

TOWN OF KURE BEACH, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025



TOWN OF KURE BEACH, NORTH CAROLINA
June 30, 2025

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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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, 2025, 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, 2025, 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, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 November 6, 2025 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
November 6, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

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, 2025. 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

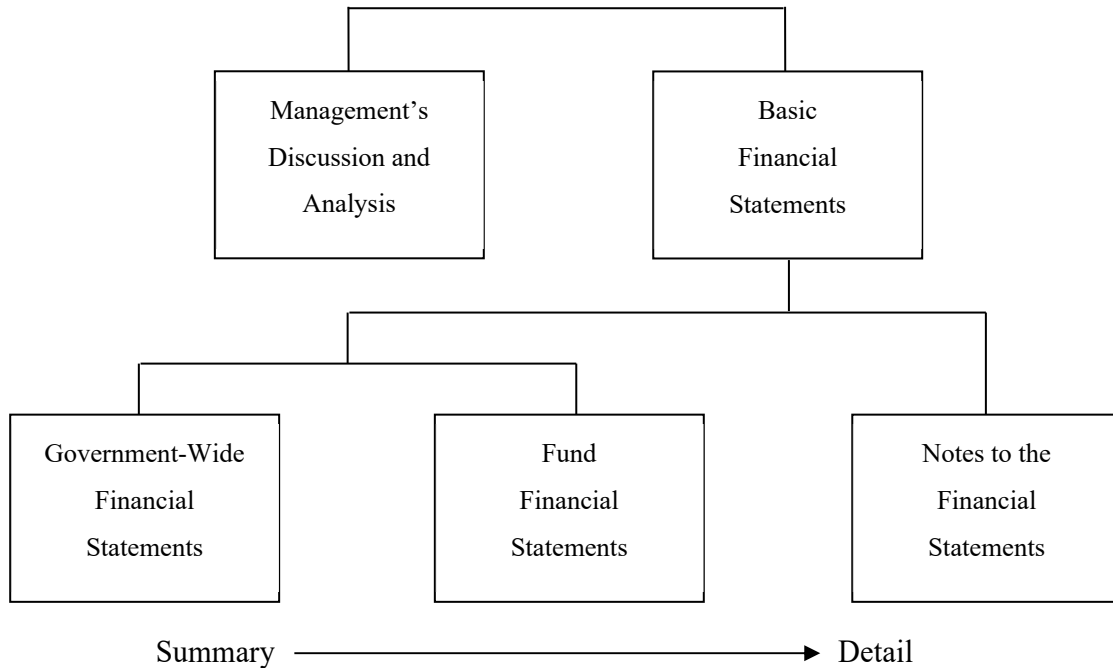
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$26,504,451 (net position).
- The government's total net position increased by \$3,189,455. This increase was attributable to growth in the Town's 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 \$8,325,664 with a net decrease of \$161,790 in fund balance. This decrease is primarily due to an increase in capital outlay expenditures. Approximately 11.3% of fund balance or \$942,372 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,816,368 or 62% of total General Fund expenditures for the fiscal year. The combined unassigned and assigned fund balance for the General Fund was \$7,257,964 or 77% of total General Fund expenditures for the fiscal year.
- The Town's total long-term liabilities decreased by \$68,924 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 \$354,892. This was primarily attributable to an increase of grant and service revenue.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-Wide Financial Statements. They provide both short and long-term information about the Town's financial status.

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

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and 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, 2025

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, 2025

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	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 10,455,049	\$ 11,586,203	\$ 5,010,341	\$ 4,497,493	\$ 15,465,390	\$ 16,083,696
Capital assets	16,513,325	13,267,989	6,426,341	6,763,388	22,939,666	20,031,377
Deferred outflows of resources	2,501,934	2,739,965	486,192	554,554	2,988,126	3,294,519
Total assets	29,470,308	27,594,157	11,922,874	11,815,435	41,393,182	39,409,592
Liabilities:						
Long-term liabilities	8,511,990	8,393,736	2,134,658	2,321,836	10,646,648	10,715,572
Other liabilities	656,147	2,156,735	113,648	144,608	769,795	2,301,343
Deferred inflows of resources	3,061,045	2,637,123	411,243	440,558	3,472,288	3,077,681
Total liabilities	12,229,182	13,187,594	2,659,549	2,907,002	14,888,731	16,094,596
Net Position:						
Net investment in capital						
assets	13,068,548	9,433,013	5,348,658	5,396,343	18,417,206	14,829,356
Restricted	957,365	889,551	-	-	957,365	889,551
Unrestricted	3,215,213	4,083,999	3,914,667	3,512,090	7,129,880	7,596,089
Total net position	\$ 17,241,126	\$ 14,406,563	\$ 9,263,325	\$ 8,908,433	\$ 26,504,451	\$ 23,314,996

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 \$26,504,451 as of June 30, 2025. The Town's net position for governmental activities and business-type activities were \$17,241,126 and \$9,263,325, respectively. The Town's net position increased by \$3,189,455 for the fiscal year ended June 30, 2025. However, the largest portion, \$18,417,206, reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

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 \$957,365 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,129,880 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	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 3,167,659	\$ 2,702,536	\$ 2,561,611	\$ 2,465,296	\$ 5,729,270	\$ 5,167,832
Operating grants and contributions	793,431	635,229	-	-	793,431	635,229
Capital grants and contributions	1,946,180	53,580	-	-	1,946,180	53,580
General revenues:						
Property taxes	3,812,652	3,441,620	-	-	3,812,652	3,441,620
Other taxes	1,754,070	1,675,211	-	-	1,754,070	1,675,211
Grants and contributions not restricted to specific programs	204,804	353,073	193,161	90,000	397,965	443,073
Other	263,656	211,808	141,276	108,658	404,932	320,466
Total revenues	11,942,452	9,073,057	2,896,048	2,663,954	14,838,500	11,737,011
Expenses:						
General government	1,604,761	1,315,206	-	-	1,604,761	1,315,206
Public safety	5,071,462	4,464,868	-	-	5,071,462	4,464,868
Highways/streets	3,046	24,175	-	-	3,046	24,175
Environmental protection	1,900,322	1,708,576	-	-	1,900,322	1,708,576
Parks and recreation	363,612	355,974	-	-	363,612	355,974
Interest on long-term debt	110,767	109,398	-	-	110,767	109,398
Water and sewer	-	-	2,541,156	2,476,332	2,541,156	2,476,332
Other	53,919	40,660	-	-	53,919	40,660
Total expenses	9,107,889	8,018,857	2,541,156	2,476,332	11,649,045	10,495,189
Increase in net position	2,834,563	1,054,200	354,892	187,622	3,189,455	1,241,822
Net position, July 1	14,406,563	13,352,363	8,908,433	8,720,811	23,314,996	22,073,174
Net position, June 30,	\$ 17,241,126	\$ 14,406,563	\$ 9,263,325	\$ 8,908,433	\$ 26,504,451	\$ 23,314,996

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

Governmental Activities - Governmental activities increased the Town's net position by \$2,834,561, thereby accounting for 89% 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 \$9,263,325 in net position, an increase of \$354,892. 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 \$5,816,368, while the total fund balance reached \$8,310,671. 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 62% of total General Fund expenditures, while total fund balance is 88% of total General Fund expenditures.

At June 30, 2025, the governmental funds of the Town of Kure Beach reported a fund balance of \$8,325,664 with a net decrease in fund balance of \$161,790.

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 \$3,914,667. 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, 2025, totals \$22,939,666 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

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	
	2025	2024	2025	2024	2025	2024
Land	\$ 4,213,582	\$ 4,213,582	\$ 20,697	\$ 20,697	\$ 4,234,279	\$ 4,234,279
Construction in progress	-	715,549	-	-	-	715,549
Building	7,094,086	4,578,445	580,178	600,007	7,674,264	5,178,452
Equipment and vehicles	2,043,622	899,663	265,485	310,684	2,309,107	1,210,347
Improvements other than buildings	286,077	308,182	-	-	286,077	308,182
Plant and Distribution Systems	-	-	5,559,981	5,801,703	5,559,981	5,801,703
Infrastructure	2,875,958	2,522,272	-	-	2,875,958	2,522,272
Right of use asset	-	30,296	-	30,297	-	60,593
Total	\$ 16,513,325	\$ 13,267,989	\$ 6,426,341	\$ 6,763,388	\$ 22,939,666	\$ 20,031,377

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, 2025, the Town had total debt outstanding of \$4,522,460.

Town of Kure Beach, North Carolina's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Installment purchases	\$ 3,444,777	\$ 3,834,976	\$ 1,077,683	\$ 1,367,045	\$ 4,522,460	\$ 5,202,021
Total OPEB liability	1,435,630	1,416,365	404,667	399,042	1,840,297	1,815,407
Total pension liability (LEO)	710,882	581,787	-	-	710,882	581,787
Net pension liability (LERS)	2,354,200	2,322,570	516,925	503,964	2,871,125	2,826,534
Compensated absences	566,501	238,038	135,383	51,785	701,884	289,823
	\$ 8,511,990	\$ 8,393,736	\$ 2,134,658	\$ 2,321,836	\$ 10,646,648	\$ 10,715,572

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

Outstanding Debt -The Town's total debt decreased by \$68,922 (~1%) 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 \$9,072,630 General Fund budget for fiscal year 2025-2026. This budget represents a 0.2% increase from the fiscal year 2024-2025 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 or send an email to a.copenhaver@tokb.org for more information.

BASIC FINANCIAL STATEMENTS

TOWN OF KURE BEACH, NORTH CAROLINA
Statement of Net Position
June 30, 2025

Exhibit 1

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,108,387	\$ 1,194,779	\$ 2,303,166
Investments	6,603,758	3,392,342	9,996,100
Accounts receivables, net	1,054,281	411,414	1,465,695
Prepaid expenses	38,541	5,446	43,987
Restricted cash and cash equivalents	137,969	6,360	144,329
Total current assets	<u>8,942,936</u>	<u>5,010,341</u>	<u>13,953,277</u>
Non-current assets:			
Lease receivables, non-current	<u>1,512,113</u>	<u>-</u>	<u>1,512,113</u>
Capital assets:			
Land, non-depreciable improvements, and construction in progress	4,213,582	20,697	4,234,279
Other capital assets, net of depreciation	<u>12,299,743</u>	<u>6,405,644</u>	<u>18,705,387</u>
Total capital assets	<u>16,513,325</u>	<u>6,426,341</u>	<u>22,939,666</u>
Total non-current assets	<u>18,025,438</u>	<u>6,426,341</u>	<u>24,451,779</u>
Total assets	<u>26,968,374</u>	<u>11,436,682</u>	<u>38,405,056</u>
Deferred Outflows of Resources			
Pension deferrals	2,279,227	410,017	2,689,244
OPEB deferrals	<u>222,707</u>	<u>76,175</u>	<u>298,882</u>
Total deferred outflows of resources	<u>2,501,934</u>	<u>486,192</u>	<u>2,988,126</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	455,371	107,288	562,659
Due to other funds	200,776	-	200,776
Customer deposits	-	6,360	6,360
Current portion of long-term liabilities	<u>876,300</u>	<u>349,741</u>	<u>1,226,041</u>
Total current liabilities	<u>1,532,447</u>	<u>463,389</u>	<u>1,995,836</u>
Long-term liabilities:			
Net pension liability	3,065,082	516,925	3,582,007
Total OPEB liability	1,435,630	404,667	1,840,297
Due in more than one year	<u>3,134,978</u>	<u>863,325</u>	<u>3,998,303</u>
Total liabilities	<u>9,168,137</u>	<u>2,248,306</u>	<u>11,416,443</u>
Deferred Inflows of Resources			
Lease deferrals	1,440,319	-	1,440,319
Pension deferrals	1,006,908	218,805	1,225,713
OPEB deferrals	<u>613,818</u>	<u>192,438</u>	<u>806,256</u>
Total deferred inflows of resources	<u>3,061,045</u>	<u>411,243</u>	<u>3,472,288</u>
Net Position			
Net investment in capital assets	13,068,548	5,348,658	18,417,206
Restricted	957,365	-	957,365
Unrestricted	<u>3,215,213</u>	<u>3,914,667</u>	<u>7,129,880</u>
Total net position	<u>\$ 17,241,126</u>	<u>\$ 9,263,325</u>	<u>\$ 26,504,451</u>

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

TOWN OF KURE BEACH, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2025

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
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 1,604,761	\$ 1,659,071	\$ -	\$ -	\$ 54,310	\$ -	\$ 54,310
Public safety	5,071,462	659	708,602	-	(4,362,201)	-	(4,362,201)
Transportation	3,046	-	84,829	-	81,783	-	81,783
Parks and recreation	363,612	11,983	-	-	(351,629)	-	(351,629)
Special projects	53,919	323,467	-	1,946,180	2,215,728	-	2,215,728
Environmental protection	1,900,322	1,172,479	-	-	(727,843)	-	(727,843)
Interest on long-term debt	110,767	-	-	-	(110,767)	-	(110,767)
Total governmental activities	<u>9,107,889</u>	<u>3,167,659</u>	<u>793,431</u>	<u>1,946,180</u>	<u>(3,200,619)</u>	<u>-</u>	<u>(3,200,619)</u>
Business-type activities:							
Water and sewer	<u>2,541,156</u>	<u>2,561,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,455</u>	<u>20,455</u>
Total business-type activities	<u>2,541,156</u>	<u>2,561,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,455</u>	<u>20,455</u>
Total primary government	<u>\$11,649,045</u>	<u>\$ 5,729,270</u>	<u>\$ 793,431</u>	<u>\$ 1,946,180</u>	<u>(3,200,619)</u>	<u>20,455</u>	<u>(3,180,164)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					3,812,652	-	3,812,652
Local option sales tax					1,742,810	-	1,742,810
Other taxes, licenses and fees					11,260	-	11,260
Grants and contributions not restricted to specific programs					204,804	193,161	397,965
Miscellaneous					-	9,858	9,858
Investment earnings, unrestricted					263,656	131,418	395,074
Total general revenues, special items, and transfers					<u>6,035,182</u>	<u>334,437</u>	<u>6,369,619</u>
Change in net position					<u>2,834,563</u>	<u>354,892</u>	<u>3,189,455</u>
Net position, beginning					<u>14,406,563</u>	<u>8,908,433</u>	<u>23,314,996</u>
Net position, ending					<u>\$ 17,241,126</u>	<u>\$ 9,263,325</u>	<u>\$ 26,504,451</u>

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

Balance Sheet

Governmental Funds

June 30, 2025

	Major Governmental Fund		Total	Total
	General Fund	Public Works Building Fund	Non-Major Fund	Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,064,807	\$ 43,580	\$ -	\$ 1,108,387
Investments	6,603,758	-	-	6,603,758
Restricted cash	137,969	-	-	137,969
Prepaid	38,541	-	-	38,541
Taxes receivable, net	32,919	-	-	32,919
Account receivables, net	805,593	-	215,769	1,021,362
Lease receivables	1,512,113	-	-	1,512,113
Total assets	<u>\$ 10,195,700</u>	<u>\$ 43,580</u>	<u>\$ 215,769</u>	<u>\$ 10,455,049</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 411,791	\$ 43,580	\$ -	\$ 455,371
Due to other funds	-	-	200,776	200,776
Total liabilities	<u>411,791</u>	<u>43,580</u>	<u>200,776</u>	<u>656,147</u>
Deferred Inflow of Resources				
Property taxes receivable	32,919	-	-	32,919
Leases	1,440,319	-	-	1,440,319
	<u>1,473,238</u>	<u>-</u>	<u>-</u>	<u>1,473,238</u>
Fund Balances				
Non spendable:				
Leases	71,794	-	-	71,794
Prepays	38,541	-	-	38,541
Restricted for:				
State statute	805,593	-	-	805,593
Streets	92,438	-	-	92,438
Federal asset forfeitures	44,341	-	-	44,341
Capital Projects	-	-	14,993	14,993
Assigned:				
Beach protection	452,244	-	-	452,244
Stormwater	989,352	-	-	989,352
Unassigned	5,816,368	-	-	5,816,368
Total fund balances	<u>8,310,671</u>	<u>-</u>	<u>14,993</u>	<u>8,325,664</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,195,700</u>	<u>\$ 43,580</u>	<u>\$ 215,769</u>	<u>\$ 10,455,049</u>

TOWN OF KURE BEACH, NORTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
Governmental Funds
June 30, 2025

Exhibit 4

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

Total Fund Balance, Governmental Funds	<u>\$ 8,325,664</u>
Changes to the pension and OPEB plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	2,501,934
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets at historical costs	24,358,622
Less: accumulated depreciation	<u>7,845,297</u>
Net capital assets used in governmental activities	<u>16,513,325</u>
Net adjustment to increase fund balance-total governmental funds to arrive at net assets - governmental activities	<u>19,015,259</u>
Liabilities for earned but considered deferred inflows of resources in fund statements	<u>32,919</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	3,444,777
Net pension obligation	710,882
Other postemployment benefits	1,435,630
Compensated absences	566,501
Net pension liability	2,354,200
Pension and OPEB related deferrals	<u>1,620,726</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets - governmental activities	<u>10,132,716</u>
Net position of governmental activities	<u><u>\$ 17,241,126</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2025

	Major Governmental Fund		Total Non-Major Fund	Total Governmental Funds
	General Fund	Public Works Building Fund		
Revenues				
Ad valorem taxes	\$ 3,809,629	\$ -	\$ -	\$ 3,809,629
Other taxes and licenses	11,260	-	-	11,260
Unrestricted intergovernmental	2,118,748	1,800,000	-	3,918,748
Restricted intergovernmental	280,795	146,180	255,179	682,154
Permits and fees	2,037,413	-	-	2,037,413
Sales and services	1,164,469	-	-	1,164,469
Investment earnings	263,656	44,942	-	308,598
Miscellaneous	7,158	-	-	7,158
Total revenues	9,693,128	1,991,122	255,179	11,939,429
Expenditures				
Current:				
General government	1,140,078	-	-	1,140,078
Public safety	4,223,307	-	-	4,223,307
Transportation	3,046	-	-	3,046
Parks and recreation	301,543	-	-	301,543
Special projects	53,919	-	-	53,919
Environmental protection	1,593,598	-	-	1,593,598
Debt service	748,436	-	-	748,436
Capital outlay	1,367,981	2,548,566	368,215	4,284,762
Total expenditures	9,431,908	2,548,566	368,215	12,348,689
Excess of revenues over expenditures	261,220	(557,444)	(113,036)	(409,260)
Other Financing Sources				
Transfers from other funds	-	523,256	60,000	583,256
Transfers to other funds	(583,256)	-	-	(583,256)
Proceeds from installment purchases	247,470	-	-	247,470
Total other financing sources	(335,786)	523,256	60,000	247,470
Net change in fund balances	(74,566)	(34,188)	(53,036)	(161,790)
Fund balances, beginning	8,385,237	34,188	68,029	8,487,454
Fund balances, ending	\$ 8,310,671	\$ -	\$ 14,993	\$ 8,325,664

TOWN OF KURE BEACH, NORTH CAROLINA

Exhibit 6

**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, 2025**

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

Net change in fund balances - total governmental funds \$ (161,790)

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	3,944,417
Depreciation expense for governmental assets	(699,081)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	449,778
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	17,636
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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	3,023

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	(328,463)
Net pension obligation	(785,886)
Other postemployment benefits	4,730

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.

390,199

Total changes in net position of governmental activities	<u><u>\$ 2,834,563</u></u>
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TOWN OF KURE BEACH, NORTH CAROLINA

Exhibit 7

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual - General Fund
Year Ended June 30, 2025

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Ad valorem taxes	\$ 3,768,000	\$ 3,768,000	\$ 3,809,629	\$ 41,629
Other taxes and licenses	11,425	11,425	11,260	(165)
Unrestricted intergovernmental	2,052,550	2,057,550	2,118,748	61,198
Restricted intergovernmental	72,000	266,160	280,795	14,635
Permits and fees	2,027,855	2,027,855	2,037,413	9,558
Sales and services	971,872	1,017,724	1,164,469	146,745
Investment earnings	231,150	247,300	263,656	16,356
Miscellaneous	-	-	7,158	7,158
Total revenues	9,134,852	9,396,014	9,693,128	297,114
Expenditures				
Current:				
General government	1,232,218	1,298,278	1,140,078	158,200
Public safety	4,533,000	4,509,750	4,223,307	286,443
Transportation	22,150	22,150	3,046	19,104
Parks and recreation	325,928	325,928	301,543	24,385
Special projects	54,925	60,025	53,919	6,106
Environmental protection	1,940,483	2,095,483	1,593,598	501,885
Debt service	749,250	749,250	748,436	814
Capital outlay	868,169	1,519,421	1,367,981	151,440
Total expenditures	9,726,123	10,580,285	9,431,908	1,148,377
Revenues over (under) expenditures	(591,271)	(1,184,271)	261,220	1,445,491
Other Financing Sources (Uses)				
Proceeds from installment purchases	380,000	440,000	247,470	(192,530)
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(680,500)	(583,256)	97,244
Total other financing sources (uses)	380,000	(240,500)	(335,786)	(95,286)
Fund balance appropriated	211,271	1,424,771	-	(1,424,771)
Net changes in fund balances	\$ -	\$ -	(74,566)	\$ (74,566)
Fund balances, beginning			8,385,237	
Fund balances, ending			\$ 8,310,671	

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, 2025

Exhibit 8

	Major Enterprise Fund Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,194,779
Investments	3,392,342
Restricted cash and cash equivalents	6,360
Account receivables, net	411,414
Prepaid expenses	5,446
Total current assets	<u>5,010,341</u>
Noncurrent assets:	
Capital assets, net of depreciation	
Land	20,697
Other capital assets, net of depreciation	6,405,644
Total assets	<u>11,436,682</u>
Deferred Outflows of Resources	
Pension deferrals	410,017
OPEB deferrals	76,175
Total deferred outflows of resources	<u>486,192</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	107,288
Customer deposits	6,360
Current portion of compensated absences	70,500
Current portion of long-term debt	279,241
Total current liabilities	<u>463,389</u>
Noncurrent liabilities:	
Non-current portion of compensated absences	64,883
Net pension liability	516,925
Total OPEB liability	404,667
Non-current portion of long-term debt	798,442
Total liabilities	<u>2,248,306</u>
Deferred Inflows of Resources	
Pension deferrals	218,805
OPEB deferrals	192,438
Total deferred inflows of resources	<u>411,243</u>
Net Position	
Net investment in capital assets	5,348,658
Unrestricted	3,914,667
Total Net Position	<u>\$ 9,263,325</u>

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

TOWN OF KURE BEACH, NORTH CAROLINA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2025

Exhibit 9

	Major Enterprise Fund Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 2,541,261
Other operating revenues	20,350
Total operating revenues	<u>2,561,611</u>
Operating expenses:	
Administration	636,404
Water and sewer system operations	1,430,140
Amortization/depreciation	441,234
Total operating expenses	<u>2,507,778</u>
Operating income	<u>53,833</u>
Non-operating revenues (expenses):	
Investment earnings	131,418
Grants	193,161
Miscellaneous revenues	9,858
Interest and fees	(33,378)
Total non-operating expenses	<u>301,059</u>
Net income	<u>354,892</u>
Change in net position	<u>354,892</u>
Net position, beginning	8,908,433
Total net position, ending	<u><u>\$ 9,263,325</u></u>

TOWN OF KURE BEACH, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2025

Exhibit 10

	Major Enterprise Fund Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 2,623,464
Cash paid for goods and services	(828,278)
Cash paid to employees for services	(1,133,441)
Net cash provided by operating activities	661,745
Cash flows from noncapital financing activities:	
Grants	193,161
Net cash provided by noncapital financing activities	193,161
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(94,329)
Principal paid on installment purchases	(289,362)
Interest and fees paid on installment purchases	(33,378)
Net cash used in capital and related financing activities	(417,069)
Cash flows from investing activities:	
Purchase of investments	(1,349,116)
Net cash used in investing activities	(1,349,116)
Net decrease in cash and cash equivalents	(911,279)
Balance, beginning	2,112,418
Balances, ending	\$ 1,201,139
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 53,833
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization/depreciation	441,234
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	61,853
Prepays	(5,446)
Customer deposits	-
Deferred outflows of resources - pensions	45,677
Deferred outflows of resources - OPEB	22,685
Increase (decrease) in:	
Accounts payable and accrued liabilities	(30,960)
Compensated absences	83,598
Net Pension Liability	12,961
Deferred inflows of resources - pensions	921
Deferred inflows of resources - OPEB	(30,236)
OPEB liability	5,625
Total adjustments	607,912
Net cash provided by operating activities	\$ 661,745

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

TOWN OF KURE BEACH, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and 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

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

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

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 and Federal Asset Forfeiture of \$93,628 and \$44,341, 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 6th. These taxes are based on the assessed values as of January 1, 2024. 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

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

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 the unlimited accumulation of sick leave. Any unused sick leave accumulated at the time of retirement may be used in the determination of the length of service for retirement benefit purposes. Any unused sick leave accumulated for employees that leave the Town before retirement is forfeited.

The Town uses a three-year look-back period to estimate the amount of sick leave that has been earned and will be used as sick leave over the employee's service period. The liability for sick leave is based on this estimate.

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

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 \$805,593.

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 \$92,438.

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 \$44,341.

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 \$14,993.

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

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

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, 2025, the Town's deposits had a carrying amount of \$2,447,494 and a bank balance of \$2,414,412. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral under the pooling method. The Town's petty cash fund totaled \$200.

Investments

The Town's investment balance was as follows:

Investment Type	Valuation	Book Value	Maturity	Rating
	Measurement Method			
Certificates of Deposit	Cost	\$ 1,580,783	6 Months	N/A
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	8,415,317	N/A	AAAm
		<u>\$ 9,996,100</u>		

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, 2025.

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Receivables

Governmental activities – General Fund receivables of \$2,566,394 consist of \$311,340 for customer accounts; \$32,919 for taxes and related accrued interest; \$1,512,113 for leases; and \$710,022 due from other governments. Business-Type activities – Water and Sewer Fund receivables of \$411,414 consist entirely of customer accounts. Based on historical experience an allowance for doubtful accounts has not been established.

Lease Receivables

In April 2025, 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 2025, the Town recognized \$86,174 of lease revenue and \$28,928 of interest revenue. Future lease payments are reported in the following table:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 31,216	\$ 56,807
2027	34,514	57,977
2028	39,501	55,735
2029	43,694	544,031
2030	48,093	52,975
2031-2035	315,670	237,091
2036-2040	298,731	182,636
2041-2045	412,591	119,219
2046-2050	265,616	47,242
2051-2055	22,487	1,213
	<u>\$ 1,512,113</u>	

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
Governmental Activities:				
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	-	715,549	4,213,582
Capital assets being depreciated:				
Buildings	5,966,594	2,652,386	-	8,618,980
Equipment and vehicles	5,240,421	1,469,042	95,262	6,614,201
Improvements	616,346	-	-	616,346
Infrastructure	3,756,975	538,538	-	4,295,513
Total capital assets being depreciated	15,580,336	4,659,966	95,262	20,145,040
Less accumulated depreciation for:				
Buildings	1,388,149	136,745	-	1,524,894
Equipment and vehicles	4,340,758	325,083	95,262	4,570,579
Improvements	308,164	22,105	-	330,269
Infrastructure	1,234,703	184,852	-	1,419,555
Total accumulated depreciation	7,271,774	668,785	95,262	7,845,297
Total capital assets being depreciated, net	8,308,562			12,299,743
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	35,805	30,296	66,101	-
Total accumulated amortization	35,805	30,296	66,101	-
Total capital assets being amortized, net	30,296			-
Government activity capital assets, net	<u>\$ 13,267,989</u>			<u>\$ 16,513,325</u>

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

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	\$ 76,175	6.86%
Public Safety	373,449	55.84%
Environmental Protection	217,288	32.49%
Cultural and Recreational	32,169	4.81%
Total depreciation expense	<u>\$ 699,081</u>	<u>100.00%</u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Capital assets not being depreciated:				
Land	<u>\$ 20,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,697</u>
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	11,170,138	104,187	-	11,274,325
Buildings	793,162	-	-	793,162
Equipment and vehicles	<u>1,138,662</u>	<u>-</u>	<u>-</u>	<u>1,138,662</u>
Total capital assets being depreciated	<u>13,101,962</u>	<u>104,187</u>	<u>-</u>	<u>13,206,149</u>
Less accumulated depreciation for:				
Plant and Distribution				
Systems	5,368,435	345,909	-	5,714,344
Buildings	193,155	19,829	-	212,984
Equipment and vehicles	<u>827,978</u>	<u>45,199</u>	<u>-</u>	<u>873,177</u>
Total accumulated depreciation	<u>6,389,568</u>	<u>410,937</u>	<u>-</u>	<u>6,800,505</u>
Total capital assets being depreciated, net	<u>6,712,394</u>			<u>6,405,644</u>
Capital assets being amortized:				
Right of use asset:				
Software subscriptions	<u>66,101</u>	<u>-</u>	<u>66,101</u>	<u>-</u>
Total capital assets being depreciated	<u>66,101</u>	<u>-</u>	<u>66,101</u>	<u>-</u>
Less accumulated amortization for:				
Right of use asset:				
Software subscriptions	<u>35,804</u>	<u>30,297</u>	<u>66,101</u>	<u>-</u>
Total accumulated amortization	<u>35,804</u>	<u>30,297</u>	<u>66,101</u>	<u>-</u>
Total capital assets being amortized, net	<u>30,297</u>			<u>-</u>
Water and Sewer activity capital assets, net	<u>\$ 6,763,388</u>			<u>\$ 6,426,341</u>

TOWN OF KURE BEACH, NORTH CAROLINA

Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Kure Beach is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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.

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

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, 2025, was 15.04% of compensation for law enforcement officers and 13.72% 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 \$531,860 for the year ended June 30, 2025.

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, 2025, the Town reported a liability of \$2,871,125 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024, 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, 2024 (measurement date), the Town's proportion was 0.04259%, which was a decrease of 0.00009% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of \$832,778. On June 30, 2025, 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	\$ 503,130	\$ 3,383
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,475,730	1,085,402
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,444	67,982
Town contributions subsequent to the measurement date	531,860	-
	<u>\$ 2,527,164</u>	<u>\$ 1,156,767</u>

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

\$531,860 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, 2026.

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>	
2026	\$ 258,325
2027	542,631
2028	81,716
2029	(44,135)
	<u>\$ 838,537</u>

Actuarial Assumptions: The total pension liability in the December 31, 2023, 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

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, 2024 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>\$ 5,087,718</u>	<u>\$ 2,871,125</u>	<u>\$ 1,047,673</u>

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued 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, 2023, the Separation Allowance's membership consisted of:

Active plan members	14
	<u>14</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, 2023, valuation. The total pension liability in the December 31, 2023, 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	4.28%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2023.

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

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 had no benefits that 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, 2025, the Town reported a total pension liability of \$710,882. The total pension liability was measured as of December 31, 2024, based on a December 31, 2023, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$94,751.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 124,179	\$ -
Changes of assumptions	37,901	68,946
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ 162,080</u>	<u>\$ 68,946</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

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>	
2026	\$ 38,517
2027	8,413
2028	5,717
2029	18,161
2030	17,239
Thereafter	5,087
	<u>\$ 93,134</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 4.28 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 (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	<u>1% Decrease (3.28%)</u>	<u>Discount Rate (4.28%)</u>	<u>1% Increase (5.28%)</u>
Total pension liability	<u>\$ 769,210</u>	<u>\$ 710,882</u>	<u>\$ 657,475</u>

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

Beginning balance	\$ 581,786
Service cost	31,348
Interest on the total pension liability	23,271
Differences between expected and actual experience in the measurement of the total pension liability	90,302
Changes of assumptions or other inputs	(15,825)
Benefit payments	-
Ending balance of the total pension liability	<u>\$ 710,882</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, 2023 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

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	\$ 832,778	\$ 94,751	\$ 927,529
Pension Liability	2,871,125	710,882	3,582,007
Proportionate share of the net pension liability	0.04259%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	503,130	124,179	627,309
Changes of assumptions	-	37,901	37,901
Net difference between projected and actual earnings on plan investments	1,475,730	-	1,475,730
Changes in proportion and differences between contributions and proportionate share of contributions	16,444	-	16,444
Benefit payments and administrative costs paid subsequent to the measurement date	531,860	-	531,860
Deferred Inflows of Resources			
Differences between expected and actual experience	3,383	-	3,383
Changes of assumptions	-	68,946	68,946
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	67,982	-	67,982

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, 2025 were \$263,276, which consisted of \$186,562 from the Town and \$76,714 from the law enforcement officers and other employees.

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

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, 2024, 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 \$1,840,297 was measured as of June 30, 2024 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2024, 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	3.93%
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

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	\$ 86,631
Interest	68,740
Differences between expected and actual experience	(10,966)
Changes in assumptions or other inputs	(81,668)
Benefit payments	(37,847)
Net changes	<u>24,890</u>
Balance, beginning	<u>1,815,407</u>
Balance, ending	<u><u>\$ 1,840,297</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.65% to 3.93 %.

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, 2024 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 (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

	<u>1 % Decrease (2.93%)</u>	<u>Discount Rate (3.93%)</u>	<u>1% Increase (4.93%)</u>
Total OPEB liability	\$ 2,156,213	\$ 1,840,297	\$ 1,584,702

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	\$ 1,526,349	\$ 1,840,297	\$ 2,245,503

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

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, 2025, the Town recognized OPEB expense of \$7,610. On June 30, 2025, 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	\$ 12,912	\$ 453,169
Changes of assumptions	264,688	353,087
Benefit payments and administrative costs made subsequent to the measurement date	21,282	-
Total	<u>\$ 298,882</u>	<u>\$ 806,256</u>

\$21,282 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, 2026. 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>	
2026	\$ (121,203)
2027	(107,456)
2028	(86,923)
2029	(126,543)
2030	(65,050)
Thereafter	(21,481)
	<u>\$ (528,656)</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

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.	\$ 194,712
\$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.	81,647
\$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.	2,200,000
\$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.	91,604
\$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.	328,632
\$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.	212,002
\$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.	88,711
\$247,470 loan on August 5, 2024 to finance the purchase of a garbage truck due in annual installments of \$55,981 including interest through August 1, 2029; interest at 4.255 percent.	247,469
	<u>\$ 3,444,777</u>

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

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.	\$ 52,779
\$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.	103,253
\$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.	300,000
\$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.	530,006
\$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.	91,645
	<u>\$ 1,077,683</u>

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>
2026	\$ 616,500	\$ 102,026	\$ 279,241	\$ 27,896
2027	624,720	82,535	281,728	20,693
2028	585,819	62,266	183,056	13,706
2029	420,742	43,142	183,056	8,990
2030	404,348	30,660	50,556	3,354
2031-2033	792,648	30,284	100,046	3,870
Total	<u>\$ 3,444,777</u>	<u>\$ 350,913</u>	<u>\$ 1,077,683</u>	<u>\$ 78,509</u>

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

Changes in Long-Term Liabilities

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

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Governmental Activities:					
Installment purchases	\$ 3,834,976	\$ 247,470	\$ 637,669	\$ 3,444,777	\$ 616,500
Total OPEB liability	1,416,365	19,265	-	1,435,630	-
Total pension liability (LEO)	581,787	129,095	-	710,882	-
Net pension liability (LGERS)	2,322,570	31,630	-	2,354,200	-
Compensated absences	238,038	587,236	258,773	566,501	259,800
Total governmental activity					
long-term liabilities	<u>\$ 8,393,736</u>	<u>\$ 1,014,696</u>	<u>\$ 896,442</u>	<u>\$ 8,511,990</u>	<u>\$ 876,300</u>
Business-Type Activities:					
Installment purchases	\$ 1,367,045	\$ -	\$ 289,362	\$ 1,077,683	\$ 279,241
Total OPEB liability	399,042	5,625	-	404,667	-
Net pension liability (LGERS)	503,964	12,961	-	516,925	-
Compensated absences	51,785	152,989	69,391	135,383	70,500
Total business-type					
long-term liabilities	<u>\$ 2,321,836</u>	<u>\$ 171,575</u>	<u>\$ 358,753</u>	<u>\$ 2,134,658</u>	<u>\$ 349,741</u>

At June 30, 2025, the Town of Kure Beach, North Carolina had a legal debt margin of \$175,661,623.

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

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:

	Statement of Net Position
Benefit payments and administrative expenses for plans made subsequent to measurement date	\$ 553,142
Changes in assumptions	302,589
Differences between expected and actual experience	640,221
Net difference between projected and actual earnings on pension plan investments	1,475,730
Changes in proportion and difference between employer contributions and proportionate share of contributions	16,444
	<u>\$ 2,988,126</u>

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

	Statement of Net Position	General Fund Balance Sheet
Tax receivables	\$ -	\$ 32,919
Lease receivables	1,440,319	1,440,319
Changes in assumptions	422,033	-
Differences between expected and actual experience	456,552	-
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	67,982	-
Total	<u>\$ 3,472,288</u>	<u>\$ 1,473,238</u>

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

C. Fund Balance

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

Total fund balance - General Fund	<u>\$ 8,310,671</u>
Less:	
Stabilization by State Statute	805,593
Streets- Powell Bill	92,438
Federal Asset Forfeiture	44,341
Assigned	1,441,596
Fund Balance Policy	<u>2,903,242</u>
Remaining Fund Balance	<u><u>\$ 3,023,461</u></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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability (asset) (%)	0.04259%	0.04268%	0.04241%	0.04022%	0.04060%	0.03871%	0.03578%	0.03595%	0.03317%	0.03276%
Proportion of the net pension liability (asset) (\$)	\$ 2,871,125	\$ 2,826,535	\$ 2,392,530	\$ 616,812	\$ 1,450,811	\$ 1,057,140	\$ 848,824	\$ 549,216	\$ 703,980	\$ 147,025
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
Proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	79.96%	90.78%	81.28%	23.74%	57.88%	45.15%	37.79%	25.81%	35.17%	8.06%
Plan fiduciary net position as a percentage of the total pension liability	83.30%	82.49%	84.14%	91.63%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%
Contractually required contribution	\$ 531,860	\$ 475,841	\$ 393,511	\$ 340,192	\$ 273,212	\$ 234,425	\$ 184,827	\$ 170,180	\$ 156,792	\$ 136,436
Contributions in relation to the contractually required contribution	531,860	475,841	393,511	340,192	273,212	234,425	184,827	170,180	156,792	136,436
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,771,629	\$ 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
Contributions as a percentage of covered-employee payroll	14.10%	13.25%	12.64%	11.56%	10.51%	9.35%	7.89%	7.58%	7.37%	6.82%

* - 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 Nine Fiscal Years

Exhibit 12

Schedule of Changes in Total Pension Liability

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 581,786	\$ 486,448	\$ 555,820	\$ 510,073	\$ 322,982	\$ 297,731	\$ 286,452	\$ 251,424	\$ 247,804
Service cost	31,348	23,558	31,266	32,614	17,830	16,432	16,859	13,363	13,639
Interest on the total pension liability	23,271	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	90,302	40,360	5,576	40,440	11,949	8,956	18,304	15,404	-
Changes of assumptions or other inputs	(15,825)	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	<u>\$ 710,882</u>	<u>\$ 581,786</u>	<u>\$ 486,448</u>	<u>\$ 555,820</u>	<u>\$ 510,073</u>	<u>\$ 322,982</u>	<u>\$ 297,731</u>	<u>\$ 286,452</u>	<u>\$ 251,424</u>

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	\$ 710,882	\$ 581,786	\$ 486,448	\$ 555,820	\$ 510,073	\$ 322,982	\$ 297,731	\$ 286,452	\$ 251,424
Covered payroll	1,136,046	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	62.58%	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 Eight Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 86,631	\$ 80,927	\$ 112,914	\$ 161,883	\$ 106,952	\$ 113,270	\$ 120,386	\$ 136,734
Interest	68,740	61,550	45,134	58,309	67,864	75,129	68,545	60,160
Differences between expected and actual experience	(10,966)	17,238	(4,351)	(751,973)	(2,085)	(222,009)	(4,480)	(15,156)
Changes of assumptions	(81,668)	20,572	(424,420)	83,656	524,833	(7,190)	(118,670)	(205,793)
Benefit payments	(37,847)	(44,938)	(51,399)	(52,188)	(53,688)	(63,239)	(56,594)	(41,960)
Net change in total OPEB liability	24,890	135,349	(322,122)	(500,313)	643,876	(104,039)	9,187	(66,015)
Total OPEB liability - beginning	1,815,407	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>\$ 1,840,297</u>	<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	2,559,949	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	71.89%	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>
2025	3.93%
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, 2025**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 3,763,300	\$ 3,804,395	\$ 41,095
Penalties and interest	4,700	5,234	534
Total	<u>3,768,000</u>	<u>3,809,629</u>	<u>41,629</u>
Other taxes and licenses:			
Motor vehicle licenses	10,500	10,695	195
Vehicle re-entry decal sales	800	440	(360)
Licenses and fees	125	125	-
Total	<u>11,425</u>	<u>11,260</u>	<u>(165)</u>
Unrestricted intergovernmental:			
Local option sales taxes	1,488,000	1,528,156	40,156
ABC revenue	23,300	21,067	(2,233)
Hold harmless	208,000	214,652	6,652
Utility sales tax	231,500	285,564	54,064
Solid Waste Disposal	1,750	1,715	(35)
Beer and wine tax	10,000	8,886	(1,114)
Video programming	27,000	24,063	(2,937)
Telecommunications tax	6,000	5,765	(235)
Refunds	62,000	28,880	(33,120)
Governor's crime grant	-	-	-
Total	<u>2,057,550</u>	<u>2,118,748</u>	<u>61,198</u>
Restricted intergovernmental:			
Grants	194,160	195,966	1,806
ARPA funds	-	-	-
Federal asset forfeitures	-	-	-
Powell Bill allocation	72,000	84,829	12,829
Total	<u>266,160</u>	<u>280,795</u>	<u>14,635</u>
Permits and fees:			
Garbage fees	649,900	659,514	9,614
Storm water fees	490,000	511,250	21,250
Building permits	104,550	152,509	47,959
TDA funds	777,585	708,602	(68,983)
Miscellaneous	4,070	4,879	809
Police fees	1,750	659	(1,091)
Total	<u>2,027,855</u>	<u>2,037,413</u>	<u>9,558</u>

(Continued)

TOWN OF KURE BEACH, NORTH CAROLINA**Statement 1****Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****Page 2 of 4****General Fund (Continued)****For the Fiscal Year Ended June 30, 2025**

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Rents and concessions	\$ 121,597	\$ 129,192	\$ 7,595
Parking program revenue	845,000	948,594	103,594
Other sales and services	51,127	86,683	35,556
Total	1,017,724	1,164,469	146,745
Investment earnings	247,300	263,656	16,356
Miscellaneous	-	7,158	7,158
Total Revenues	9,396,014	9,693,128	289,956
Expenditures:			
General government:			
Governing body:			
Salaries and benefits	12,871	12,919	(48)
Operating expense	80,590	75,455	5,135
Total	93,461	88,374	5,087
Administration:			
Salaries and benefits	197,677	192,795	4,882
Operating expense	725,131	613,849	111,282
Total	922,808	806,644	116,164
Finance:			
Salaries and benefits	163,245	161,004	2,241
Operating expense	118,764	84,056	34,708
Total	282,009	245,060	36,949
Total general government	1,298,278	1,140,078	158,200
Public Safety:			
Police:			
Salaries and benefits	1,759,208	1,721,595	37,613
Operating expense	389,358	315,943	73,415
Capital outlay	122,252	125,575	(3,323)
Total	2,270,818	2,163,113	107,705
Fire:			
Salaries and benefits	1,219,650	1,216,303	3,347
Operating expense	275,185	237,648	37,537
Capital outlay	263,669	265,259	(1,590)
Total	1,758,504	1,719,210	39,294

(Continued)

TOWN OF KURE BEACH, NORTH CAROLINA**Statement 1****Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****Page 3 of 4****General Fund (Continued)****For the Fiscal Year Ended June 30, 2025**

	Budget	Actual	Variance Positive (Negative)
Life guards:			
Salaries and benefits	\$ 549,119	\$ 534,115	\$ 15,004
Operating expense	31,341	31,746	(405)
Capital outlay	73,500	74,075	(575)
Total	<u>653,960</u>	<u>639,936</u>	<u>14,024</u>
Building Inspection:			
Salaries and benefits	230,095	142,582	87,513
Operating expense	55,794	23,375	32,419
Capital outlay	60,000	41,109	18,891
Total	<u>345,889</u>	<u>207,066</u>	<u>138,823</u>
Total public safety	<u>5,029,171</u>	<u>4,729,325</u>	<u>299,846</u>
Transportation:			
Salaries and benefits	-	-	-
Operating expense	22,150	3,046	19,104
Capital outlay	250,000	222,565	27,435
Total transportation	<u>272,150</u>	<u>225,611</u>	<u>46,539</u>
Parks and recreation:			
Salaries and benefits	232,819	227,672	5,147
Operating expense	93,109	73,871	19,238
Capital outlay	-	-	-
Total parks and recreation	<u>325,928</u>	<u>301,543</u>	<u>24,385</u>
Special projects:			
Economic development	-	-	-
Community center	37,100	35,298	1,802
Other	22,925	18,621	4,304
Total special projects	<u>60,025</u>	<u>53,919</u>	<u>6,106</u>
Environmental protection:			
Salaries and benefits	842,760	681,006	161,754
Operating expense	1,252,723	912,592	340,131
Capital outlay	750,000	639,398	110,602
Total environmental protection	<u>2,845,483</u>	<u>2,232,996</u>	<u>612,487</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, 2025**

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal	\$ 637,800	\$ 636,754	\$ 1,046
Interest	111,450	111,682	(232)
Total debt service	<u>749,250</u>	<u>748,436</u>	<u>814</u>
 Total expenditures	<u>10,580,285</u>	<u>9,431,908</u>	<u>1,148,377</u>
 Revenue over (under) expenditures	<u>(1,184,271)</u>	<u>261,220</u>	<u>1,438,333</u>
 Other financing sources (uses):			
Proceeds from installment purchases	440,000	247,470	(192,530)
Transfers from other funds	-	-	-
Transfers to other funds	<u>(680,500)</u>	<u>(583,256)</u>	<u>97,244</u>
Total other financing sources (uses)	<u>(240,500)</u>	<u>(335,786)</u>	<u>(95,286)</u>
 Fund balance appropriated	<u>1,424,771</u>	<u>-</u>	<u>(1,424,771)</u>
 Net change in fund balance	<u>\$ -</u>	<u>(74,566)</u>	<u>\$ (81,724)</u>
 Fund balances, beginning		<u>8,385,237</u>	
Fund balances, ending		<u>\$ 8,310,671</u>	

TOWN OF KURE BEACH, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

Statement 2

	Improvement Project Fund	Beach Access Fund	Total Nonmajor Governmental Funds
Assets			
Accounts receivable	\$ 76,303	\$ 139,466	\$ 215,769
Total assets	<u>\$ 76,303</u>	<u>\$ 139,466</u>	<u>\$ 215,769</u>
Liabilities			
Due to other funds	\$ 76,303	\$ 124,473	\$ 200,776
Total liabilities	<u>76,303</u>	<u>124,473</u>	<u>200,776</u>
Fund Balances			
Restricted for:			
Capital Projects	-	14,993	14,993
Total fund balances	<u>-</u>	<u>14,993</u>	<u>14,993</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 76,303</u>	 <u>\$ 139,466</u>	 <u>\$ 215,769</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, 2025**

	Improvement Project Fund	Beach Access Fund	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental	\$ 115,713	\$ 139,466	\$ 255,179
Total revenues	<u>115,713</u>	<u>139,466</u>	<u>255,179</u>
Expenditures			
Capital outlay	137,253	230,962	368,215
Total expenditures	<u>137,253</u>	<u>230,962</u>	<u>368,215</u>
Excess of revenues over expenditures	<u>(21,540)</u>	<u>(91,496)</u>	<u>(113,036)</u>
Other Financing Sources			
Transfers from other funds	-	60,000	60,000
Total other financing sources	<u>-</u>	<u>60,000</u>	<u>60,000</u>
Net change in fund balances	<u>(21,540)</u>	<u>(31,496)</u>	<u>(53,036)</u>
Fund balances, beginning	<u>21,540</u>	<u>46,489</u>	<u>68,029</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 14,993</u>	<u>\$ 14,993</u>

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, 2025

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
SCIF grant	\$ 250,000	\$ 103,820	\$ 146,180	\$ 250,000
NC directed grant	1,800,000	-	1,800,000	1,800,000
Total revenues	<u>2,050,000</u>	<u>103,820</u>	<u>1,946,180</u>	<u>2,050,000</u>
Expenditures:				
Capital projects:				
Architectural	76,500	48,820	25,590	74,410
Construction	2,242,400	-	2,312,266	2,312,266
Construction management	97,000	55,000	38,516	93,516
Other project costs	333,600	-	172,194	172,194
Total expenditures	<u>2,749,500</u>	<u>103,820</u>	<u>2,548,566</u>	<u>2,652,386</u>
Other financing sources:				
Investment income	79,000	34,188	44,942	79,130
Transfer in	620,500	-	523,256	523,256
Total other financing sources	<u>699,500</u>	<u>34,188</u>	<u>568,198</u>	<u>602,386</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 34,188</u>	(34,188)	<u>\$ -</u>
Fund balances, beginning			<u>34,188</u>	
Fund balances, ending			<u>\$ -</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, 2025

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
CRRSAA grant	\$ 360,000	\$ 67,508	\$ 115,713	\$ 183,221
Total revenues	<u>360,000</u>	<u>67,508</u>	<u>115,713</u>	<u>183,221</u>
Expenditures:				
Capital projects:				
Engineering	<u>422,500</u>	<u>108,468</u>	<u>137,253</u>	<u>245,721</u>
Total expenditures	<u>422,500</u>	<u>108,468</u>	<u>137,253</u>	<u>245,721</u>
Other financing sources:				
Transfer in	<u>62,500</u>	<u>62,500</u>	<u>-</u>	<u>62,500</u>
Total other financing sources	<u>62,500</u>	<u>62,500</u>	<u>-</u>	<u>62,500</u>
 Net change in fund balance	<u>\$ -</u>	<u>\$ 21,540</u>	<u>(21,540)</u>	<u>\$ -</u>
 Fund balances, beginning			<u>21,540</u>	
 Fund balances, ending			<u>\$ -</u>	

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, 2025**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
CAMA grant	\$ 139,466	\$ -	\$ 139,466	\$ 139,466
Total revenues	<u>139,466</u>	<u>-</u>	<u>139,466</u>	<u>139,466</u>
Expenditures:				
Capital projects:				
Engineering & construction	<u>245,955</u>	<u>-</u>	<u>230,962</u>	<u>230,962</u>
Total expenditures	<u>245,955</u>	<u>-</u>	<u>230,962</u>	<u>230,962</u>
Other financing sources:				
Transfer in	<u>106,489</u>	<u>46,489</u>	<u>60,000</u>	<u>106,489</u>
Total other financing sources	<u>106,489</u>	<u>46,489</u>	<u>60,000</u>	<u>106,489</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 46,489</u>	<u>(31,496)</u>	<u>\$ 14,993</u>
Fund balances, beginning			<u>46,489</u>	
Fund balances, ending			<u>\$ 14,993</u>	

TOWN OF KURE BEACH, NORTH CAROLINA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (Non-GAAP) - Water and Sewer Fund
For the Fiscal Year Ended June 30, 2025

Statement 7
Page 1 of 2

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water sales and sewer charges:			
Residential and commercial	\$ 2,651,776	\$ 2,399,869	\$ (251,907)
Water and sewer tap fees	51,000	71,500	20,500
Other user fees	6,000	8,040	2,040
Other operating revenues	20,200	20,350	150
Total	<u>2,728,976</u>	<u>2,499,759</u>	<u>(229,217)</u>
Non-operating revenues			
Grants	166,055	193,161	27,106
Miscellaneous	6,200	9,858	3,658
Interest earnings	<u>117,600</u>	<u>131,418</u>	<u>13,818</u>
Total revenues	<u>3,018,831</u>	<u>2,834,196</u>	<u>(184,635)</u>
Expenditures:			
Water and sewer administration and operations:			
Salaries and benefits - admin	345,421	405,098	(59,677)
Salaries and benefits - OPS	549,587	728,343	(178,756)
Utilities	61,720	66,807	(5,087)
Supplies	142,100	137,255	4,845
Repairs and maintenance	307,590	209,463	98,127
Treatment facility charges	295,000	273,214	21,786
Operating expenditures	529,198	356,636	172,562
Capital outlay	<u>465,215</u>	<u>208,374</u>	<u>256,841</u>
Total	<u>2,695,831</u>	<u>2,385,190</u>	<u>310,641</u>
Debt service:			
Interest and fees	33,500	33,378	122
Principal retirement	<u>289,500</u>	<u>289,362</u>	<u>138</u>
Total	<u>323,000</u>	<u>322,740</u>	<u>260</u>
Total expenditures	<u>3,018,831</u>	<u>2,707,930</u>	<u>310,901</u>
Revenues over (under) expenditures	<u>-</u>	<u>126,266</u>	<u>126,266</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, 2025

Statement 7
Page 2 of 2

Revenues and other sources over (under) expenditures and other uses	\$ -	126,266	\$ 126,266
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		104,187	
Depreciation/amortization		(441,234)	
Principal retirement		289,362	
Capital Project Activity:			
Capital outlay expenditures		104,187	
Changes in assets and liabilities:			
Accounts receivable		61,853	
Deferred outflows of resources - pensions		45,677	
Deferred outflows of resources - OPEB		22,685	
Accounts payable and accrued liabilities		(30,960)	
Compensated absences		83,598	
Net Pension Liability		12,961	
Deferred inflows of resources - pensions		921	
Deferred inflows of resources - OPEB		(30,236)	
OPEB liability		5,625	
Total reconciling items		228,626	
Change in net position		\$ 354,892	

OTHER SCHEDULES

TOWN OF KURE BEACH, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2025

Schedule 1

Fiscal Year	Uncollected Balance June 30, 2024	Additions	Collections, Credits and Adjustments	Uncollected Balance June 30, 2025
2024-2025	\$ -	\$ 3,808,093	\$ 3,798,210	\$ 9,883
2023-2024	9,666	-	4,923	4,743
2022-2023	2,592	-	99	2,493
2021-2022	2,300	-	39	2,261
2020-2021	2,520	-	-	2,520
2019-2020	3,368	-	398	2,970
2018-2019	1,633	-	147	1,486
2017-2018	1,878	-	27	1,851
2016-2017	2,557	-	-	2,557
2015-2016	2,155	-	-	2,155
2014-2015	1,227	-	1,227	-
Total	<u>\$ 29,896</u>	<u>\$ 3,808,093</u>	<u>\$ 3,805,070</u>	<u>\$ 32,919</u>

Ad valorem taxes receivable - net \$ 32,919

Reconciliation with revenues:

Ad valorem taxes - general fund	\$ 3,809,629
Reconciling items:	
Write offs, collection fees, and discounts	(1,243)
Miscellaneous adjustments	1,164
Interest collected	(4,480)
	<u>\$ 3,805,070</u>

TOWN OF KURE BEACH, NORTH CAROLINA

Schedule 2

Analysis of Current Year Tax Levy

Town - Wide Levy

For the Fiscal Year Ended June 30, 2025

	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	\$ 1,271,497,774	0.2900	\$ 3,687,344	\$ 3,687,344	\$ -
Motor vehicles	34,056,376	0.2900	98,763	-	98,763
Registered motor vehicles at prior year rates	8,314,488	0.2658	22,100	-	22,100
Penalties and interest	-		717	717	-
Total	<u>1,313,868,638</u>		<u>3,808,924</u>	<u>3,688,061</u>	<u>120,863</u>
Discoveries:					
Current year taxes	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements:					
Current year taxes	<u>(286,250)</u>		<u>(831)</u>	<u>(831)</u>	<u>-</u>
Total property value	<u>\$ 1,313,582,388</u>				
Net levy			<u>3,808,093</u>	<u>3,687,230</u>	<u>120,863</u>
Uncollected taxes at June 30, 2025			<u>9,883</u>	<u>9,883</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,798,210</u>	<u>\$ 3,677,347</u>	<u>\$ 120,863</u>
Current levy collection percentage			<u>99.74%</u>	<u>99.73%</u>	<u>100.00%</u>

COMPLIANCE SECTION



**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, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 6, 2025.

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
November 6, 2025



**Independent Auditor's Report on Compliance for
the Major State Program; on Internal Control
Over Compliance; With OMB Uniform Guidance
and State Single Audit Implementation Act**

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

Report on Compliance for The Major State Program

Opinion on The Major State Program

We have audited the Town of Kure Beach, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Town of Kure Beach, North Carolina's major State program for the year ended June 30, 2025. The Town of Kure Beach, North Carolina's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Kure Beach, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2025.

Basis for Opinion on The Major State Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Kure Beach, North Carolina State program.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

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

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
November 6, 2025

TOWN OF KURE BEACH, NORTH CAROLINA
Schedule of Revenues and Expenditures of Federal and State Awards
Year Ended June 30, 2025

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State Pass-through Grantor's No.	Federal Expenditures	State Expenditures
Federal Awards:				
U.S. Department of Transportation				
Passed Through N.C. Department of Transportation				
Coronavirus Response and Relief Supplemental Appropriations Act	20.205	BL-0059	\$ 115,713	\$ -
U.S. Department of Treasury				
Passed Through N.C. Department of Environmental Quality				
Coronavirus State and Local Recovery Fund	21.027	AIA-D-ARP-0086	57,800	-
Coronavirus State and Local Recovery Fund	21.027	AIA-W-ARP-0133	47,550	-
U.S. Department of Homeland Security				
Passed Through N.C. Department of Public Safety				
Disaster Grants - Public Assistance	97.036	FEMA-4393-DR-NC	283,776	-
Total Federal Awards			504,839	-
State Awards:				
N.C. Office of State Budget and Management				
State Directed Grant		S.L. 2023-134 11122	-	1,800,000
State Capital Infrastructure Fund		S.L. 2021-180 11121	-	146,180
N.C. Department of Environmental Quality				
N.C. Coastal Area Management Act		140 2023-2024	-	139,466
N.C. Department of Transportation				
Powell Bill		11212	-	84,829
Total State Awards			-	2,170,475
Total Expenditures of Federal and State Awards			\$ 504,839	\$ 2,170,475

TOWN OF KURE BEACH, NORTH CAROLINA

Notes to the Schedule of Revenues and Expenditures of Federal and State Awards

Year Ended June 30, 2025

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of revenues and expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of Town of Kure Beach, North Carolina under programs of the federal and state government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Kure Beach, North Carolina, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Town of Kure Beach, North Carolina.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Town of Kure Beach, North Carolina has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF KURE BEACH, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

- | | | | |
|---|------------|--------------------------------|--|
| (i) Type of auditor's report issued: | Unmodified | | |
| (ii) Internal control over financial reporting: | | | |
| (a) Material weakness(es) identified? | _____ yes | <u> X </u> no | |
| (b) Significant deficiency(ies)? | _____ yes | <u> X </u> none reported | |
| (iii) Noncompliance material to financial statements noted? | _____ yes | <u> X </u> no | |

State Awards

- | | | | |
|--|------------|--------------------------------|--|
| (i) Internal control over major programs: | | | |
| (a) Material weakness(es) identified? | _____ yes | <u> X </u> no | |
| (b) Significant deficiency(ies) identified? | _____ yes | <u> X </u> none reported | |
| (ii) Type of auditor's report issued on compliance
for major state programs: | Unmodified | | |
| (iii) Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit
Implementation Act | _____ yes | <u> X </u> no | |
| (iv) Identification of major programs: | | | |

Program Name
State Directed Grant

Section II - Findings relating to the financial statements which are required to be reported in accordance with generally

A. Deficiencies in Internal Control

None reported

B. Compliance Findings

None reported

Section III - Findings and questioned costs relating to the major state programs which are required to be reported in

Findings and Questioned Costs

None reported

TOWN OF KURE BEACH, NORTH CAROLINA
Summary Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2025

None