare Benefits

*Plan Description:* Under the terms of a Town resolution, the Town administers a single employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System ("System") and have at least fifteen years of creditable service with the Town. The Town pays a percentage of the cost of coverage based upon the number of years of service for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the Retiree Health Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

Retirees receiving benefits	9
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	39
	<u>48</u>

*Funding Policy:* By Town resolution, the Town pays a percentage of the cost of the coverage based upon the number of creditable service years the qualified retirees have under the Town resolution. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current annual required contribution (ARC) rate is 8.5% of annual covered payroll. For the current year, the Town contributed \$25,492 or 1.5% of annual covered payroll. The Town obtains healthcare coverage through private insurers. There were no contributions made by employees. The Town's obligation to contribute to the Retiree Health Plan is established and may be amended by the Town Council.

*Summary of Significant Accounting Policies:* Postemployment expenditures are made either from the General Fund, which is maintained on the modified accrual basis of accounting or the Water and Sewer Fund, which is maintained on the full accrual basis of accounting depending on which fund the employee worked. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

---

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

*Annual OPEB Cost and Net OPEB Obligation:* The Town's annual OPEB cost (expense) is calculated based on the ARC, an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the postemployment healthcare benefits:

Annual required contributions	\$ 149,008
Interest on net OPEB obligation	20,799
Adjustment to annual required contribution	<u>(19,870)</u>
Annual OPEB cost (expense)	149,937
Contributions made	<u>(25,492)</u>
Increase in net OPEB obligation	124,445
Net OPEB obligation, beginning of year	<u>519,981</u>
Net OPEB obligation, end of year	<u><u>\$ 644,426</u></u>

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

<u>Three Year Trend Information</u>			
<u>For Year Ended</u> <u>June 30</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2015	\$ 149,937	17.0%	\$ 644,426
2014	89,694	36.8%	519,981
2013	145,298	23.8%	463,326

*Funded Status and Funding Progress:* As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$1,164,418. The covered payroll (annual payroll of active employees covered by the plan) was \$1,747,087, and the ratio of the UAAL to the covered payroll was 66.6%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

---

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

Other Employment Benefits

The Town has 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 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. 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. The Town considers these contributions to be immaterial.

**Long-Term Obligations**

Installment Purchases

The Town has entered into the following installment purchase contracts:

Serviced by the General Fund:

\$117,000 loan to finance the Downtown Improvement Project due in annual installments of \$24,719 including interest through June 17, 2018; interest at 1.9 percent	\$ 94,539
\$32,000 loan to finance a police truck due in annual installments of \$8,441 including interest through January 15, 2018; interest at 2.18 percent	24,257

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

---

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

\$3,600,000 loan to acquire the land for Ocean Front Park due in annual installments ranging from \$112,128 to \$67,682 including interest through December 19, 2027; interest at 4.28 percent	\$ 843,750
\$875,000 loan to finance the Cutter Court Drainage Project due in monthly installments of \$6,678 including interest through June 23, 2020; interest at 4.40 percent	357,472
\$261,181 of a \$1,187,187 loan to construct a water tower and finance town hall renovations due in semi-annual installments of \$11,598 including interest through May 7, 2022; interest at 3.92 percent	141,800
\$347,000 loan to finance development of Ocean Front Park due in annual installments ranging from \$35,645 to \$21,308 including interest through July 12, 2028; interest at 4.39 percent	285,765
\$29,836 loan to finance a police car due in annual installments of \$7,868 including interest through June 28, 2017; interest at 2.17 percent	15,243
\$152,152 loan to finance a garbage truck due in annual installments of \$32,103 including interest through September 16, 2016; interest at 1.81 percent	62,503
\$409,471 loan to acquire land on 4th Street and H Avenue due in annual installments ranging from \$41,967 to \$51,143 including interest through March 12, 2025; interest at 2.49 percent	409,471
\$48,359 loan to finance to police cars due in annual installments of \$12,759 including interest through March 27, 2019; interest at 2.19 percent	48,359
	<u>\$ 2,283,159</u>
<u>Serviced by the Water and Sewer Fund:</u>	
\$432,660 loan to finance the Sewer Rehabilitation Project with 50% principal forgiveness due in annual installments of \$10,556 including interest through May 1, 2030; interest at 0.00 percent	\$ 158,336
\$926,006 of a \$1,187,187 loan to construct a water tower and finance town hall renovations due in semi-annual installments of \$41,119 including interest through May 7, 2022; interest at 3.92 percent	499,201
\$32,216 loan to finance a utility truck due in annual installments of \$8,500 including interest through October 24, 2018; interest at 2.19 percent	32,216
	<u>\$ 689,753</u>

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

The future minimum payments of the installment purchases:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 290,550	\$ 83,784	\$ 81,633	\$ 19,660
2017	295,881	73,769	84,309	16,984
2018	285,902	63,793	87,088	14,206
2019	233,622	53,500	89,973	11,320
2020	224,328	44,337	84,470	8,324
2021-2025	675,517	132,181	209,501	7,754
2026-2030	277,359	25,628	52,779	-
<b>Total</b>	<b>\$ 2,283,159</b>	<b>\$ 476,992</b>	<b>\$ 689,753</b>	<b>\$ 78,248</b>

Changes in Long-Term Liabilities

The following changes occurred in liabilities reported in long-term debt:

	<u>Beginning</u>			<u>Ending</u>	<u>Current</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>	<u>Portion</u>
<b>Governmental Activities:</b>					
Installment purchases	\$ 2,079,214	\$ 457,830	\$ 253,885	\$ 2,283,159	\$ 290,550
OPEB liability	378,117	88,107	-	466,224	-
LEO liability	256,170	5,205	-	261,375	-
Net pension liability	256,598		256,598	-	-
Compensated absences	96,375	81,896	69,393	108,878	70,000
Total governmental activity					
long-term liabilities	<u>\$ 3,066,474</u>	<u>\$ 633,038</u>	<u>\$ 579,876</u>	<u>\$ 3,119,636</u>	<u>\$ 360,550</u>
<b>Business-Type Activities:</b>					
Installment purchases	\$ 736,419	\$ 32,216	\$ 78,882	\$ 689,753	\$ 81,633
OPEB liability	141,864	36,338	-	178,202	-
Net pension liability	79,704		79,704	-	-
Compensated absences	34,330	31,041	26,187	39,184	27,000
Total business-type					
long-term liabilities	<u>\$ 992,317</u>	<u>\$ 99,595</u>	<u>\$ 184,773</u>	<u>\$ 907,139</u>	<u>\$ 108,633</u>

The LGERS plan had a net pension asset at June 30, 2015, however, the plan had a net pension liability at the beginning of this fiscal year.

At June 30, 2015, the Town of Kure Beach, North Carolina had a legal debt margin of \$62,772,606.

**Deferred Inflows of Resources**

In addition to the information disclosed in B.1 above, the remaining balance in deferred inflows of resources is composed of tax receivables reported in the general fund.

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Notes to Financial Statements**

---

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

**C. Fund Balance**

The following schedule provides management and citizens with information on the portion of General Fund that is available for appropriation:

Total fund balance - General Fund	\$ 4,049,401
Less:	
Stabilization by State Statute	289,944
Streets- Powell Bill	217,723
Federal Asset Forfeiture	146,013
Assigned	1,133,470
Fund Balance Policy	1,286,345
Remaining Fund Balance	<u>\$ 975,906</u>

The Town’s entire amount of unassigned general fund balance is available for appropriation. The Town has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that unrestricted fund balance in the Governmental Funds is at least 32% of total projected expenditures

**D. 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 2 self-funded risk financing pools administered by the NC League of Municipalities. Through these pools, the Town obtains general liability and 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. 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.

In accordance with G.S. 159-29, 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 is individually bonded for \$50,000. The remaining employees that have access to funds are under a blanket bond for \$25,000.

The Town carries flood insurance through NCLM-Interlocal Risk Financing Fund of NC. 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.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$165,290 and \$51,342, respectively.

**REQUIRED SUPPLEMENTARY FINANCIAL DATA**

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**Year Ended June 30, 2015**

Exhibit 11

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Project Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
Dec. 31, 2014	\$ -	\$ 137,460	\$ 137,460	0.0%	\$ 593,539	23.2%
Dec. 31, 2013	-	180,277	180,277	0.0%	540,090	33.4%
Dec. 31, 2012	-	164,074	164,074	0.0%	582,271	28.2%

**Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2015	\$ 21,579	12.8%
2014	21,579	12.8%
2013	19,754	14.1%

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Other-Post Employment Benefits**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**Year Ended June 30, 2015**

Exhibit 12

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Project Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
Dec. 31, 2014	\$ -	\$1,164,418	\$1,164,418	0.0%	\$1,747,087	66.6%
Dec. 31, 2013	-	1,624,024	1,624,024	0.0%	1,580,189	102.8%
Dec. 31, 2012	-	1,566,041	1,566,041	0.0%	1,487,530	105.3%

**Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2015	\$ 149,937	17.0%
2014	89,694	36.8%
2013	145,298	23.8%

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Proportionate Share of Net Pension Liability**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Two Fiscal Years**

---

Exhibit 13

	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.03123%	0.02790%
Proportion of the net pension liability (asset)	\$ (184,179)	\$ 336,302
Covered-employee payroll	1,825,227	1,688,555
Proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	-10.09%	19.92%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%
 <b>Contributions</b>		
Contractually required contribution	\$ 133,380	\$ 119,670
Contributions in relation to the contractually required contribution	<u>133,380</u>	<u>119,670</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,825,227	\$ 1,688,555
Contributions as a percentage of covered- employee payroll	7.31%	7.09%

## **SUPPLEMENTAL STATEMENTS**

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2015**

**Statement 1**  
**Page 1 of 4**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 2,095,500	\$ 2,114,624	\$ 19,124
Penalties and interest	4,750	5,037	287
Total	<u>2,100,250</u>	<u>2,119,661</u>	<u>19,411</u>
Other taxes and licenses:			
Motor vehicle licenses	7,500	7,570	70
Licenses and fees	-	25	25
Total	<u>7,500</u>	<u>7,595</u>	<u>95</u>
Unrestricted intergovernmental:			
Local option sales taxes	627,500	668,296	40,796
ABC revenue	10,175	14,402	4,227
Hold harmless	85,500	90,898	5,398
Utility sales tax	89,500	179,522	90,022
Solid Waste Disposal	1,200	1,362	162
Beer and wine tax	8,500	10,063	1,563
Video programming	37,000	37,904	904
Telecommunications tax	15,750	15,082	(668)
Refunds	30,000	-	(30,000)
Total	<u>905,125</u>	<u>1,017,529</u>	<u>112,404</u>
Restricted intergovernmental:			
Grants	500	4,349	3,849
Powell Bill allocation	65,400	65,402	2
Total	<u>65,900</u>	<u>69,751</u>	<u>3,851</u>
Permits and fees:			
Garbage fees	337,500	347,643	10,143
Building permits	39,000	53,641	14,641
TDA funds	198,651	185,145	(13,506)
Miscellaneous	257,600	294,660	37,060
Police fees	-	2,190	2,190
Total	<u>832,751</u>	<u>883,279</u>	<u>50,528</u>

(Continued)

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Statement 1**  
**Page 2 of 4**

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Rents and concessions	\$ 105,569	\$ 108,175	\$ 2,606
Miscellaneous	35,944	53,244	17,300
Total	<u>141,513</u>	<u>161,419</u>	<u>19,906</u>
Investment earnings	<u>1,026</u>	<u>993</u>	<u>(33)</u>
Total Revenues	<u>4,054,065</u>	<u>4,260,227</u>	<u>206,162</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and benefits	7,267	7,295	(28)
Operating expense	31,900	31,524	376
Total	<u>39,167</u>	<u>38,819</u>	<u>348</u>
Administration:			
Salaries and benefits	149,116	144,231	4,885
Operating expense	594,592	360,491	234,101
Capital outlay	409,471	409,098	373
Total	<u>1,153,179</u>	<u>913,820</u>	<u>239,359</u>
Total general government	<u>1,192,346</u>	<u>952,639</u>	<u>239,707</u>
Public Safety:			
Police:			
Salaries and benefits	933,651	906,142	27,509
Operating expense	160,896	138,436	22,460
Capital outlay	89,000	70,717	18,283
Total	<u>1,183,547</u>	<u>1,115,295</u>	<u>68,252</u>
Fire:			
Salaries and benefits	325,138	321,253	3,885
Operating expense	87,100	91,862	(4,762)
Capital outlay	15,000	-	15,000
Total	<u>427,238</u>	<u>413,115</u>	<u>14,123</u>

(Continued)

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

**Statement 1**  
**Page 3 of 4**

	Budget	Actual	Variance Positive (Negative)
Life guards:			
Salaries and benefits	\$ 157,075	\$ 157,750	\$ (675)
Operating expense	33,924	29,344	4,580
Capital outlay	6,550	9,898	(3,348)
Total	<u>197,549</u>	<u>196,992</u>	<u>557</u>
Building Inspection:			
Salaries and benefits	96,995	93,616	3,379
Operating expense	21,140	12,358	8,782
Total	<u>118,135</u>	<u>105,974</u>	<u>12,161</u>
Total public safety	<u>1,926,469</u>	<u>1,831,376</u>	<u>95,093</u>
Transportation:			
Operating expense	67,030	39,414	27,616
Capital outlay	-	21,796	(21,796)
Total transportation	<u>67,030</u>	<u>61,210</u>	<u>5,820</u>
Parks and recreation:			
Salaries and benefits	63,718	60,464	3,254
Operating expense	68,300	57,287	11,013
Total parks and recreation	<u>132,018</u>	<u>117,751</u>	<u>14,267</u>
Special projects:			
Community center	14,650	14,621	29
Other	7,800	4,932	2,868
Total special projects	<u>22,450</u>	<u>19,553</u>	<u>2,897</u>
Environmental protection:			
Salaries and benefits	498,865	490,039	8,826
Operating expense	357,750	346,216	11,534
Capital outlay	85,827	-	85,827
Total environmental protection	<u>942,442</u>	<u>836,255</u>	<u>106,187</u>
Debt service:			
Principal	253,954	254,010	(56)
Interest	81,552	81,494	58
Total debt service	<u>335,506</u>	<u>335,504</u>	<u>2</u>
Total expenditures	<u>4,618,261</u>	<u>4,154,288</u>	<u>463,973</u>

(Continued)

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue over (under) expenditures	<u>\$ (564,196)</u>	<u>\$ 105,939</u>	<u>\$ 670,135</u>
<b>Other financing sources (uses):</b>			
Proceeds from installment purchases	<u>508,471</u>	<u>457,830</u>	<u>(50,641)</u>
Total other financing sources (uses)	<u>508,471</u>	<u>457,830</u>	<u>(50,641)</u>
Fund balance appropriated	<u>55,725</u>	<u>-</u>	<u>(55,725)</u>
Net change in fund balance	<u>\$ -</u>	<u>563,769</u>	<u>\$ 563,769</u>
Fund balances, beginning		<u>3,485,632</u>	
Fund balances, ending		<u>\$ 4,049,401</u>	

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Water and Sewer Fund**  
**For the Fiscal Year Ended June 30, 2014**

**Statement 2**  
**Page 1 of 2**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Water sales and sewer charges:			
Residential and commercial	\$ 1,530,000	\$ 1,523,130	\$ (6,870)
Water and sewer tap fees	27,000	58,500	31,500
Other user fees	24,000	50,900	26,900
Other operating revenues	5,750	5,556	(194)
Total	<u>1,586,750</u>	<u>1,638,086</u>	<u>51,336</u>
Non-operating revenues			
Interest earnings	<u>1,046</u>	<u>1,031</u>	<u>(15)</u>
Total revenues	<u>1,587,796</u>	<u>1,639,117</u>	<u>51,321</u>
Expenditures:			
Water and sewer administration and operations:			
Salaries and benefits - admin	210,200	201,167	9,033
Salaries and benefits - OPS	381,573	380,847	726
Utilities	55,300	55,249	51
Supplies	92,000	97,738	(5,738)
Repairs and maintenance	149,300	121,235	28,065
Treatment facility charges	265,000	269,419	(4,419)
Operating expenditures	254,607	253,750	857
Capital outlay	159,422	33,229	126,193
Total	<u>1,567,402</u>	<u>1,412,634</u>	<u>154,768</u>
Debt service:			
Interest and fees	21,479	21,478	1
Principal retirement	78,881	78,882	(1)
Total	<u>100,360</u>	<u>100,360</u>	<u>-</u>
Total expenditures	<u>1,667,762</u>	<u>1,512,994</u>	<u>154,768</u>
Revenues over expenditures	<u>(79,966)</u>	<u>126,123</u>	<u>206,089</u>
Other financing sources (uses):			
Installment purchase proceeds	67,216	32,216	(35,000)
Fund balance appropriated	12,750	-	(12,750)
Total other financing sources	<u>79,966</u>	<u>32,216</u>	<u>(47,750)</u>

(Continued)

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) - Water and Sewer Fund (Continued)**  
**For the Fiscal Year Ended June 30, 2014**

**Statement 2**  
**Page 2 of 2**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	158,339	<u>\$ 158,339</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		33,229	
Depreciation		(198,973)	
Installment purchase proceeds		(32,216)	
Principal retirement		78,882	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		31,514	
Deferred outflows of resources for Changes in proportion and differences between employer contributions and proportionate share of contributions		6,923	
Pension expense		(4,472)	
Change in OPEB and compensated absences		(41,192)	
Total reconciling items		<u>(126,305)</u>	
Change in net position		<u>\$ 32,034</u>	

## **OTHER SCHEDULES**

**TOWN OF KURE BEACH, NORTH CAROLINA**

**Schedule 1**

**General Fund**

**Schedule of Ad Valorem Taxes Receivable**

**June 30, 2015**

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections, Credits and Adjustments	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 2,127,110	\$ 2,111,233	\$ 15,877
2013-2014	9,838	-	5,216	4,622
2012-2013	1,907	-	336	1,571
2011-2012	910	-	55	855
2010-2011	727	-	113	614
2009-2010	499	-	48	451
2008-2009	708	-	50	658
2007-2008	932	-	95	837
2006-2007	1,658	-	16	1,642
2005-2006	1,334	-	158	1,176
2004-2005	976	-	976	-
Total	<u>\$ 19,489</u>	<u>\$ 2,127,110</u>	<u>\$ 2,118,296</u>	<u>\$ 28,303</u>

Ad valorem taxes receivable - net \$ 28,303

Reconciliation with revenues:

Ad valorem taxes - general fund	\$ 2,119,661
Reconciling items:	
Write offs, collection fees, and discounts	(3,735)
Miscellaneous adjustments	(1,462)
Interest collected	3,832
	<u>\$ 2,118,296</u>

**TOWN OF KURE BEACH, NORTH CAROLINA**

**Schedule 2**

**Analysis of Current Tax Levy**

**Town - Wide Levy**

**For the Fiscal Year Ended June 30, 2015**

	Town-wide		Total Levy		
	Property Valuation (in Thousand)	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year rate	\$ 793,143	0.2615	\$ 2,074,069	\$ 2,074,069	\$ -
Registered motor vehicles at prior year rates	21,024	0.2615	54,979	-	54,979
Penalties and interest	-		777	777	-
Total	<u>814,167</u>		<u>2,129,825</u>	<u>2,074,846</u>	<u>54,979</u>
Abatements:					
Current year taxes	<u>(970)</u>	-	<u>(2,715)</u>	<u>(2,715)</u>	<u>-</u>
Total property value	<u>\$ 813,197</u>				
Net levy			<u>2,127,110</u>	<u>2,072,131</u>	<u>54,979</u>
Uncollected taxes at June 30, 2015			<u>15,877</u>	<u>15,877</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,111,233</u>	<u>\$ 2,056,254</u>	<u>\$ 54,979</u>
Current levy collection percentage			<u>99.25%</u>	<u>99.23%</u>	<u>100.00%</u>