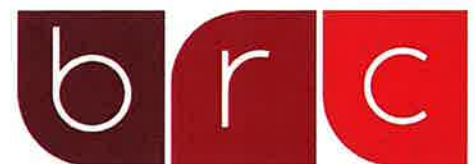


**TOWN OF KURE BEACH, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2024**



**TOWN OF KURE BEACH, NORTH CAROLINA**  
**June 30, 2024**

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**Town Council Members**

Allen Oliver, Mayor  
David Heglar, Mayor Pro Tem  
John Ellen  
Dennis Panicali  
Connie Mearkle

**Administrative and Financial Staff**

Beth Chase, Town Clerk  
Arlen Copenhaver, Finance and Budget Officer

**TOWN OF KURE BEACH, NORTH CAROLINA**  
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**June 30, 2024**

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Bernard Robinson & Company, L.L.P.

## **Independent Auditor's Report**

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Kure Beach, North Carolina (the "Town"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Kure Beach, North Carolina as of June 30, 2024, 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.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Kure Beach, North Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Audit of 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kure Beach, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Kure Beach, North Carolina's ability to continue as a going concern for a reasonable period of time.

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis; the Local Government Employees' Retirement System - Schedule of the Proportionate Share of the Net Pension Liability and Contributions; the Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability; Schedule of Total Pension Liability as a Percentage of Covered Payroll; and the Other Post-Employment Benefits - Schedule of Changes in the Total OPEB Liability and Related Ratios as stated in the table of contents, 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 opinions on the financial statements that collectively comprise the basic financial statements of Town of Kure Beach, North Carolina. The budgetary schedules and other schedules, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024 on our consideration of the Town of Kure Beach, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and on the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

Greensboro, North Carolina  
October 31, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

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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, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$23,314,996 (net position).
- The government's total net position increased by \$1,054,200. This increase was attributable to growth in the Town's property tax and sales tax revenue, as well as tourism development authority revenue.
- As of the close of the current fiscal year, the Town's total governmental funds reported combined ending fund balances of \$8,487,454 with a net increase of \$1,028,641 in fund balance. This increase is primarily due to an increase in property tax, sales tax, and tourism development authority revenue. Approximately 10% of fund balance or \$889,551 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,062,465 or 76% of total General Fund expenditures for the fiscal year. The combined unassigned and assigned fund balance for the General Fund was \$7,515,250 or 94% of total General Fund expenditures for the fiscal year.
- The Town's total long-term liabilities decreased by \$220,101 during the current fiscal year. The key factor in this decrease were principal payments on installment loans.
- The business-type activities net position increased by \$187,622. This was primarily attributable to effective cost management.

### 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.

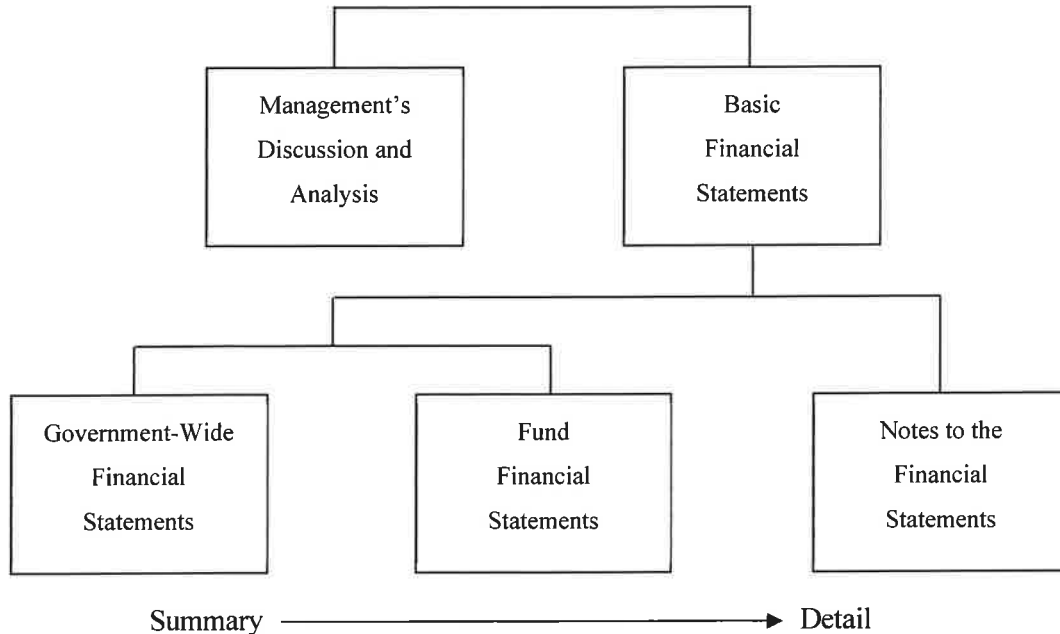


# MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

## 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 deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

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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 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, 2024

*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 as listed on the table of contents.

*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	
	2024	2023	2024	2023	2024	2023
<b>Assets:</b>						
Current and other assets	\$ 11,586,203	\$ 9,291,983	\$ 4,497,493	\$ 4,266,544	\$ 16,083,696	\$ 13,558,527
Capital assets	13,267,989	13,494,753	6,763,388	7,119,168	20,031,377	20,613,921
Deferred outflows of resources	2,739,965	2,651,574	554,554	544,168	3,294,519	3,195,742
Total assets	<u>27,594,157</u>	<u>25,438,310</u>	<u>11,815,435</u>	<u>11,929,880</u>	<u>39,409,592</u>	<u>37,368,190</u>
<b>Liabilities:</b>						
Long-term liabilities	8,393,736	8,400,455	2,321,836	2,535,218	10,715,572	10,935,673
Other liabilities	2,156,735	814,463	144,608	190,586	2,301,343	1,005,049
Deferred inflows of resources	2,637,123	2,871,029	440,558	483,265	3,077,681	3,354,294
Total liabilities	<u>13,187,594</u>	<u>12,085,947</u>	<u>2,907,002</u>	<u>3,209,069</u>	<u>16,094,596</u>	<u>15,295,016</u>
<b>Net Position:</b>						
Net investment in capital						
assets	9,433,013	9,097,312	5,396,343	5,413,583	14,829,356	14,510,895
Restricted	889,551	720,756	-	-	889,551	720,756
Unrestricted	4,083,999	3,534,295	3,512,090	3,307,228	7,596,089	6,841,523
Total net position	<u>\$ 14,406,563</u>	<u>\$ 13,352,363</u>	<u>\$ 8,908,433</u>	<u>\$ 8,720,811</u>	<u>\$ 23,314,996</u>	<u>\$ 22,073,174</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Kure Beach exceeded liabilities and deferred inflows by \$23,314,996 as of June 30, 2024. The Town's net position for governmental activities and business-type activities were \$14,406,563 and \$8,908,433, respectively. The Town's net position increased by \$1,241,822 for the fiscal year ended June 30, 2024. However, the largest portion, \$14,829,356, reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**June 30, 2024**

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 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 \$889,551 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,596,089 is unrestricted.

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 over 99% and the continued growth in the tax base.

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

**Figure 3**

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,702,536	\$ 2,470,967	\$ 2,465,296	\$ 2,402,554	\$ 5,167,832	\$ 4,873,521
Operating grants and contributions	635,229	542,810	-	-	635,229	542,810
Capital grants and contributions	53,580	-	-	-	53,580	-
General revenues:						
Property taxes	3,441,620	3,387,901	-	-	3,441,620	3,387,901
Other taxes	1,675,211	1,604,634	-	-	1,675,211	1,604,634
Grants and contributions not restricted to specific programs	353,073	331,563	90,000	-	443,073	331,563
Transfers from other funds	-	(321,931)	-	321,931	-	-
Other	211,808	80,859	108,658	40,336	320,466	121,195
Total revenues	<u>9,073,057</u>	<u>8,096,803</u>	<u>2,663,954</u>	<u>2,764,821</u>	<u>11,737,011</u>	<u>10,861,624</u>
<b>Expenses:</b>						
General government	1,315,206	1,106,973	-	-	1,315,206	1,106,973
Public safety	4,464,868	4,013,830	-	-	4,464,868	4,013,830
Highways/streets	24,175	12,575	-	-	24,175	12,575
Environmental protection	1,708,576	1,667,873	-	-	1,708,576	1,667,873
Parks and recreation	355,974	308,551	-	-	355,974	308,551
Interest on long-term debt	109,398	132,758	-	-	109,398	132,758
Water and sewer	-	-	2,476,332	2,156,117	2,476,332	2,156,117
Other	40,660	36,472	-	-	40,660	36,472
Total expenses	<u>8,018,857</u>	<u>7,279,032</u>	<u>2,476,332</u>	<u>2,156,117</u>	<u>10,495,189</u>	<u>9,435,149</u>
Increase in net position	1,054,200	817,771	187,622	608,704	1,241,822	1,426,475
Net position, July 1	<u>13,352,363</u>	<u>12,534,592</u>	<u>8,720,811</u>	<u>8,112,107</u>	<u>22,073,174</u>	<u>20,646,699</u>
Net position, June 30,	<u>\$ 14,406,563</u>	<u>\$ 13,352,363</u>	<u>\$ 8,908,433</u>	<u>\$ 8,720,811</u>	<u>\$ 23,314,996</u>	<u>\$ 22,073,174</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

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*Governmental Activities* - Governmental activities increased the Town's net position by \$1,054,200, thereby accounting for 85% of the total increase in the net position of the Town. Positive elements affecting net position were an increase in tourism development authority revenue, an increase in tax revenue, and a strong property tax collection rate over 99%.

*Business-Type Activities* - Business-type activities of the Town reported \$8,908,433 in net position, an increase of \$187,622. The towns' revenues and expenses remained relatively consistent which resulted in another positive increase in net position.

### **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 \$6,062,465, while the total fund balance reached \$8,385,237. 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 76% of total General Fund expenditures, while total fund balance is 94% of total General Fund expenditures.

At June 30, 2024, the governmental funds of the Town of Kure Beach reported a fund balance of \$8,487,454 with a net increase in fund balance of \$1,028,641.

*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.

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 \$3,512,090. 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, 2024, totals \$20,031,377 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**June 30, 2024**

Major capital asset transactions during the year include the additions of equipment, vehicles and infrastructure. There were no significant demolitions or disposals of capital assets.

### Town of Kure Beach, North Carolina's Capital Assets

**Figure 4**

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 4,213,582	\$ 4,213,582	\$ 20,697	\$ 20,697	\$ 4,234,279	\$ 4,234,279
Construction in progress	715,549	715,549	-	-	715,549	715,549
Building	4,578,445	4,715,264	600,007	619,836	5,178,452	5,335,100
Equipment and vehicles	899,663	903,827	310,684	356,540	1,210,347	1,260,367
Improvements other than buildings	308,182	330,287	-	-	308,182	330,287
Plant and Distribution Systems	-	-	5,801,703	6,089,041	5,801,703	6,089,041
Infrastructure	2,522,272	2,583,191	-	-	2,522,272	2,583,191
Right of use asset	30,296	33,053	30,297	33,054	60,593	66,107
<b>Total</b>	<b>\$ 13,267,989</b>	<b>\$ 13,494,753</b>	<b>\$ 6,763,388</b>	<b>\$ 7,119,168</b>	<b>\$ 20,031,377</b>	<b>\$ 20,613,921</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, 2024, the Town had total debt outstanding of \$5,202,021.

### Town of Kure Beach, North Carolina's Outstanding Debt

**Figure 5**

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Installment purchases	\$ 3,834,976	\$ 4,381,407	\$ 1,367,045	\$ 1,672,532	\$ 5,202,021	\$ 6,053,939
Software subscriptions	-	16,034	-	16,034	-	32,068
Total OPEB liability	1,416,365	1,311,606	399,042	368,452	1,815,407	1,680,058
Total pension liability (LEO)	581,787	486,448	-	-	581,787	486,448
Net pension liability (LGERS)	2,322,570	1,965,730	503,964	426,800	2,826,534	2,392,530
Compensated absences	238,038	239,230	51,785	51,400	289,823	290,630
<b>Total</b>	<b>\$ 8,393,736</b>	<b>\$ 8,400,455</b>	<b>\$ 2,321,836</b>	<b>\$ 2,535,218</b>	<b>\$ 10,715,572</b>	<b>\$ 10,935,673</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

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*Outstanding Debt* -The Town's total debt decreased by \$218,037 (2%) during the current fiscal year. The key factor in this decrease was principal payments on installment loans.

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

### **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 \$9,057,973 General Fund budget for fiscal year 2024-2025. This budget represents a 12.5% increase from the fiscal year 2023-2024 original budget.

### **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 [a.copenhaver@tokb.org](mailto:a.copenhaver@tokb.org) for more information.

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2024**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 3,464,021	\$ 2,106,058	\$ 5,570,079
Investments	4,294,422	1,911,808	6,206,230
Accounts receivables, net	685,670	473,267	1,158,937
Restricted cash and cash equivalents	313,131	6,360	319,491
Restricted investments	1,834,188	-	1,834,188
Total current assets	10,591,432	4,497,493	15,088,925
Non-current assets:			
Lease receivables, non-current	994,771	-	994,771
Capital assets:			
Land, non-depreciable improvements, and construction in progress	4,929,131	20,697	4,949,828
Other capital assets, net of depreciation	8,308,562	6,712,394	15,020,956
Right of use asset, net of amortization	30,296	30,297	60,593
Total capital assets	13,267,989	6,763,388	20,031,377
Total non-current assets	14,262,760	6,763,388	21,026,148
Total assets	24,854,192	11,260,881	36,115,073
<b>Deferred Outflows of Resources</b>			
Pension deferrals	2,455,336	455,694	2,911,030
OPEB deferrals	284,629	98,860	383,489
Total deferred outflows of resources	2,739,965	554,554	3,294,519
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	210,555	138,248	348,803
Customer deposits	-	6,360	6,360
Liabilities to be paid from restricted cash	1,946,180	-	1,946,180
Current portion of long-term liabilities	808,388	326,350	1,134,738
Total current liabilities	2,965,123	470,958	3,436,081
Long-term liabilities:			
Net pension liability	2,904,357	503,964	3,408,321
Total OPEB liability	1,416,365	399,042	1,815,407
Due in more than one year	3,264,626	1,092,480	4,357,106
Total liabilities	10,550,471	2,466,444	13,016,915
<b>Deferred Inflows of Resources</b>			
Lease deferrals	912,118	-	912,118
Pension deferrals	1,007,634	217,884	1,225,518
OPEB deferrals	717,371	222,674	940,045
Total deferred inflows of resources	2,637,123	440,558	3,077,681
<b>Net Position</b>			
Net investment in capital assets	9,433,013	5,396,343	14,829,356
Restricted	889,551	-	889,551
Unrestricted	4,083,999	3,512,090	7,596,089
Total net position	\$ 14,406,563	\$ 8,908,433	\$ 23,314,996

*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, 2024**

Exhibit 2

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants	Capital Grants	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
Primary government:							
Governmental activities:							
General government	\$ 1,315,206	\$ 1,485,068	\$ -	\$ -	\$ 169,862	\$ -	\$ 169,862
Public safety	4,464,868	1,075	557,485	-	(3,906,308)	-	(3,906,308)
Transportation	24,175	-	77,744	-	53,569	-	53,569
Parks and recreation	355,974	14,865	-	-	(341,109)	-	(341,109)
Special projects	40,660	129,080	-	53,580	142,000	-	142,000
Environmental protection	1,708,576	1,072,448	-	-	(636,128)	-	(636,128)
Interest on long-term debt	109,398	-	-	-	(109,398)	-	(109,398)
Total governmental activities	8,018,857	2,702,536	635,229	53,580	(4,627,512)	-	(4,627,512)
Business-type activities:							
Water and sewer	2,476,332	2,465,296	-	-	-	(11,036)	(11,036)
Total business-type activities	2,476,332	2,465,296	-	-	-	(11,036)	(11,036)
Total primary government	\$10,495,189	\$ 5,167,832	\$ 635,229	\$ 53,580	(4,627,512)	(11,036)	(4,638,548)
<b>General Revenues:</b>							
Taxes:							
Property taxes, levied for general purpose					3,441,620	-	3,441,620
Local option sales tax					1,664,006	-	1,664,006
Other taxes, licenses and fees					11,205	-	11,205
Grants and contributions not restricted to specific programs					353,073	90,000	443,073
Miscellaneous					-	3,166	3,166
Investment earnings, unrestricted					211,808	105,492	317,300
Total general revenues, special items, and transfers					5,681,712	198,658	5,880,370
Change in net position					1,054,200	187,622	1,241,822
Net position, beginning					13,352,363	8,720,811	22,073,174
Net position, ending					\$ 14,406,563	\$ 8,908,433	\$ 23,314,996

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

**TOWN OF KURE BEACH, NORTH CAROLINA**

Exhibit 3

**Balance Sheet**

**Governmental Funds**

**June 30, 2024**

	Major Governmental Fund		Total Non-Major Fund	Total Governmental Funds
	General Fund	Public Works Building Fund		
<b>Assets</b>				
Cash and cash equivalents	\$ 3,429,833	\$ 34,188	\$ -	\$ 3,464,021
Investments	4,294,422	-	-	4,294,422
Restricted cash	131,560	111,992	69,579	313,131
Restricted investments	-	1,834,188	-	1,834,188
Taxes receivable, net	29,896	-	-	29,896
Account receivables, net	655,774	-	-	655,774
Lease receivables	994,771	-	-	994,771
Total assets	<u>\$ 9,536,256</u>	<u>\$ 1,980,368</u>	<u>\$ 69,579</u>	<u>\$ 11,586,203</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 209,005	\$ -	\$ 1,550	\$ 210,555
Unearned revenue	-	1,946,180	-	1,946,180
Total liabilities	<u>209,005</u>	<u>1,946,180</u>	<u>1,550</u>	<u>2,156,735</u>
<b>Deferred Inflow of Resources</b>				
Property taxes receivable	29,896	-	-	29,896
Leases	912,118	-	-	912,118
	<u>942,014</u>	<u>-</u>	<u>-</u>	<u>942,014</u>
<b>Fund Balances</b>				
Non spendable:				
Leases	82,653	-	-	82,653
Restricted for:				
State statute	655,774	-	-	655,774
Streets	70,492	-	-	70,492
Federal asset forfeitures	61,068	-	-	61,068
Capital Projects	-	34,188	68,029	102,217
Assigned:				
Beach protection	490,260	-	-	490,260
Stormwater	962,525	-	-	962,525
Unassigned	6,062,465	-	-	6,062,465
Total fund balances	<u>8,385,237</u>	<u>34,188</u>	<u>68,029</u>	<u>8,487,454</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,536,256</u>	<u>\$ 1,980,368</u>	<u>\$ 69,579</u>	<u>\$ 11,586,203</u>

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

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**Governmental Funds**  
**June 30, 2024**

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Exhibit 4

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

Total Fund Balance, Governmental Funds	<u>\$ 8,487,454</u>
Changes to the pension and OPEB plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	2,739,965
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets at historical costs	20,575,568
Less: accumulated depreciation	<u>7,307,579</u>
Net capital assets used in governmental activities	<u>13,267,989</u>
Net adjustment to increase fund balance-total governmental funds to arrive at net assets - governmental activities	<u>16,007,954</u>
Liabilities for earned but considered deferred inflows of resources in fund statements	<u>29,896</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	3,834,976
Net pension obligation	581,787
Other postemployment benefits	1,416,365
Compensated absences	238,038
Net pension liability	2,322,570
Pension and OPEB related deferrals	<u>1,725,005</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets - governmental activities	<u>10,118,741</u>
Net position of governmental activities	<u><u>\$ 14,406,563</u></u>

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

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2024**

Exhibit 5

	Major Governmental Fund		Total Non-Major Fund	Total Governmental Funds
	General Fund	Public Works Building Fund		
<b>Revenues</b>				
Ad valorem taxes	\$ 3,440,948	\$ -	\$ -	\$ 3,440,948
Other taxes and licenses	11,205	-	-	11,205
Unrestricted intergovernmental	1,993,182	-	-	1,993,182
Restricted intergovernmental	424,523	53,580	67,508	545,611
Permits and fees	1,717,393	-	-	1,717,393
Sales and services	1,118,056	-	-	1,118,056
Investment earnings	211,808	34,188	-	245,996
Total revenues	<u>8,917,115</u>	<u>87,768</u>	<u>67,508</u>	<u>9,072,391</u>
<b>Expenditures</b>				
Current:				
General government	1,088,345	-	-	1,088,345
Public safety	3,926,413	-	-	3,926,413
Transportation	24,175	-	-	24,175
Parks and recreation	314,344	-	-	314,344
Special projects	40,660	-	-	40,660
Environmental protection	1,476,890	-	-	1,476,890
Debt service	787,290	-	-	787,290
Capital outlay	339,012	53,580	108,468	501,060
Total expenditures	<u>7,997,129</u>	<u>53,580</u>	<u>108,468</u>	<u>8,159,177</u>
Excess of revenues over expenditures	<u>919,986</u>	<u>34,188</u>	<u>(40,960)</u>	<u>913,214</u>
<b>Other Financing Sources</b>				
Transfers from other funds	-	-	108,989	108,989
Transfers to other funds	(108,989)	-	-	(108,989)
Proceeds from installment purchases	115,427	-	-	115,427
Total other financing sources	<u>6,438</u>	<u>-</u>	<u>108,989</u>	<u>115,427</u>
Net change in fund balances	<u>926,424</u>	<u>34,188</u>	<u>68,029</u>	<u>1,028,641</u>
Fund balances, beginning	<u>7,458,813</u>	<u>-</u>	<u>-</u>	<u>7,458,813</u>
Fund balances, ending	<u>\$ 8,385,237</u>	<u>\$ 34,188</u>	<u>\$ 68,029</u>	<u>\$ 8,487,454</u>

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

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**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, 2024**

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Exhibit 6

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

Net change in fund balances - total governmental funds	\$ 1,028,641
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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	339,012
Depreciation expense for governmental assets	(565,770)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	400,560
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	20,562
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in tax receivable	672

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	1,192
Net pension obligation	(741,471)
Other postemployment benefits	8,337

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.

	562,465
Total changes in net position of governmental activities	<u>\$ 1,054,200</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, 2024**

Exhibit 7

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues</b>				
Ad valorem taxes	\$ 3,408,100	\$ 3,408,100	\$ 3,440,948	\$ 32,848
Other taxes and licenses	11,830	11,830	11,205	(625)
Unrestricted intergovernmental	2,034,470	2,074,470	1,993,182	(81,288)
Restricted intergovernmental	70,000	70,000	424,523	354,523
Permits and fees	1,769,915	1,769,915	1,717,393	(52,522)
Sales and services	885,544	924,544	1,118,056	193,512
Investment earnings	121,750	137,250	211,808	74,558
Total revenues	<u>8,301,609</u>	<u>8,396,109</u>	<u>8,917,115</u>	<u>521,006</u>
<b>Expenditures</b>				
Current:				
General government	1,160,971	1,225,471	1,088,345	137,126
Public safety	4,027,359	4,100,323	3,926,413	173,910
Transportation	30,500	30,500	24,175	6,325
Parks and recreation	326,274	326,274	314,344	11,930
Special projects	53,725	53,725	40,660	13,065
Environmental protection	1,859,191	1,899,191	1,476,890	422,301
Debt service	787,370	787,370	787,290	80
Capital outlay	1,045,500	1,012,536	339,012	673,524
Total expenditures	<u>9,290,890</u>	<u>9,435,390</u>	<u>7,997,129</u>	<u>1,438,261</u>
Revenues over (under) expenditures	<u>(989,281)</u>	<u>(1,039,281)</u>	<u>919,986</u>	<u>1,959,267</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from installment purchases	160,000	160,000	115,427	(44,573)
Transfers from other funds	-	87,500	-	(87,500)
Transfers to other funds	-	(108,989)	(108,989)	-
Total other financing sources (uses)	<u>160,000</u>	<u>138,511</u>	<u>6,438</u>	<u>(132,073)</u>
Fund balance appropriated	<u>829,281</u>	<u>900,770</u>	<u>-</u>	<u>(900,770)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>926,424</u>	<u>\$ 926,424</u>
Fund balances, beginning			<u>7,458,813</u>	
Fund balances, ending			<u>\$ 8,385,237</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, 2024**

Exhibit 8

	Major Enterprise Fund Water and Sewer Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,106,058
Investments	1,911,808
Restricted cash and cash equivalents	6,360
Account receivables, net	473,267
Total current assets	4,497,493
Noncurrent assets:	
Capital assets, net of depreciation	6,733,091
Right of use asset, net of amortization	30,297
Total assets	11,260,881
<b>Deferred Outflows of Resources</b>	
Pension deferrals	455,694
OPEB deferrals	98,860
Total deferred outflows of resources	554,554
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	138,248
Customer deposits	6,360
Current portion of compensated absences	37,000
Current portion of long-term debt	289,350
Total current liabilities	470,958
Noncurrent liabilities:	
Non-current portion of compensated absences	14,785
Net pension liability	503,964
Total OPEB liability	399,042
Non-current portion of long-term debt	1,077,695
Total liabilities	2,466,444
<b>Deferred Inflows of Resources</b>	
Pension deferrals	217,884
OPEB deferrals	222,674
Total deferred inflows of resources	440,558
<b>Net Position</b>	
Net investment in capital assets	5,396,343
Unrestricted	3,512,090
Total Net Position	\$ 8,908,433

*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, 2024**

Exhibit 9

	Major Enterprise Fund Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 2,443,156
Other operating revenues	22,140
Total operating revenues	<u>2,465,296</u>
Operating expenses:	
Administration	496,035
Water and sewer system operations	1,532,808
Amortization/depreciation	406,427
Total operating expenses	<u>2,435,270</u>
Operating income	<u>30,026</u>
Non-operating revenues (expenses):	
Investment earnings	105,492
Grants	90,000
Miscellaneous revenues	3,166
Interest and fees	(41,062)
Total non-operating expenses	<u>157,596</u>
Net income	<u>187,622</u>
Change in net position	<u>187,622</u>
Net position, beginning	8,720,811
Total net position, ending	<u><u>\$ 8,908,433</u></u>

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

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2024**

Exhibit 10

	Major Enterprise Fund Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 2,422,428
Cash paid for goods and services	(1,074,388)
Cash paid to employees for services	(945,387)
Net cash provided by operating activities	402,653
Cash flows from noncapital financing activities:	
Grants	90,000
Net cash provided by noncapital financing activities	90,000
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(47,481)
Principal paid on installment purchases	(321,521)
Interest and fees paid on installment purchases	(41,062)
Net cash used in capital and related financing activities	(410,064)
Cash flows from investing activities:	
Purchase of investments	(686,489)
Net cash used in investing activities	(686,489)
Net decrease in cash and cash equivalents	(603,900)
Balance, beginning	2,716,318
Balances, ending	\$ 2,112,418
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 30,026
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization/depreciation	406,427
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(42,868)
Deferred outflows of resources - pensions	(23,109)
Deferred outflows of resources - OPEB	12,723
Increase (decrease) in:	
Accounts payable and accrued liabilities	(45,978)
Compensated absences	385
Net Pension Liability	77,164
Deferred inflows of resources - pensions	6,598
Deferred inflows of resources - OPEB	(49,305)
OPEB liability	30,590
Total adjustments	372,627
Net cash provided by operating activities	\$ 402,653

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

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

### **Notes to Financial Statements**

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#### **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 a 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 Town has no fiduciary funds to report. 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 funds:

*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.

*Public Works Building Capital Projects Fund* – This fund is used to account for the construction of a new public works building.

The Town reports the following non-major governmental funds:

## TOWN OF KURE BEACH, NORTH CAROLINA

### Notes to Financial Statements

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

*Fort Fisher Blvd & K Ave Inter. Capital Projects Fund* – This fund is used to account for grant funds restricted for the improvement of town roads.

*Beach Access Capital Projects Fund* – This fund is used to account for grant funds restricted for the improvement of the town's beach access.

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. Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgeting comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

#### **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/amortization 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. Issuance of general long-term debt and acquisitions under leases and software subscriptions are reported as other financing sources.

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

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

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. On June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year.

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

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

### **Notes to Financial Statements**

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

The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

#### **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.

#### **Restricted Cash and Investments**

Restricted cash and investments recorded in the Governmental Funds, General Fund and Capital Projects Fund represent unexpended Powell Bill, Federal Asset Forfeiture, and unspent State Capital grant proceeds of \$70,492, \$61,068, and \$2,015,759, respectively. Restricted cash recorded in the Enterprise Fund, Water and Sewer Fund represent Customer Deposits of \$6,360. The funds are restricted, because their use is completely restricted to the purpose for which the grant or contribution was issued or given.

#### **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, 2023. 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.

#### **Lease Receivable**

The Town's lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for leases. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

#### **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 is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

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

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

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

The Town's capital assets also include certain right of use assets. These right of use assets arise in association with agreements where the Town reports a lease (only applies when the Town is the lessee) or agreements where the Town reports a subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right of use software subscription asset is initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the software subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

**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 an expense or expenditure until then. The Town has the following items that meet this criterion, deferrals of pension and OPEB deferrals. 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 several items that meet the criterion for this category – property taxes receivable, unavailable revenues, leases, and pension and OPEB deferrals.

**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.

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

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

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-seven (27) 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 four 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:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Leases** – portion of fund balance that is not an available resource because it represents the year- end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.



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

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

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet. At year end, restricted for stabilization by state statute was \$655,774.

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. At year end, restricted for streets – Powell Bill was \$70,492.

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. At year end, restricted for Federal asset forfeiture was \$61,068.

Restricted for Capital Projects - portion of fund balance that is restricted by Federal and State grants. This amount represents the balance of total unexpended grant funds received by the Town. At year end, restricted for capital projects was \$102,217.

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

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

Assigned for Stormwater – portion of fund balance that has been budgeted by Town Council for maintenance and improvement of the Town's stormwater system.

**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.

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

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

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.

**Defined Benefit Cost-Sharing Plans**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) 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'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.

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

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

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.

At June 30, 2024, the Town's deposits had a carrying amount of \$5,889,570 and a bank balance of \$5,974,302. Of the bank balance, \$500,000 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 balance was as follows:

Investment Type	Valuation Measurement	Book Value	Maturity	Rating
	Method			
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 8,040,418	N/A	AAAm
		\$ 8,040,418		

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

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

*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.

*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 Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2024.

*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.

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

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

**Receivables**

Governmental activities – General Fund receivables of \$1,680,441 consist of \$241,301 for customer accounts; \$29,896 for taxes and related accrued interest; \$994,771 for leases; and \$414,473 due from other governments. Business-Type activities – Water and Sewer Fund receivables of \$473,267 consist entirely of customer accounts. Based on historical experience an allowance for doubtful accounts has not been established.

**Lease Receivables**

In April 1996, the Town entered into a lease with AT&T for 30 years. Leasing a parcel of land for placement of a cell tower, with payments to be made on the first of each month. Payments increase 3% on the anniversary of the lease. The lease receivable is measured as the present value of the future lease payments expected to be received during the lease term at a discount rate of 3%.

In August 2000, the Town entered into a lease with US Cellular for 45 years. Leasing a parcel of land for placement of a cell tower, with payments to be made on the first of each month. Payments increase 3% on the anniversary of the lease. The lease receivable is measured as the present value of the future lease payments expected to be received during the lease term at a discount rate of 3%.

In February 2006, the Town entered into a lease with Verizon Wireless for 30 years. Leasing a parcel of land for placement of a cell tower, with payments to be made on the first of each month. Payments increase 3% on the anniversary of the lease. The lease receivable is measured as the present value of the future lease payments expected to be received during the lease term at a discount rate of 3%.

In fiscal year 2024, the Town recognized \$83,812 of lease revenue and \$33,053 of interest revenue. Future lease payments are reported in the following table:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 57,246	\$ 28,928
2026	53,810	27,171
2027	34,167	25,910
2028	37,033	24,846
2029	40,041	23,694
2030-2034	250,814	97,795
2035-2039	220,728	59,363
2040-2044	235,061	28,023
2045-2049	65,871	1,080

**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:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,213,582	\$ -	\$ -	\$ 4,213,582
Construction in progress	715,549	-	-	715,549
Total capital assets not being depreciated	4,929,131	-	-	4,929,131
Capital assets being depreciated:				
Buildings	5,966,594	-	-	5,966,594
Equipment and vehicles	5,120,397	219,160	99,136	5,240,421
Improvements	616,346	-	-	616,346
Infrastructure	3,637,123	119,852	-	3,756,975
Total capital assets being depreciated	15,340,460	339,012	99,136	15,580,336
Less accumulated depreciation for:				
Buildings	1,251,330	136,819	-	1,388,149
Equipment and vehicles	4,216,570	223,324	99,136	4,340,758
Improvements	286,059	22,105	-	308,164
Infrastructure	1,053,932	180,771	-	1,234,703
Total accumulated depreciation	6,807,891	563,019	99,136	7,271,774
Total capital assets being depreciated, net	8,532,569			8,308,562
Capital assets being amortized:				
Right of use asset:				
Software subscriptions	66,101	-	-	66,101
Total capital assets being amortized	66,101	-	-	66,101
Less accumulated amortization for:				
Right of use asset:				
Software subscriptions	33,054	2,751	-	35,805
Total accumulated amortization	33,054	2,751	-	35,805
Total capital assets being amortized, net	33,047			30,296
Government activity capital assets, net	\$ 13,494,747			\$ 13,267,989

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

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

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

General Government	\$ 41,374	6.86%
Public Safety	314,390	55.84%
Environmental Protection	182,925	32.49%
Cultural and Recreational	27,081	4.81%
Total depreciation expense	<u>\$ 565,770</u>	<u>100.00%</u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
<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	11,119,485	50,653	-	11,170,138
Buildings	793,162	-	-	793,162
Equipment and vehicles	1,244,782	-	106,120	1,138,662
Total capital assets being depreciated	<u>13,157,429</u>	<u>50,653</u>	<u>106,120</u>	<u>13,101,962</u>
Less accumulated depreciation for:				
Plant and Distribution				
Systems	5,030,444	337,991	-	5,368,435
Buildings	173,326	19,829	-	193,155
Equipment and vehicles	888,242	45,856	106,120	827,978
Total accumulated depreciation	<u>6,092,012</u>	<u>403,676</u>	<u>106,120</u>	<u>6,389,568</u>
Total capital assets being depreciated, net	<u>7,065,417</u>			<u>6,712,394</u>
Capital assets being amortized:				
Right of use asset:				
Software subscriptions	66,101	-	-	66,101
Total capital assets being depreciated	<u>66,101</u>	<u>-</u>	<u>-</u>	<u>66,101</u>
Less accumulated amortization for:				
Right of use asset:				
Software subscriptions	33,053	2,751	-	35,804
Total accumulated amortization	<u>33,053</u>	<u>2,751</u>	<u>-</u>	<u>35,804</u>
Total capital assets being amortized, net	<u>33,048</u>			<u>30,297</u>
Water and Sewer activity capital assets, net	<u>\$ 7,119,162</u>			<u>\$ 6,763,388</u>

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

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

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

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

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

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

*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, 2024, was 14.04% of compensation for law enforcement officers and 12.97% 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 \$476,203 for the year ended June 30, 2024.

*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***

On June 30, 2024, the Town reported a liability of \$2,826,535 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. On June 30, 2023 (measurement date), the Town's proportion was 0.04268%, which was an increase of 0.00027% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Town recognized pension expense of \$802,140. On June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 314,960	\$ 6,781
Changes of assumptions	120,111	-
Net difference between projected and actual earnings on pension plan investments	1,841,906	1,085,402
Changes in proportion and differences between Town contributions and proportionate share of contributions	24,892	59,166
Town contributions subsequent to the measurement date	476,203	-
	<u>\$ 2,778,072</u>	<u>\$ 1,151,349</u>



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

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

\$476,203 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2025.

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

<u>Year Ended June 30:</u>	
2025	\$ 415,674
2026	208,978
2027	493,881
2028	31,987
	<u>\$ 1,150,520</u>

*Actuarial Assumptions:* The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increase, including inflation and productivity factor	3.25 to 8.25%
Investment rate of return, net of pension plan investment expense, including inflation	6.50%

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, 2021, valuation were based on the results of an actuarial experience study for the period January 1, 2011, through December 31, 2015.

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**

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**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, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation protection	6.0%	2.7%
	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate:* The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate:* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Towns' proportionate share of the net pension liability (asset)	<u>\$ 4,896,861</u>	<u>\$ 2,826,535</u>	<u>\$ 1,122,049</u>

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

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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 Annual Comprehensive Financial Report 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. On December 31, 2022, the Separation Allowance's membership consisted of:

Active plan members	12
	<u>12</u>

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 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 criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2022, valuation. The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases, including inflation and productivity factor	3.25 to 7.75%
Discount rate	4.00%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2022.

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

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

Mortality rates use Pub-2010 amount – weighted tables. All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$3,422 as benefits came due for the reporting period.

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

On June 30, 2024, the Town reported a total pension liability of \$581,786. The total pension liability was measured as of December 31, 2023, based on a December 31, 2022, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the Town recognized pension expense of \$75,620.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,004	\$ -
Changes of assumptions	68,954	74,169
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 132,958</u>	<u>\$ 74,169</u>

There were no payments required since there were no benefits that came due subsequent to the measurement date.

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

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

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

<u>Year ended June 30:</u>	
2025	\$ 28,567
2026	26,952
2027	(3,152)
2028	(5,848)
2029	6,596
Thereafter	5,674
	<u>\$ 58,789</u>

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 4.00 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	<u>1% Decrease (3.00%)</u>	<u>Discount Rate (4.00%)</u>	<u>1% Increase (5.00%)</u>
Total pension liability	<u>\$ 633,040</u>	<u>\$ 581,786</u>	<u>\$ 534,783</u>

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

Beginning balance	\$ 486,448
Service cost	23,558
Interest on the total pension liability	20,892
Differences between expected and actual experience in the measurement of the total pension liability	40,360
Changes of assumptions or other inputs	13,950
Benefit payments	(3,422)
Ending balance of the total pension liability	<u>\$ 581,786</u>

The plan currently uses mortality tables that vary by age, and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study completed by the actuary for the Local Governmental Employee's Retirement system for the five-year period ending December 31, 2019.

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

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 802,140	\$ 75,620	\$ 877,760
Pension Liability	2,826,535	581,786	3,408,321
Proportionate share of the net pension liability	0.04268%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	314,960	64,004	378,964
Changes of assumptions	120,111	68,954	189,065
Net difference between projected and actual earnings on plan investments	1,841,906	-	1,841,906
Changes in proportion and differences between contributions and proportionate share of contributions	24,892	-	24,892
Benefit payments and administrative costs paid subsequent to the measurement date	476,203	-	476,203
Deferred Inflows of Resources			
Differences between expected and actual experience	6,781	-	6,781
Changes of assumptions	-	74,169	74,169
Net difference between projected and actual earnings on plan investments	1,085,402	-	1,085,402
Changes in proportion and differences between contributions and proportionate share of contributions	59,166	-	59,166

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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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.

*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, 2024 were \$246,845, which consisted of \$183,675 from the Town and \$63,170 from the law enforcement officers and other employees.

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

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

**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"), have at least fifteen years of creditable service with the Town and were originally hired before February 7, 2019. 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.

Retired Employees' Years of Creditable Service	Date Hired	
	Pre - February 7, 2019	On or After February 7, 2019
Less than 15 years	Not eligible for coverage	Not eligible for coverage
15-19 years	50% of coverage paid for by Town	Not eligible for coverage
20+ years	100% of coverage paid for by Town	Not eligible for coverage

Membership of the Retiree Health Plan consisted of the following on June 30, 2023, the date of the latest actuarial valuation:

Retirees receiving benefits	9
Active plan members	38
	<u>47</u>

**Total OPEB Liability**

The Town's total OPEB liability of \$1,815,407 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5%
Salary increases, including wage inflation	
General employees	3.25 to 8.41%
Law enforcement officers	3.25 to 7.90%
Discount rate	3.65%
Healthcare cost trend rates	
Pre-Medicare	7.0% for 2023 decreasing to ultimate rate of 4.5% by 2033
Medicare	5.125% for 2023 decreasing to ultimate rate of 4.5% by 2026
Dental	3.50%
Vision	2.00%

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

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

**Changes in the Total OPEB Liability**

Changes for the year	
Service cost	\$ 80,927
Interest	61,550
Differences between expected and actual experience	17,238
Changes in assumptions or other inputs	20,572
Benefit payments	(44,938)
Net changes	<u>135,349</u>
Balance, beginning	<u>1,680,058</u>
Balance, ending	<u>\$ 1,815,407</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.54% to 3.65 %.

Mortality rates were based on the PUB-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

	<u>1 % Decrease (2.65%)</u>	<u>Discount Rate (3.65%)</u>	<u>1% Increase (4.65%)</u>
Total OPEB liability	\$ 2,135,349	\$ 1,815,407	\$ 1,557,953

*Sensitivity to the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1 % Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,512,615	\$ 1,815,407	\$ 2,207,055



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

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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

For the year ended June 30, 2024, the Town recognized OPEB expense of \$2,976. On June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,075	\$ 566,810
Changes of assumptions	341,187	373,235
Benefit payments and administrative costs made subsequent to the measurement date	27,227	-
Total	<u>\$ 383,489</u>	<u>\$ 940,045</u>

\$27,227 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2025	\$ (136,138)
2026	(109,580)
2027	(95,833)
2028	(75,300)
2029	(114,920)
Thereafter	(52,012)
	<u>\$ (583,783)</u>

**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. Because all death benefit payments are made from the Death Benefit Plan and not by

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

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

The Town also provides all active full-time employees with group term life insurance. The death benefit associated with this coverage is \$10,000.

**Long-Term Obligations**

Installment Purchases

The Town has entered into the following installment purchase contracts:

Serviced by the General Fund:

\$3,600,000 loan on December 19, 2007 to acquire the land for Ocean Front Park due in annual installments ranging from \$84,349 to \$67,682 including interest through December 19, 2027; interest at 4.28 percent	\$ 259,615
\$347,000 loan on July 12, 2011 to finance the development of Ocean Front Park due in annual installments ranging from \$27,580 to \$21,308 including interest through July 12, 2028; interest at 4.39 percent	102,059
\$409,471 loan on March 12, 2015 to acquire land on 4th Street and H Avenue due in annual installments ranging from \$45,025 to \$41,967 including interest through March 12, 2025; interest at 2.49 percent	40,947
\$4,400,000 of a \$5,000,000 loan on December 11, 2017 to finance the renovations of the fire station and town hall due in semi-annual installments ranging from \$190,182 to \$148,559 including interest through December 11, 2032; interest at 2.58 percent	2,493,334
\$125,000 loan on June 2, 2020 to finance the purchase of a fuel tank due in annual installments of \$26,199 including interest through June 2, 2025; interest at 1.56 percent	26,094
\$25,262 of a \$74,264 loan on August 6, 2020 to finance the purchase of a vehicle due in annual installments of \$6,557 including interest through August 6, 2024; interest at 1.57 percent	6,583
\$219,000 of a \$438,000 loan on June 2, 2022 to finance the purchase of a vacuum truck due in annual installments of \$47,929 including interest through June 2, 2027; interest at 3.08 percent	135,364
\$425,000 loan on July 27, 2022 to finance the purchase of a fire engine due in annual installments of \$61,092 including interest through July 27, 2030; interest at 3.17 percent	377,572

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

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

\$341,906 loan on August 29, 2022 to finance the purchase of a garbage truck due in annual installments of \$75,395 including interest through August 26, 2027; interest at 3.30 percent

\$ 277,981

\$115,427 loan on September 1, 2023 to finance the purchase of two police vehicles due in annual installments of \$32,642 including interest through September 1, 2027; interest at 5.05 percent

115,427

\$ 3,834,976

Serviced by the Water and Sewer Fund:

\$432,660 loan on May 1, 2010 to finance the Sewer Rehabilitation Project with 50% principal forgiveness, due in annual installments of \$10,556 through May 1, 2030; interest at 0.00 percent

\$ 63,334

\$475,000 loan on June 28, 2017 to construct a pump station due in semi-annual installments of \$26,508 including interest through June 28, 2027; interest at 2.11 percent

154,234

\$600,000 of a \$5,000,000 loan on December 11, 2017 to finance the renovations of the fire station and town hall due in semi-annual installments ranging from \$25,934 to \$20,258 including interest through December 11, 2032; interest at 2.58 percent

340,000

\$1,325,000 loan on July 18, 2019 to finance a water meter replacement due in semi-annual installments ranging from \$81,905 to \$67,171 including interest through July 18, 2029; interest at 2.78 percent

661,370

\$49,002 of a \$74,264 loan on August 6, 2020 to finance the purchase of a vehicle due in annual installments of \$12,729 including interest through August 6, 2024; interest at 1.57 percent

12,743

\$219,000 of a \$438,000 loan on June 2, 2022 to finance the purchase of a vacuum truck due in annual installments of \$47,929 including interest through June 2, 2027; interest at 3.08 percent

135,364

\$ 1,367,045

**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>
2025	\$ 637,388	\$ 111,094	\$ 289,350	\$ 35,232
2026	570,699	91,818	279,241	27,896
2027	577,441	73,833	281,728	20,693
2028	536,500	55,604	183,056	13,706
2029	369,308	38,596	183,056	8,990
2030-2033	1,143,640	58,629	150,614	7,224
Total	<u>\$ 3,834,976</u>	<u>\$ 429,574</u>	<u>\$ 1,367,045</u>	<u>\$ 113,741</u>

**Changes in Long-Term Liabilities**

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

	<u>Beginning</u>			<u>Ending</u>	<u>Current</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>	<u>Portion</u>
Governmental Activities:					
Installment purchases	\$ 4,381,407	\$ 115,427	\$ 661,858	\$ 3,834,976	\$ 637,388
Software subscriptions	16,034	-	16,034	-	-
Total OPEB liability	1,311,606	104,759	-	1,416,365	-
Total pension liability (LEO)	486,448	95,339	-	581,787	-
Net pension liability (LGERS)	1,965,730	356,840	-	2,322,570	-
Compensated absences	239,230	169,713	170,905	238,038	171,000
Total governmental activity					
long-term liabilities	<u>\$ 8,400,455</u>	<u>\$ 842,078</u>	<u>\$ 848,797</u>	<u>\$ 8,393,736</u>	<u>\$ 808,388</u>
Business-Type Activities:					
Installment purchases	\$ 1,672,532	\$ -	\$ 305,487	\$ 1,367,045	\$ 289,350
Software subscriptions	16,034	-	16,034	-	-
Total OPEB liability	368,452	30,590	-	399,042	-
Net pension liability (LGERS)	426,800	77,164	-	503,964	-
Compensated absences	51,400	36,922	36,537	51,785	37,000
Total business-type					
long-term liabilities	<u>\$ 2,535,218</u>	<u>\$ 144,676</u>	<u>\$ 358,058</u>	<u>\$ 2,321,836</u>	<u>\$ 326,350</u>

At June 30, 2024, the Town of Kure Beach, North Carolina had a legal debt margin of \$100,791,583.

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

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NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

**Deferred Outflows and Inflows of Resources**

The Town has several deferred outflows of resources, which is comprised of the following at year end:

	<u>Statement of Net Position</u>
Benefit payments and administrative expenses for plans made subsequent to measurement date	\$ 503,430
Changes in assumptions	530,252
Differences between expected and actual experience	394,039
Net difference between projected and actual earnings on pension plan investments	1,841,906
Changes in proportion and difference between employer contributions and proportionate share of contributions	24,892
	<u>\$ 3,294,519</u>

Deferred inflows of resources are comprised of the following at year end:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Tax receivables	\$ -	\$ 29,896
Lease receivables	912,118	912,118
Changes in assumptions	447,404	-
Differences between expected and actual experience	573,591	-
Net difference between projected and actual earnings on pension plan investments	1,085,402	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	59,166	-
Total	<u>\$ 3,077,681</u>	<u>\$ 942,014</u>

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

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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	\$ 8,385,237
Less:	
Stabilization by State Statute	655,774
Streets- Powell Bill	70,492
Federal Asset Forfeiture	61,068
Assigned	1,452,785
Fund Balance Policy	2,898,551
Remaining Fund Balance	<u>\$ 3,246,567</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, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$1,000,000. 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.

**REQUIRED SUPPLEMENTARY FINANCIAL DATA**

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Proportionate Share of Net Pension Liability (Asset) and Contributions**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Ten Fiscal Years \***

Exhibit 11

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset) (%)	0.04268%	0.04241%	0.04022%	0.04060%	0.03871%	0.03578%	0.03595%	0.03317%	0.03276%	0.03123%
Proportion of the net pension liability (asset) (\$)	\$ 2,826,535	\$ 2,392,530	\$ 616,812	\$ 1,450,811	\$ 1,057,140	\$ 848,824	\$ 549,216	\$ 703,980	\$ 147,025	\$ (184,179)
Covered-employee payroll	3,113,444	2,943,398	2,598,614	2,506,657	2,341,597	2,246,227	2,127,634	2,001,604	1,825,227	1,688,555
Proportionate share of net pension liability (asset) as a percentage of covered-employee payroll	90.78%	81.28%	23.74%	57.88%	45.15%	37.79%	25.81%	35.17%	8.06%	-10.91%
Plan fiduciary net position as a percentage of the total pension liability	82.49%	84.14%	91.63%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%
Contractually required contribution	\$ 476,203	\$ 393,511	\$ 340,192	\$ 273,212	\$ 234,425	\$ 184,827	\$ 170,180	\$ 156,792	\$ 136,436	\$ 130,407
Contributions in relation to the contractually required contribution	476,203	393,511	340,192	273,212	234,425	184,827	170,180	156,792	136,436	130,407
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,590,577	\$ 3,113,444	\$ 2,943,398	\$ 2,598,614	\$ 2,506,657	\$ 2,341,597	\$ 2,246,227	\$ 2,127,634	\$ 2,001,604	\$ 1,825,227
Contributions as a percentage of covered-employee payroll	13.26%	12.64%	11.56%	10.51%	9.35%	7.89%	7.58%	7.37%	6.82%	7.14%

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



**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Last Eight Fiscal Years**

Exhibit 12

**Schedule of Changes in Total Pension Liability**

	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 486,448	\$ 555,820	\$ 510,073	\$ 322,982	\$ 297,731	\$ 286,452	\$ 251,424	\$ 247,804
Service cost	23,558	31,266	32,614	17,830	16,432	16,859	13,363	13,639
Interest on the total pension liability	20,892	12,272	9,644	10,178	10,460	8,724	9,263	8,612
Differences between expected and actual experience in the measurement of the total pension liability	40,360	5,576	40,440	11,949	8,956	18,304	15,404	-
Changes of assumptions or other inputs	13,950	(97,728)	(16,193)	168,690	10,161	(11,850)	19,885	(5,484)
Benefit payments	(3,422)	(20,758)	(20,758)	(21,556)	(20,758)	(20,758)	(22,887)	(13,147)
Ending balance of the total pension liability	\$ 581,786	\$ 486,448	\$ 555,820	\$ 510,073	\$ 322,982	\$ 297,731	\$ 286,452	\$ 251,424

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

**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

Total pension liability	\$ 581,786	\$ 486,448	\$ 555,820	\$ 510,073	\$ 322,982	\$ 297,731	\$ 286,452	\$ 251,424
Covered payroll	901,880	867,267	854,249	862,524	809,231	734,343	659,186	667,133
Total pension liability as a percentage of covered payroll	64.51%	56.09%	65.07%	59.14%	39.91%	40.54%	43.46%	37.69%

**Notes to the Schedules:**

The Town of Kure Beach has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 to pay related benefits.

**TOWN OF KURE BEACH, NORTH CAROLINA**

Exhibit 13

**Other-Post Employment Benefits**

**Required Supplementary Information**

**Schedule of Changes in the Total OPEB Liability and Related Ratios**

**Last Seven Fiscal Years**

	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>							
Service cost	\$ 80,927	\$ 112,914	\$ 161,883	\$ 106,952	\$ 113,270	\$ 120,386	\$ 136,734
Interest	61,550	45,134	58,309	67,864	75,129	68,545	60,160
Differences between expected and actual experience	17,238	(4,351)	(751,973)	(2,085)	(222,009)	(4,480)	(15,156)
Changes of assumptions	20,572	(424,420)	83,656	524,833	(7,190)	(118,670)	(205,793)
Benefit payments	(44,938)	(51,399)	(52,188)	(53,688)	(63,239)	(56,594)	(41,960)
Net change in total OPEB liability	135,349	(322,122)	(500,313)	643,876	(104,039)	9,187	(66,015)
Total OPEB liability - beginning	1,680,058	2,002,180	2,502,493	1,858,617	1,962,656	1,953,469	2,019,484
Total OPEB liability - ending	<u>\$ 1,815,407</u>	<u>\$ 1,680,058</u>	<u>\$ 2,002,180</u>	<u>\$ 2,502,493</u>	<u>\$ 1,858,617</u>	<u>\$ 1,962,656</u>	<u>\$ 1,953,469</u>
Covered payroll	2,559,949	2,279,022	2,279,022	2,258,308	2,258,308	2,084,679	2,084,679
Total OPEB liability as a percentage of covered payroll	70.92%	73.72%	87.85%	110.81%	82.30%	94.15%	93.71%

**Notes to Schedule**

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

<u>Fiscal year</u>	<u>Rate</u>
2024	3.65%
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

## **SUPPLEMENTAL STATEMENTS**

**TOWN OF KURE BEACH, NORTH CAROLINA****Statement 1****Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****Page 1 of 4****General Fund****For the Fiscal Year Ended June 30, 2024**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 3,403,500	\$ 3,435,524	\$ 32,024
Penalties and interest	4,600	5,424	824
Total	<u>3,408,100</u>	<u>3,440,948</u>	<u>32,848</u>
Other taxes and licenses:			
Motor vehicle licenses	10,500	10,180	(320)
Vehicle re-entry decal sales	1,200	900	(300)
Licenses and fees	130	125	(5)
Total	<u>11,830</u>	<u>11,205</u>	<u>(625)</u>
Unrestricted intergovernmental:			
Local option sales taxes	1,490,000	1,455,697	(34,303)
ABC revenue	22,670	31,577	8,907
Hold harmless	209,000	208,309	(691)
Utility sales tax	255,000	251,367	(3,633)
Solid Waste Disposal	1,700	1,734	34
Beer and wine tax	9,600	10,824	1,224
Video programming	30,000	26,173	(3,827)
Telecommunications tax	6,000	6,249	249
Refunds	50,500	1,252	(49,248)
Total	<u>2,074,470</u>	<u>1,993,182</u>	<u>(81,288)</u>
Restricted intergovernmental:			
ARPA funds	-	346,779	346,779
Powell Bill allocation	70,000	77,744	7,744
Total	<u>70,000</u>	<u>424,523</u>	<u>354,523</u>
Permits and fees:			
Garbage fees	567,000	587,579	20,579
Storm water fees	479,775	483,141	3,366
Building permits	105,050	81,811	(23,239)
TDA funds	612,620	557,485	(55,135)
Miscellaneous	3,720	6,302	2,582
Police fees	1,750	1,075	(675)
Total	<u>1,769,915</u>	<u>1,717,393</u>	<u>(52,522)</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, 2024**

**Statement 1**

**Page 2 of 4**

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Rents and concessions	\$ 114,119	\$ 166,653	\$ 52,534
Parking program revenue	781,000	893,394	112,394
Miscellaneous	29,425	58,009	28,584
Total	924,544	1,118,056	193,512
Investment earnings	137,250	211,808	74,558
Total Revenues	8,396,109	8,917,115	521,006
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and benefits	12,871	12,870	1
Operating expense	62,290	59,005	3,285
Total	75,161	71,875	3,286
Administration:			
Salaries and benefits	183,152	180,052	3,100
Operating expense	700,972	611,174	89,798
Total	884,124	791,226	92,898
Finance:			
Salaries and benefits	152,325	152,121	204
Operating expense	113,861	73,123	40,738
Total	266,186	225,244	40,942
Total general government	1,225,471	1,088,345	137,126
Public Safety:			
Police:			
Salaries and benefits	1,626,238	1,571,596	54,642
Operating expense	352,984	312,739	40,245
Capital outlay	129,000	128,751	249
Total	2,108,222	2,013,086	95,136
Fire:			
Salaries and benefits	1,120,319	1,106,195	14,124
Operating expense	221,497	225,868	(4,371)
Capital outlay	53,036	9,573	43,463
Total	1,394,852	1,341,636	53,216

(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, 2024****Statement 1****Page 3 of 4**

	Budget	Actual	Variance Positive (Negative)
Life guards:			
Salaries and benefits	\$ 481,743	\$ 456,858	\$ 24,885
Operating expense	30,377	40,060	(9,683)
Capital outlay	13,500	12,000	1,500
Total	<u>525,620</u>	<u>508,918</u>	<u>16,702</u>
Building Inspection:			
Salaries and benefits	213,137	163,832	49,305
Operating expense	54,028	49,265	4,763
Total	<u>267,165</u>	<u>213,097</u>	<u>54,068</u>
Total public safety	<u>4,295,859</u>	<u>4,076,737</u>	<u>219,122</u>
Transportation:			
Operating expense	30,500	24,175	6,325
Capital outlay	40,000	-	40,000
Total transportation	<u>70,500</u>	<u>24,175</u>	<u>46,325</u>
Parks and recreation:			
Salaries and benefits	216,134	214,189	1,945
Operating expense	110,140	100,155	9,985
Total parks and recreation	<u>326,274</u>	<u>314,344</u>	<u>11,930</u>
Special projects:			
Community center	32,000	30,485	1,515
Other	21,725	10,175	11,550
Total special projects	<u>53,725</u>	<u>40,660</u>	<u>13,065</u>
Environmental protection:			
Salaries and benefits	787,271	717,824	69,447
Operating expense	1,111,920	759,066	352,854
Capital outlay	777,000	188,688	588,312
Total environmental protection	<u>2,676,191</u>	<u>1,665,578</u>	<u>1,010,613</u>

(Continued)

**TOWN OF KURE BEACH, NORTH CAROLINA****Statement 1****Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****Page 4 of 4****General Fund (Continued)****For the Fiscal Year Ended June 30, 2024**

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal	\$ 662,560	\$ 662,694	\$ (134)
Interest	124,810	124,596	214
Total debt service	<u>787,370</u>	<u>787,290</u>	<u>80</u>
 Total expenditures	<u>9,435,390</u>	<u>7,997,129</u>	<u>1,438,261</u>
 Revenue over (under) expenditures	<u>(1,039,281)</u>	<u>919,986</u>	<u>1,959,267</u>
 <b>Other financing sources (uses):</b>			
Proceeds from installment purchases	160,000	115,427	(44,573)
Transfers from other funds	87,500	-	(87,500)
Transfers to other funds	(108,989)	(108,989)	-
Total other financing sources (uses)	<u>138,511</u>	<u>6,438</u>	<u>(132,073)</u>
 Fund balance appropriated	<u>900,770</u>	<u>-</u>	<u>(900,770)</u>
 Net change in fund balance	<u>\$ -</u>	<u>926,424</u>	<u>\$ 926,424</u>
 Fund balances, beginning		<u>7,458,813</u>	
Fund balances, ending		<u>\$ 8,385,237</u>	

**TOWN OF KURE BEACH, NORTH CAROLINA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2024**

**Statement 2**

	Improvement Project Fund	Beach Access Fund	Total Nonmajor Governmental Funds
<b>Assets</b>			
Restricted cash	\$ 23,090	\$ 46,489	\$ 69,579
Total assets	<u>\$ 23,090</u>	<u>\$ 46,489</u>	<u>\$ 69,579</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 1,550	\$ -	\$ 1,550
Total liabilities	<u>1,550</u>	<u>-</u>	<u>1,550</u>
<b>Fund Balances</b>			
Restricted for:			
Capital Projects	21,540	46,489	68,029
Total fund balances	<u>21,540</u>	<u>46,489</u>	<u>68,029</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 23,090</u>	 <u>\$ 46,489</u>	 <u>\$ 69,579</u>



**TOWN OF KURE BEACH, NORTH CAROLINA****Statement 3****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances****Nonmajor Governmental Funds****Year Ended June 30, 2024**

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	Improvement Project Fund	Beach Access Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Restricted intergovernmental	\$ 67,508	\$ -	\$ 67,508
Total revenues	67,508	-	67,508
<b>Expenditures</b>			
Capital outlay	108,468	-	108,468
Total expenditures	108,468	-	108,468
Excess of revenues over expenditures	(40,960)	-	(40,960)
<b>Other Financing Sources</b>			
Transfers from other funds	62,500	46,489	108,989
Total other financing sources	62,500	46,489	108,989
Net change in fund balances	21,540	46,489	68,029
Fund balances, beginning	-	-	-
Fund balances, ending	\$ 21,540	\$ 46,489	\$ 68,029

**TOWN OF KURE BEACH, NORTH CAROLINA**

**Statement 4**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**

**Capital Projects Fund - Public Works Building**

**From Inception and for the Fiscal Year Ended June 30, 2024**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental:				
SCIF grant	\$ 250,000	\$ 25,120	\$ 53,580	\$ 78,700
NC directed grant	1,800,000	-	-	-
Total revenues	<u>2,050,000</u>	<u>25,120</u>	<u>53,580</u>	<u>78,700</u>
<b>Expenditures:</b>				
Capital projects:				
Architectural	76,500	10,120	28,580	38,700
Construction	95,000			
Construction management	1,928,500	15,000	25,000	40,000
Total expenditures	<u>2,100,000</u>	<u>25,120</u>	<u>53,580</u>	<u>78,700</u>
<b>Other financing sources:</b>				
Investment income	50,000	-	34,188	34,188
Total other financing sources	<u>50,000</u>	<u>-</u>	<u>34,188</u>	<u>34,188</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	34,188	<u>\$ 34,188</u>
Fund balances, beginning			-	
Fund balances, ending			<u>\$ 34,188</u>	

**TOWN OF KURE BEACH, NORTH CAROLINA**

**Statement 5**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**

**Capital Projects Fund - Fort Fisher Blvd & K Ave Inter. Improvement Project**

**From Inception and for the Fiscal Year Ended June 30, 2024**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental:				
CRRSAA grant	\$ 360,000	\$ -	\$ 67,508	\$ 67,508
Total revenues	360,000	-	67,508	67,508
<b>Expenditures:</b>				
Capital projects:				
Engineering	422,500	-	108,468	108,468
Total expenditures	422,500	-	108,468	108,468
<b>Other financing sources:</b>				
Transfer in	62,500	-	62,500	62,500
Total other financing sources	62,500	-	62,500	62,500
Net change in fund balance	\$ -	\$ -	21,540	\$ 21,540
Fund balances, beginning			-	
Fund balances, ending			\$ 21,540	

**TOWN OF KURE BEACH, NORTH CAROLINA****Statement 6****Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****Capital Projects Fund - Beach Access****From Inception and for the Fiscal Year Ended June 30, 2024**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental:				
CAMA grant	\$ 139,466	\$ -	\$ -	\$ -
Total revenues	139,466	-	-	-
<b>Expenditures:</b>				
Capital projects:				
Engineering & construction	185,955	-	-	-
Total expenditures	185,955	-	-	-
<b>Other financing sources:</b>				
Transfer in	46,489	-	46,489	46,489
Total other financing sources	46,489	-	46,489	46,489
Net change in fund balance	\$ -	\$ -	46,489	\$ 46,489
Fund balances, beginning			-	
Fund balances, ending			\$ 46,489	

**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, 2024**

**Statement 7**  
**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	\$ 2,579,165	\$ 2,412,464	\$ (166,701)
Water and sewer tap fees	45,000	65,100	20,100
Other user fees	1,500	8,460	6,960
Other operating revenues	7,470	22,140	14,670
Total	<u>2,633,135</u>	<u>2,508,164</u>	<u>(124,971)</u>
Non-operating revenues			
Grants	150,000	90,000	(60,000)
Miscellaneous	-	3,166	3,166
Interest earnings	59,500	105,492	45,992
Total revenues	<u>2,842,635</u>	<u>2,706,822</u>	<u>(135,813)</u>
Expenditures:			
Water and sewer administration and operations:			
Salaries and benefits - admin	327,807	312,824	14,983
Salaries and benefits - OPS	513,117	632,563	(119,446)
Utilities	60,720	70,659	(9,939)
Supplies	136,322	171,191	(34,869)
Repairs and maintenance	270,800	266,287	4,513
Treatment facility charges	295,000	279,016	15,984
Operating expenditures	494,289	305,371	188,918
Capital outlay	398,000	50,653	347,347
Total	<u>2,496,055</u>	<u>2,088,564</u>	<u>407,491</u>
Debt service:			
Interest and fees	41,070	41,062	8
Principal retirement	305,510	305,487	23
Total	<u>346,580</u>	<u>346,549</u>	<u>31</u>
Total expenditures	<u>2,842,635</u>	<u>2,435,113</u>	<u>407,522</u>
Revenues over (under) expenditures	<u>-</u>	<u>271,709</u>	<u>271,709</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, 2024**

**Statement 7**  
**Page 2 of 2**

Revenues and other sources over (under) expenditures and other uses	\$ -	271,709	\$ 271,709
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		50,653	
Depreciation		(406,427)	
Principal retirement		305,487	
Changes in assets and liabilities:			
Accounts receivable		(42,868)	
Deferred outflows of resources - pensions		(23,109)	
Deferred outflows of resources - OPEB		12,723	
Accounts payable and accrued liabilities		(45,978)	
Compensated absences		385	
Net Pension Liability		77,164	
Deferred inflows of resources - pensions		6,598	
Deferred inflows of resources - OPEB		(49,305)	
OPEB liability		30,590	
Total reconciling items		(84,087)	
Change in net position		\$ 187,622	

## **OTHER SCHEDULES**

**TOWN OF KURE BEACH, NORTH CAROLINA****Schedule 1****General Fund****Schedule of Ad Valorem Taxes Receivable****June 30, 2024**

Fiscal Year	Uncollected Balance June 30, 2023	Additions	Collections, Credits and Adjustments	Uncollected Balance June 30, 2024
2023-2024	\$ -	\$ 3,438,858	\$ 3,429,192	\$ 9,666
2022-2023	5,648	-	3,056	2,592
2021-2022	5,181	-	2,881	2,300
2020-2021	2,580	-	60	2,520
2019-2020	4,930	-	1,562	3,368
2018-2019	1,752	-	119	1,633
2017-2018	1,883	-	5	1,878
2016-2017	2,557	-	-	2,557
2015-2016	2,155	-	-	2,155
2014-2015	1,227	-	-	1,227
2013-2014	1,283	-	1,283	-
Total	<u>\$ 29,196</u>	<u>\$ 3,438,858</u>	<u>\$ 3,438,158</u>	<u>\$ 29,896</u>

Ad valorem taxes receivable - net

\$ 29,896Reconciliation with revenues:

Ad valorem taxes - general fund

\$ 3,440,948

## Reconciling items:

Write offs, collection fees, and discounts

1,219

Miscellaneous adjustments

661

Interest collected

(4,670)\$ 3,438,158



**TOWN OF KURE BEACH, NORTH CAROLINA**

**Schedule 2**

**Analysis of Current Year Tax Levy**

**Town - Wide Levy**

**For the Fiscal Year Ended June 30, 2024**

	Town-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year rate	\$ 1,256,719,654	0.2658	\$ 3,340,361	\$ 3,340,361	\$ -
Motor vehicles	36,881,173	0.2658	98,030	-	98,030
Registered motor vehicles at prior year rates	12,997	0.3400	44	-	44
Penalties and interest	-		606	606	-
Total	<u>1,293,613,824</u>		<u>3,439,041</u>	<u>3,340,967</u>	<u>98,074</u>
Discoveries:					
Current year taxes	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatelements:					
Current year taxes	<u>(68,710)</u>		<u>(183)</u>	<u>(183)</u>	<u>-</u>
Total property value	<u>\$ 1,293,545,114</u>				
Net levy			<u>3,438,858</u>	<u>3,340,784</u>	<u>98,074</u>
Uncollected taxes at June 30, 2023			<u>9,666</u>	<u>9,666</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,429,192</u>	<u>\$ 3,331,118</u>	<u>\$ 98,074</u>
Current levy collection percentage			<u>99.72%</u>	<u>99.71%</u>	<u>100.00%</u>

## **COMPLIANCE SECTION**



Bernard Robinson & Company, L.L.P.

**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregated remaining fund information of the Town of Kure Beach, North Carolina (the "Town") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 31, 2024.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Greensboro, North Carolina  
October 31, 2024