

TOWN OF KURE BEACH, NORTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023



TOWN OF KURE BEACH, NORTH CAROLINA
June 30, 2023

Town Council Members

Craig Bloszinsky, Mayor
Allen Oliver, Mayor Pro Tem
David Heglar
John Ellen
Dennis Panicali

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, 2023, 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, 2023, and the respective changes in financial position and cash flows where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis; the Local Government Employees' Retirement System - Schedule of the Proportionate Share of the Net Pension Liability and Contributions; the Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability; Schedule of Total Pension Liability as a Percentage of Covered Payroll; and the Other Post-Employment Benefits - Schedule of Changes in the Total OPEB Liability and Related Ratios as stated in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Town of Kure Beach, North Carolina. The budgetary schedules and other schedules, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the budgetary schedules and other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023 on our consideration of the Town of Kure Beach, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and on the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
October 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

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, 2023. 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

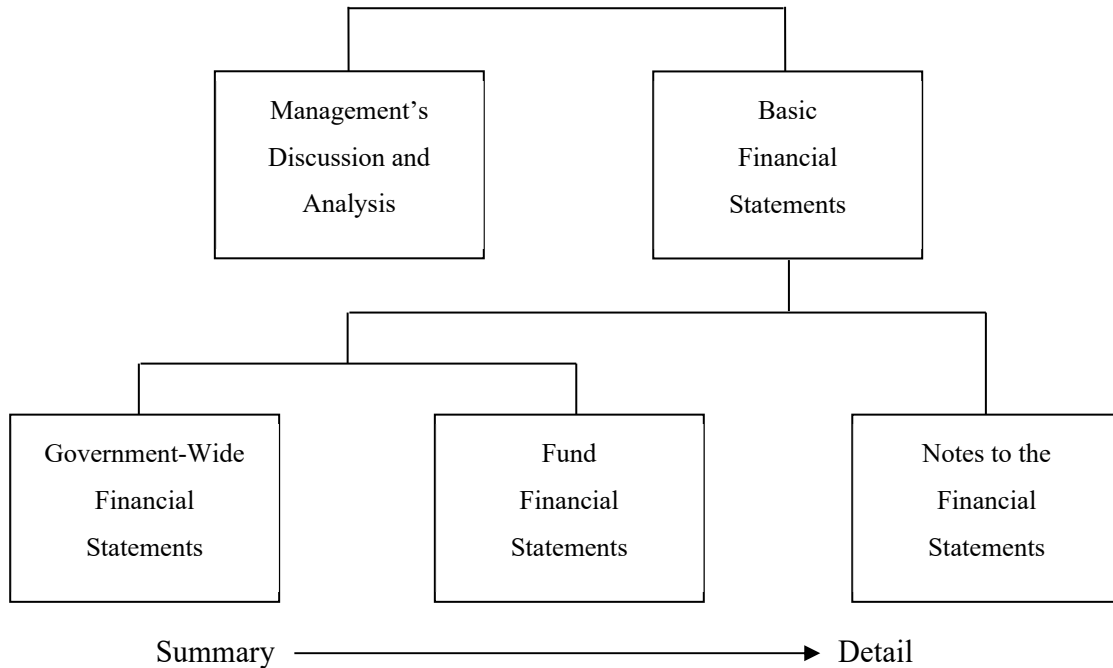
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,073,174 (net position).
- The government's total net position increased by \$817,771. This increase was attributable to growth in the Town's property 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 \$7,458,813 with a net increase of \$446,810 in fund balance. This increase is primarily due to an increase in property tax, sales tax, and tourism development authority revenue. Approximately 10% of fund balance or \$720,756 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,351,310 or 63% of total General Fund expenditures for the fiscal year. The combined unassigned and assigned fund balance for the General Fund was \$6,680,020 or 79% of total General Fund expenditures for the fiscal year.
- The Town's total long-term liabilities increased by \$1,348,973 during the current fiscal year. The key factor in this increase was an increase in the net pension liability for the Local Governmental Employees' Retirement System (LGERS).
- The business-type activities net position increased by \$608,704. This was primarily attributable to effective cost management and a transfer from the American Rescue Plan fund.

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, 2023

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, 2023

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	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 9,291,983	\$ 8,628,896	\$ 4,266,544	\$ 4,078,395	\$ 13,558,527	\$ 12,707,291
Capital assets	13,494,753	12,598,999	7,119,168	7,239,822	20,613,921	19,838,821
Deferred outflows of resources	2,651,574	1,514,529	544,168	316,070	3,195,742	1,830,599
Total assets	25,438,310	22,742,424	11,929,880	11,634,287	37,368,190	34,376,711
Liabilities:						
Long-term liabilities	8,400,455	6,985,910	2,535,218	2,600,790	10,935,673	9,586,700
Other liabilities	814,463	515,081	190,586	484,510	1,005,049	999,591
Deferred inflows of resources	2,871,029	2,706,841	483,265	436,880	3,354,294	3,143,721
Total liabilities	12,085,947	10,207,832	3,209,069	3,522,180	15,295,016	13,730,012
Net Position:						
Net investment in capital assets						
assets	9,097,312	8,437,670	5,413,583	5,254,222	14,510,895	13,691,892
Restricted	720,756	729,958	-	-	720,756	729,958
Unrestricted	3,534,295	3,366,964	3,307,228	2,857,885	6,841,523	6,224,849
Total net position	\$ 13,352,363	\$ 12,534,592	\$ 8,720,811	\$ 8,112,107	\$ 22,073,174	\$ 20,646,699

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 \$22,073,174 as of June 30, 2023. The Town's net position for governmental activities and business-type activities were \$13,352,363 and \$8,720,811, respectively. The Town's net position increased by \$1,426,475 for the fiscal year ended June 30, 2023. However, the largest portion, \$14,510,895, reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

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 \$720,756 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,841,523 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	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 2,470,967	\$ 2,477,327	\$ 2,402,554	\$ 2,442,991	\$ 4,873,521	\$ 4,920,318
Operating grants and contributions	542,810	382,339	-	-	542,810	382,339
General revenues:						
Property taxes	3,387,901	3,353,233	-	-	3,387,901	3,353,233
Other taxes	1,604,634	1,545,905	-	-	1,604,634	1,545,905
Grants and contributions not restricted to specific programs	331,563	42,890	-	-	331,563	42,890
Transfers from other funds	(321,931)	-	321,931	-	-	-
Other	80,859	3,415	40,336	2,355	121,195	5,770
Total revenues	8,096,803	7,805,109	2,764,821	2,445,346	10,861,624	10,250,455
Expenses:						
General government	1,106,973	813,091	-	-	1,106,973	813,091
Public safety	4,013,830	3,388,081	-	-	4,013,830	3,388,081
Highways/streets	12,575	7,608	-	-	12,575	7,608
Environmental protection	1,667,873	1,405,835	-	-	1,667,873	1,405,835
Parks and recreation	308,551	255,674	-	-	308,551	255,674
Interest on long-term debt	132,758	120,477	-	-	132,758	120,477
Water and sewer	-	-	2,156,117	2,061,164	2,156,117	2,061,164
Other	36,472	31,852	-	-	36,472	31,852
Total expenses	7,279,032	6,022,618	2,156,117	2,061,164	9,435,149	8,083,782
Increase in net position	817,771	1,782,491	608,704	384,182	1,426,475	2,166,673
Net position, July 1	12,534,592	10,752,101	8,112,107	7,727,925	20,646,699	18,480,026
Net position, June 30,	\$ 13,352,363	\$ 12,534,592	\$ 8,720,811	\$ 8,112,107	\$ 22,073,174	\$ 20,646,699

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Governmental Activities - Governmental activities increased the Town's net position by \$817,771, thereby accounting for 57% of the total increase in the net position of the Town. Positive elements affecting net position were an increase in tourism development authority revenue, an increase in tax revenue, and a strong property tax collection rate over 99%.

Business-Type Activities - Business-type activities of the Town reported \$8,720,811 in net position, an increase of \$608,704. 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 \$5,351,310, while the total fund balance reached \$7,458,813. 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 63% of total General Fund expenditures, while total fund balance is 88% of total General Fund expenditures.

At June 30, 2023, the governmental funds of the Town of Kure Beach reported a fund balance of \$7,458,813 with a net increase in fund balance of \$446,810.

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 \$3,307,228. 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, 2023, totals \$20,613,921 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

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	
	2023	2022	2023	2022	2023	2022
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	4,715,264	4,852,158	619,836	639,665	5,335,100	5,491,823
Equipment and vehicles	903,827	692,891	356,540	410,355	1,260,367	1,103,246
Improvements other than buildings	330,287	332,951	-	-	330,287	332,951
Plant and Distribution Systems	-	-	6,089,041	6,169,105	6,089,041	6,169,105
Infrastructure	2,583,191	2,507,417	-	-	2,583,191	2,507,417
Right of use asset	33,053	-	33,054	-	66,107	-
Total	\$ 13,494,753	\$ 12,598,999	\$ 7,119,168	\$ 7,239,822	\$ 20,613,921	\$ 19,838,821

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, 2023, the Town had total debt outstanding of \$6,053,939.

Town of Kure Beach, North Carolina's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Installment purchases	\$ 4,381,407	\$ 4,161,329	\$ 1,672,532	\$ 1,985,600	\$ 6,053,939	\$ 6,146,929
Software subscriptions	16,034	-	16,034	-	32,068	-
Total OPEB liability	1,311,606	1,562,858	368,452	439,319	1,680,058	2,002,177
Total pension liability (LEO)	486,448	555,820	-	-	486,448	555,820
Net pension liability (LGERS)	1,965,730	487,972	426,800	128,840	2,392,530	616,812
Compensated absences	239,230	217,931	51,400	47,031	290,630	264,962
	\$ 8,400,455	\$ 6,985,910	\$ 2,535,218	\$ 2,600,790	\$ 10,935,673	\$ 9,586,700

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

Outstanding Debt -The Town's total debt increased by \$1,348,973 (14%) during the current fiscal year. The key factor in this increase was an increase in the net pension liability for the Local Government Employees Retirement System (LGERS).

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 \$8,046,713 General Fund budget for fiscal year 2023-2024. This budget represents a 5% decrease from the fiscal year 2022-2023 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, 2023

Exhibit 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,621,975	\$ 2,709,958	\$ 7,331,933
Investments	2,300,849	1,119,827	3,420,676
Accounts receivables, net	640,899	430,399	1,071,298
Restricted cash and cash equivalents	680,740	6,360	687,100
Total current assets	8,244,463	4,266,544	12,511,007
Non-current assets:			
Lease receivables, non-current	1,047,520	-	1,047,520
Capital assets:			
Land, non-depreciable improvements, and construction in progress	4,929,131	20,697	4,949,828
Other capital assets, net of depreciation	8,532,569	7,065,417	15,597,986
Right of use asset, net of amortization	33,053	33,054	66,107
Total capital assets	13,494,753	7,119,168	20,613,921
Total non-current assets	14,542,273	7,119,168	21,661,441
Total assets	22,786,736	11,385,712	34,172,448
Deferred Outflows of Resources			
Pension deferrals	2,331,745	432,585	2,764,330
OPEB deferrals	319,829	111,583	431,412
Total deferred outflows of resources	2,651,574	544,168	3,195,742
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	242,804	184,226	427,030
Customer deposits	-	6,360	6,360
Liabilities to be paid from restricted cash	571,659	-	571,659
Current portion of long-term liabilities	832,509	341,505	1,174,014
Current portion of lease liabilities	16,034	16,034	32,068
Total current liabilities	1,663,006	548,125	2,211,131
Long-term liabilities:			
Net pension liability	2,452,178	426,800	2,878,978
Total OPEB liability	1,311,606	368,452	1,680,058
Due in more than one year	3,788,128	1,382,427	5,170,555
Total liabilities	9,214,918	2,725,804	11,940,722
Deferred Inflows of Resources			
Lease deferrals	989,483	-	989,483
Pension deferrals	995,317	211,286	1,206,603
OPEB deferrals	886,229	271,979	1,158,208
Total deferred inflows of resources	2,871,029	483,265	3,354,294
Net Position			
Net investment in capital assets	9,097,312	5,413,583	14,510,895
Restricted	720,756	-	720,756
Unrestricted	3,534,295	3,307,228	6,841,523
Total net position	\$ 13,352,363	\$ 8,720,811	\$ 22,073,174

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

TOWN OF KURE BEACH, NORTH CAROLINA

Exhibit 2

Statement of Activities

Year Ended June 30, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,106,973	\$ 1,331,647	\$ -	\$ -	\$ 224,674	\$ -	\$ 224,674
Public safety	4,013,830	964	472,458	-	(3,540,408)	-	(3,540,408)
Transportation	12,575	-	70,352	-	57,777	-	57,777
Parks and recreation	308,551	9,609	-	-	(298,942)	-	(298,942)
Special projects	36,472	48,123	-	-	11,651	-	11,651
Environmental protection	1,667,873	1,080,624	-	-	(587,249)	-	(587,249)
Interest on long-term debt	132,758	-	-	-	(132,758)	-	(132,758)
Total governmental activities	<u>7,279,032</u>	<u>2,470,967</u>	<u>542,810</u>	<u>-</u>	<u>(4,265,255)</u>	<u>-</u>	<u>(4,265,255)</u>
Business-type activities:							
Water and sewer	<u>2,156,117</u>	<u>2,402,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,437</u>	<u>246,437</u>
Total business-type activities	<u>2,156,117</u>	<u>2,402,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,437</u>	<u>246,437</u>
Total primary government	<u>\$ 9,435,149</u>	<u>\$ 4,873,521</u>	<u>\$ 542,810</u>	<u>\$ -</u>	<u>(4,265,255)</u>	<u>246,437</u>	<u>(4,018,818)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					3,387,901	-	3,387,901
Local option sales tax					1,593,609	-	1,593,609
Other taxes, licenses and fees					11,025	-	11,025
Grants and contributions not restricted to specific programs					331,563	-	331,563
Transfers					(321,931)	321,931	-
Investment earnings, unrestricted					80,859	40,336	121,195
Total general revenues, special items, and transfers					<u>5,083,026</u>	<u>362,267</u>	<u>5,445,293</u>
Change in net position					<u>817,771</u>	<u>608,704</u>	<u>1,426,475</u>
Net position, beginning					<u>12,534,592</u>	<u>8,112,107</u>	<u>20,646,699</u>
Net position, ending					<u>\$ 13,352,363</u>	<u>\$ 8,720,811</u>	<u>\$ 22,073,174</u>

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

TOWN OF KURE BEACH, NORTH CAROLINA

Exhibit 3

Balance Sheet

Governmental Funds

June 30, 2023

	Major Governmental Fund		Total Governmental Funds
	General Fund	Capital Projects Fund	
Assets			
Cash and cash equivalents	\$ 4,621,975	\$ -	\$ 4,621,975
Investments	2,300,849	-	2,300,849
Restricted cash	455,860	224,880	680,740
Taxes receivable, net	29,224	-	29,224
Account receivables, net	611,675	-	611,675
Lease receivables	1,047,520	-	1,047,520
Total assets	<u>\$ 9,067,103</u>	<u>\$ 224,880</u>	<u>\$ 9,291,983</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 242,804	\$ -	\$ 242,804
Unearned revenue	346,779	224,880	571,659
Total liabilities	<u>589,583</u>	<u>224,880</u>	<u>814,463</u>
Deferred Inflow of Resources			
Property taxes receivable	29,224	-	29,224
Leases	989,483	-	989,483
	<u>1,018,707</u>	<u>-</u>	<u>1,018,707</u>
Fund Balances			
Non spendable:			
Leases	58,037	-	58,037
Restricted for:			
State statute	611,675	-	611,675
Streets	16,754	-	16,754
Federal asset forfeitures	92,327	-	92,327
Assigned:			
Beach protection	548,046	-	548,046
Stormwater	780,664	-	780,664
Unassigned	5,351,310	-	5,351,310
Total fund balances	<u>7,458,813</u>	<u>-</u>	<u>7,458,813</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,067,103</u>	<u>\$ 224,880</u>	<u>\$ 9,291,983</u>

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

TOWN OF KURE BEACH, NORTH CAROLINA
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
Governmental Funds
June 30, 2023

Exhibit 4

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

Total Fund Balance, Governmental Funds	<u>\$ 7,458,813</u>
Changes to the pension and OPEB plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	2,651,574
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets at historical costs	20,335,698
Less: accumulated depreciation	<u>6,840,945</u>
Net capital assets used in governmental activities	<u>13,494,753</u>
Net adjustment to increase fund balance-total governmental funds to arrive at net assets - governmental activities	<u>16,146,327</u>
Liabilities for earned but considered deferred inflows of resources in fund statements	<u>29,224</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	4,381,407
Software subscriptions	16,034
Net pension obligation	486,448
Other postemployment benefits	1,311,606
Compensated absences	239,230
Net pension liability	1,965,730
Pension and OPEB related deferrals	<u>1,881,546</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets - governmental activities	<u>10,282,001</u>
Net position of governmental activities	<u><u>\$ 13,352,363</u></u>

TOWN OF KURE BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

Exhibit 5

	Major Governmental Fund		Total Governmental Funds
	General Fund	Capital Projects Fund	
Revenues			
Ad valorem taxes	\$ 3,393,643	\$ -	\$ 3,393,643
Other taxes and licenses	11,854	-	11,854
Unrestricted intergovernmental	1,892,985	-	1,892,985
Restricted intergovernmental	392,312	25,120	417,432
Permits and fees	1,688,455	-	1,688,455
Sales and services	939,247	-	939,247
Investment earnings	80,859	-	80,859
Total revenues	8,399,355	25,120	8,424,475
Expenditures			
Current:			
General government	986,696	-	986,696
Public safety	3,488,634	-	3,488,634
Transportation	12,575	-	12,575
Parks and recreation	267,831	-	267,831
Special projects	36,472	-	36,472
Environmental protection	1,432,424	-	1,432,424
Debt service	696,101	-	696,101
Capital outlay	1,509,336	25,120	1,534,456
Total expenditures	8,430,069	25,120	8,455,189
Excess of revenues over expenditures	(30,714)	-	(30,714)
Other Financing Sources			
Transfers to other funds	(321,931)	-	(321,931)
Proceeds from installment purchases	799,455	-	799,455
Total other financing sources	477,524	-	477,524
Net change in fund balances	446,810	-	446,810
Fund balances, beginning	7,012,003	-	7,012,003
Fund balances, ending	\$ 7,458,813	\$ -	\$ 7,458,813

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

TOWN OF KURE BEACH, NORTH CAROLINA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2023

Exhibit 6

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

Net change in fund balances - total governmental funds	\$ 446,810
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	1,509,337
Depreciation expense for governmental assets	(613,583)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	330,811
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Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities	3,422
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	24,384
--	--------

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	(5,741)

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	(21,299)
Net pension obligation	(621,089)
Other postemployment benefits	831

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.	(236,112)
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Total changes in net position of governmental activities	<u>\$ 817,771</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, 2023**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Ad valorem taxes	\$ 3,354,500	\$ 3,354,500	\$ 3,393,642	\$ 39,142
Other taxes and licenses	12,680	12,680	11,855	(825)
Unrestricted intergovernmental	1,791,550	1,926,550	1,892,985	(33,565)
Restricted intergovernmental	738,628	738,978	392,312	(346,666)
Permits and fees	1,612,024	1,646,024	1,688,455	42,431
Sales and services	879,417	879,417	939,247	59,830
Investment earnings	4,807	49,282	80,859	31,577
Total revenues	<u>8,393,606</u>	<u>8,607,431</u>	<u>8,399,355</u>	<u>(208,076)</u>
Expenditures				
Current:				
General government	1,082,192	1,195,367	986,696	208,671
Public safety	3,627,803	3,790,303	3,488,634	301,669
Transportation	20,075	20,075	12,575	7,500
Parks and recreation	279,395	279,395	267,831	11,564
Special projects	40,250	47,250	36,472	10,778
Environmental protection	1,691,781	1,691,781	1,432,424	259,357
Debt service	663,730	663,730	696,101	(32,371)
Capital outlay	1,736,273	1,759,273	1,509,336	249,937
Total expenditures	<u>9,141,499</u>	<u>9,447,174</u>	<u>8,430,069</u>	<u>1,017,105</u>
Revenues over (under) expenditures	<u>(747,893)</u>	<u>(839,743)</u>	<u>(30,714)</u>	<u>809,029</u>
Other Financing Sources (Uses)				
Proceeds from installment purchases	1,157,773	1,157,773	799,455	(358,318)
Transfers to other funds	(668,710)	(668,710)	(321,931)	346,779
Total other financing sources (uses)	<u>489,063</u>	<u>489,063</u>	<u>477,524</u>	<u>(11,539)</u>
Fund balance appropriated	<u>258,830</u>	<u>350,680</u>	<u>-</u>	<u>(350,680)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>446,810</u>	<u>\$ 446,810</u>
Fund balances, beginning			<u>7,012,003</u>	
Fund balances, ending			<u>\$ 7,458,813</u>	

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

TOWN OF KURE BEACH, NORTH CAROLINA
Statement of Net Position
Proprietary Fund
June 30, 2023

Exhibit 8

	Major Enterprise Fund Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,709,958
Investments	1,119,827
Restricted cash and cash equivalents	6,360
Account receivables, net	430,399
Total current assets	<u>4,266,544</u>
Noncurrent assets:	
Capital assets, net of depreciation	7,086,114
Right of use asset, net of amortization	33,054
Total assets	<u>11,385,712</u>
Deferred Outflows of Resources	
Pension deferrals	432,585
OPEB deferrals	111,583
Total deferred outflows of resources	<u>544,168</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	184,226
Customer deposits	6,360
Current portion of compensated absences	36,000
Current portion of long-term debt	305,505
Current portion of lease liabilities	16,034
Total current liabilities	<u>548,125</u>
Noncurrent liabilities:	
Non-current portion of compensated absences	15,400
Net pension liability	426,800
Total OPEB liability	368,452
Non-current portion of long-term debt	1,367,027
Total liabilities	<u>2,725,804</u>
Deferred Inflows of Resources	
Pension deferrals	211,286
OPEB deferrals	271,979
Total deferred inflows of resources	<u>483,265</u>
Net Position	
Net investment in capital assets	5,413,583
Unrestricted	3,307,228
Total Net Position	<u>\$ 8,720,811</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, 2023

Exhibit 9

	Major Enterprise Fund Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 2,390,339
Other operating revenues	12,215
Total operating revenues	<u>2,402,554</u>
Operating expenses:	
Administration	455,505
Water and sewer system operations	1,219,462
Amortization/depreciation	432,074
Total operating expenses	<u>2,107,041</u>
Operating income	<u>295,513</u>
Non-operating revenues (expenses):	
Investment earnings	40,336
Interest and fees	(49,076)
Total non-operating expenses	<u>(8,740)</u>
Net income	<u>286,773</u>
Transfers from other funds	<u>321,931</u>
Change in net position	<u>608,704</u>
Net position, beginning	<u>8,112,107</u>
Total net position, ending	<u><u>\$ 8,720,811</u></u>

TOWN OF KURE BEACH, NORTH CAROLINA
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2023

Exhibit 10

	Major Enterprise Fund Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 2,038,285
Cash paid for goods and services	(724,444)
Cash paid to employees for services	(850,302)
Customer deposits received	(10,000)
Net cash provided by operating activities	<u>453,539</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	321,931
Net cash provided by noncapital financing activities	<u>321,931</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(311,420)
Proceeds from installment purchases	32,549
Principal paid on installment purchases	(329,583)
Interest and fees paid on installment purchases	(49,076)
Net cash used in capital and related financing activities	<u>(657,530)</u>
Cash flows from investing activities:	
Purchase of investments	(1,084,392)
Interest	4,901
Net cash used in investing activities	<u>(1,079,491)</u>
Net decrease in cash and cash equivalents	(961,551)
Balance, beginning	3,677,869
Balances, ending	<u>\$ 2,716,318</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 295,513
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization/depreciation	432,074
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(29,873)
Customer deposits	(10,000)
Deferred outflows of resources - pensions	(245,754)
Deferred outflows of resources - OPEB	17,656
Unearned revenue	(334,396)
Increase (decrease) in:	
Accounts payable and accrued liabilities	50,472
Compensated absences	4,369
Net Pension Liability	297,960
Deferred inflows of resources - pensions	51
Deferred inflows of resources - OPEB	46,334
OPEB liability	(70,867)
Total adjustments	<u>158,026</u>
Net cash provided by operating activities	<u>\$ 453,539</u>

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

TOWN OF KURE BEACH, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

TOWN OF KURE BEACH, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

TOWN OF KURE BEACH, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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"). 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.

TOWN OF KURE BEACH, NORTH CAROLINA

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted cash recorded in the Governmental Funds, General Fund and Capital Projects Fund represent unexpended Powell Bill, Federal Asset Forfeiture, American Rescue Plan Act (ARPA), and unspent State Capital and Infrastructure Fund (SCIF) grant proceeds of \$16,754, \$92,327, \$346,779, and \$224,880, 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, 2022. 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 leases receivable 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 assets are 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. 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.

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

Vacation leave is accumulated at the rate of up to twenty-seven (27) days per year with each leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded within the funds as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position - Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through State statutes.

Fund Balances

In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

TOWN OF KURE BEACH, NORTH CAROLINA

Notes to Financial Statements

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 \$611,675.

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 \$16,754.

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 \$92,327.

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, 2023, the Town's deposits had a carrying amount of \$8,019,033 and a bank balance of \$8,163,043. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral under the pooling method. The Town's petty cash fund totaled \$200.

Investments

The Town's investment balance was as follows:

Investment Type	Valuation Measurement	Book Value	Maturity	Rating
	Method			
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 3,420,676	N/A	AAAm
		<u>\$ 3,420,676</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, 2023.

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 \$1,688,419 consist of \$220,026 for customer accounts; \$29,224 for taxes and related accrued interest; \$1,047,520 for leases; and \$391,649 due from other governments. Business-Type activities – Water and Sewer Fund receivables of \$430,399 consist entirely of customer accounts. Based on historical experience an allowance for doubtful accounts has not been established.

Lease Receivables

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

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

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

In fiscal year 2023, the Town recognized \$82,332 of lease revenue and \$32,227 of interest revenue. Future lease payments are reported in the following table:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 52,749	\$ 30,709
2025	56,892	29,070
2026	56,045	27,311
2027	33,935	25,995
2028	36,790	24,938
2029-2033	231,937	105,613
2034-2039	241,179	66,901
2040-2045	219,415	35,387
2046	118,578	4,081

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	4,213,582	715,549	-	4,929,131
Capital assets being depreciated:				
Buildings	5,966,594	-	-	5,966,594
Equipment and vehicles	4,675,538	472,248	27,389	5,120,397
Improvements	599,916	16,430	-	616,346
Infrastructure	3,398,120	239,003	-	3,637,123
Total capital assets being depreciated	14,640,168	727,681	27,389	15,340,460
Less accumulated depreciation for:				
Buildings	1,114,436	136,894	-	1,251,330
Equipment and vehicles	3,982,647	261,312	27,389	4,216,570
Improvements	266,965	19,094	-	286,059
Infrastructure	890,703	163,229	-	1,053,932
Total accumulated depreciation	6,254,751	580,529	27,389	6,807,891
Total capital assets being depreciated, net	8,385,417			8,532,569
Capital assets being amortized:				
Right of use asset:				
Software subscriptions	-	66,107	-	66,107
Total capital assets being amortized	-	66,107	-	66,107
Less accumulated amortization for:				
Right of use asset:				
Software subscriptions	-	33,054	-	33,054
Total accumulated amortization	-	33,054	-	33,054
Total capital assets being amortized, net	-			33,053
Government activity capital assets, net	<u>\$ 12,598,999</u>			<u>\$ 13,494,753</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	\$ 72,878	6.86%
Public Safety	324,168	55.84%
Environmental Protection	188,614	32.49%
Cultural and Recreational	27,923	4.81%
Total depreciation expense	<u>\$ 613,583</u>	<u>100.00%</u>

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
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	10,874,172	245,313	-	11,119,485
Buildings	793,162	-	-	793,162
Equipment and vehicles	<u>1,244,782</u>	<u>-</u>	<u>-</u>	<u>1,244,782</u>
Total capital assets being depreciated	<u>12,912,116</u>	<u>245,313</u>	<u>-</u>	<u>13,157,429</u>
Less accumulated depreciation for:				
Plant and Distribution				
Systems	4,705,067	325,377	-	5,030,444
Buildings	153,497	19,829	-	173,326
Equipment and vehicles	<u>834,427</u>	<u>53,815</u>	<u>-</u>	<u>888,242</u>
Total accumulated depreciation	<u>5,692,991</u>	<u>399,021</u>	<u>-</u>	<u>6,092,012</u>
Total capital assets being depreciated, net	<u>7,219,125</u>			<u>7,065,417</u>
Capital assets being amortized:				
Right of use asset:				
Software subscriptions	<u>-</u>	<u>66,107</u>	<u>-</u>	<u>66,107</u>
Total capital assets being depreciated	<u>-</u>	<u>66,107</u>	<u>-</u>	<u>66,107</u>
Less accumulated amortization for:				
Right of use asset:				
Software subscriptions	<u>-</u>	<u>33,053</u>	<u>-</u>	<u>33,053</u>
Total accumulated amortization	<u>-</u>	<u>33,053</u>	<u>-</u>	<u>33,053</u>
Total capital assets being amortized, net	<u>-</u>			<u>33,054</u>
Water and Sewer activity capital assets, net	<u>\$ 7,239,822</u>			<u>\$ 7,119,168</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, 2023, was 12.04% of compensation for law enforcement officers and 11.51% 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 \$393,830 for the year ended June 30, 2023.

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, 2023, the Town reported a liability of \$2,392,530 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2022 (measurement date), the Town's proportion was 0.04241%, which was an increase of 0.00219% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the Town recognized pension expense of \$678,095. On June 30, 2023, 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	\$ 103,092	\$ 10,108
Changes of assumptions	238,721	-
Net difference between projected and actual earnings on pension plan investments	1,876,158	1,085,402
Changes in proportion and differences between Town contributions and proportionate share of contributions	19,393	17,028
Town contributions subsequent to the measurement date	393,830	-
	<u>\$ 2,631,194</u>	<u>\$ 1,112,538</u>

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

\$393,830 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, 2024.

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>	
2024	\$ 355,467
2025	298,988
2026	93,639
2027	376,732
	<u>\$ 1,124,826</u>

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

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

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

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

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

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

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

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, 2022 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 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Towns' proportionate share of the net pension liability (asset)	<u>\$ 4,318,208</u>	<u>\$ 2,392,530</u>	<u>\$ 805,659</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, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	12
	<u>13</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, 2021, valuation. The total pension liability in the December 31, 2021, 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	4.31%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021.

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 paid \$20,758 as benefits came due for the reporting period.

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

On June 30, 2023, the Town reported a total pension liability of \$486,448. The total pension liability was measured as of December 31, 2022, based on a December 31, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$68,650.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,652	\$ -
Changes of assumptions	87,062	94,065
Benefit payments and administrative costs made subsequent to the measurement date	3,422	-
Total	<u>\$ 133,136</u>	<u>\$ 94,065</u>

\$3,422 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2024.

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>	
2024	\$ 23,064
2025	20,461
2026	18,846
2027	(11,258)
2028	(13,954)
Thereafter	(1,510)
	<u>\$ 35,649</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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	<u>1% Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Total pension liability	<u>\$ 531,714</u>	<u>\$ 486,448</u>	<u>\$ 445,068</u>

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

Beginning balance	\$ 555,820
Service cost	31,266
Interest on the total pension liability	12,272
Differences between expected and actual experience in the measurement of the total pension liability	5,576
Changes of assumptions or other inputs	(97,728)
Benefit payments	(20,758)
Ending balance of the total pension liability	<u>\$ 486,448</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, 2021 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	\$ 678,095	\$ 68,650	\$ 746,745
Pension Liability	2,392,530	486,448	2,878,978
Proportionate share of the net pension liability	0.04241%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	103,092	42,652	145,744
Changes of assumptions	238,721	87,062	325,783
Net difference between projected and actual earnings on plan investments	1,876,158	-	1,876,158
Changes in proportion and differences between contributions and proportionate share of contributions	19,393	-	19,393
Benefit payments and administrative costs paid subsequent to the measurement date	393,830	3,422	397,252
Deferred Inflows of Resources			
Differences between expected and actual experience	10,108	-	10,108
Changes of assumptions	-	94,065	94,065
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	17,028	-	17,028

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, 2023 were \$214,929, which consisted of \$154,162 from the Town and \$60,767 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, 2022, the date of the latest actuarial valuation:

Retirees receiving benefits	10
Active plan members	39
	<u>49</u>

Total OPEB Liability

The Town's total OPEB liability of \$1,680,058 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021, 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	3.54%
Healthcare cost trend rates	
Pre-medicare	7.0% for 2021 decreasing to ultimate rate of 4.5% by 2031
Medicare	5.125% for 2021 decreasing to ultimate rate of 4.5% by 2024
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	\$ 112,914
Interest	45,134
Differences between expected and actual experience	(4,351)
Changes in assumptions or other inputs	(424,420)
Benefit payments	(51,399)
Net changes	(322,122)
Balance, beginning	2,002,180
Balance, ending	<u>\$ 1,680,058</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54 %.

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, 2021 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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	<u>1 % Decrease (2.54%)</u>	<u>Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB liability	\$ 1,973,725	\$ 1,680,058	\$ 1,444,843

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	\$ 1,393,623	\$ 1,680,058	\$ 2,053,581

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, 2023, the Town recognized OPEB expense of \$13,803. On June 30, 2023, 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	\$ -	\$ 690,269
Changes of assumptions	397,114	467,939
Benefit payments and administrative costs made subsequent to the measurement date	34,298	-
Total	<u>\$ 431,412</u>	<u>\$ 1,158,208</u>

\$34,298 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, 2024. 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>	
2024	\$ (144,245)
2025	(140,882)
2026	(114,324)
2027	(100,577)
2028	(80,044)
Thereafter	(181,022)
	<u>\$ (761,094)</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	\$ 324,519
\$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	122,471
\$409,471 loan on March 12, 2015 to acquire land on 4th Street and H Avenue due in annual installments ranging from \$45,025 to \$41,967 including interest through March 12, 2025; interest at 2.49 percent	81,894
\$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	2,786,667
\$233,412 loan on October 30, 2018 to finance the purchase of equipment and a vehicle due in annual installments of \$51,346 including interest through October 30, 2023; interest at 3.26 percent	51,245
\$29,858 of a \$102,342 loan on September 26, 2019 to finance the purchase of a vehicle due in annual installments of \$7,874 including interest through September 26, 2023; interest at 2.14 percent	5,469
\$125,000 loan on June 2, 2020 to finance the purchase of a fuel tank due in annual installments of \$26,199 including interest through June 2, 2025; interest at 1.56 percent	51,481
\$25,262 of a \$74,264 loan on August 6, 2020 to finance the purchase of a vehicle due in annual installments of \$6,557 including interest through August 6, 2024; interest at 1.57 percent	12,939

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

\$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	\$ 177,816
\$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	425,000
\$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	341,906
	<u>\$ 4,381,407</u>

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	\$ 73,890
\$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	203,183
\$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	380,000
\$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	795,006
\$72,484 of a \$102,342 loan on September 26, 2019 to finance a telemetry system due in annual installments of \$19,114 including interest through September 26, 2023; interest at 2.14 percent	21,499
\$49,002 of a \$74,264 loan on August 6, 2020 to finance the purchase of a vehicle due in annual installments of \$12,729 including interest through August 6, 2024; interest at 1.57 percent	21,138
\$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	177,816
	<u>\$ 1,672,532</u>

TOWN OF KURE BEACH, NORTH CAROLINA
Notes to Financial Statements

NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)

The future minimum payments of the installment purchases:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 662,509	\$ 124,740	\$ 305,500	\$ 42,902
2025	610,655	105,184	289,350	35,232
2026	542,598	87,276	279,241	27,896
2027	547,901	70,731	281,728	20,693
2028	505,447	54,014	183,056	13,706
2029-2033	1,512,297	97,224	333,657	16,214
Total	<u>\$ 4,381,407</u>	<u>\$ 539,169</u>	<u>\$ 1,672,532</u>	<u>\$ 156,643</u>

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	\$ 4,161,329	\$ 766,906	\$ 546,828	\$ 4,381,407	\$ 662,509
Software subscriptions	-	32,549	16,515	16,034	16,034
Total OPEB liability	1,562,858	-	251,252	1,311,606	-
Total pension liability (LEO)	555,820	-	69,372	486,448	-
Net pension liability (LGERS)	487,972	1,477,758	-	1,965,730	-
Compensated absences	217,931	188,972	167,673	239,230	170,000
Total governmental activity long-term liabilities	<u>\$ 6,985,910</u>	<u>\$ 2,466,185</u>	<u>\$ 1,051,640</u>	<u>\$ 8,400,455</u>	<u>\$ 848,543</u>
Business-Type Activities:					
Installment purchases	\$ 1,985,600	\$ -	\$ 313,068	\$ 1,672,532	\$ 305,500
Software subscriptions	-	32,549	16,515	16,034	16,034
Total OPEB liability	439,319	-	70,867	368,452	-
Net pension liability (LGERS)	128,840	297,960	-	426,800	-
Compensated absences	47,031	39,702	35,333	51,400	36,000
Total business-type long-term liabilities	<u>\$ 2,600,790</u>	<u>\$ 370,211</u>	<u>\$ 435,783</u>	<u>\$ 2,535,218</u>	<u>\$ 357,534</u>

At June 30, 2023, the Town of Kure Beach, North Carolina had a legal debt margin of \$98,928,538.

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	\$ 431,550
Changes in assumptions	722,897
Differences between expected and actual experience	145,744
Net difference between projected and actual earnings on pension plan investments	1,876,158
Changes in proportion and difference between employer contributions and proportionate share of contributions	19,393
	<u>\$ 3,195,742</u>

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

	Statement of Net Position	General Fund Balance Sheet
Tax receivables	\$ -	\$ 29,224
Lease receivables	989,483	989,483
Changes in assumptions	562,004	-
Differences between expected and actual experience	700,377	-
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	17,028	-
Total	<u>\$ 3,354,294</u>	<u>\$ 1,018,707</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>\$ 7,458,813</u>
Less:	
Stabilization by State Statute	611,675
Streets- Powell Bill	16,754
Federal Asset Forfeiture	92,327
Assigned	1,328,710
Fund Balance Policy	<u>2,574,948</u>
Remaining Fund Balance	<u><u>\$ 2,834,399</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, Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are under a blanket bond for \$25,000.

The Town carries flood insurance through NCLM-Interlocal Risk Financing Fund of NC. The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.04241%	0.04022%	0.04060%	0.03871%	0.03578%	0.03595%	0.03317%	0.03276%	0.03123%	0.02790%
Proportion of the net pension liability (asset) (\$)	\$ 2,392,530	\$ 616,812	\$ 1,451,357	\$ 1,057,687	\$ 848,824	\$ 549,216	\$ 703,980	\$ 147,026	\$ (184,179)	\$ 336,302
Covered-employee payroll	2,943,398	2,598,614	2,506,657	2,341,597	2,246,227	2,127,634	2,001,604	1,825,227	1,688,555	1,538,320
Proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	81.28%	23.74%	57.90%	45.17%	37.79%	25.81%	35.17%	8.06%	-10.91%	21.86%
Plan fiduciary net position as a percentage of the total pension liability	84.14%	91.63%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%
Contractually required contribution	\$ 393,830	\$ 340,192	\$ 273,212	\$ 234,425	\$ 184,827	\$ 170,180	\$ 156,792	\$ 136,436	\$ 130,407	\$ 119,670
Contributions in relation to the contractually required contribution	393,830	340,192	273,212	234,425	184,827	170,180	156,792	136,436	130,407	119,670
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,091,327	\$ 2,943,398	\$ 2,598,614	\$ 2,506,657	\$ 2,341,597	\$ 2,246,227	\$ 2,127,634	\$ 2,001,604	\$ 1,825,227	\$ 1,688,555
Contributions as a percentage of covered-employee payroll	12.74%	11.56%	10.51%	9.35%	7.89%	7.58%	7.37%	6.82%	7.14%	7.09%

* - 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 Seven Fiscal Years

Exhibit 12

Schedule of Changes in Total Pension Liability

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 555,820	\$ 510,073	\$ 322,982	\$ 297,731	\$ 286,452	\$ 251,424	\$ 247,804
Service cost	31,266	32,614	17,830	16,432	16,859	13,363	13,639
Interest on the total pension liability	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	5,576	40,440	11,949	8,956	18,304	15,404	-
Changes of assumptions or other inputs	(97,728)	(16,193)	168,690	10,161	(11,850)	19,885	(5,484)
Benefit payments	(20,758)	(20,758)	(21,556)	(20,758)	(20,758)	(22,887)	(13,147)
Ending balance of the total pension liability	<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	\$ 486,448	\$ 555,820	\$ 510,073	\$ 322,982	\$ 297,731	\$ 286,452	\$ 251,424
Covered payroll	867,267	854,249	862,524	809,231	734,343	659,186	667,133
Total pension liability as a percentage of covered payroll	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 Six Fiscal Years

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 3,350,000	\$ 3,388,700	\$ 38,700
Penalties and interest	4,500	4,942	442
Total	3,354,500	3,393,642	39,142
Other taxes and licenses:			
Motor vehicle licenses	10,750	10,945	195
Vehicle re-entry decal sales	1,800	780	(1,020)
Licenses and fees	130	130	-
Total	12,680	11,855	(825)
Unrestricted intergovernmental:			
Local option sales taxes	1,405,000	1,396,855	(8,145)
ABC revenue	20,250	22,886	2,636
Hold harmless	195,000	196,754	1,754
Utility sales tax	205,000	228,667	23,667
Solid Waste Disposal	1,700	1,780	80
Beer and wine tax	9,600	10,007	407
Video programming	31,000	29,513	(1,487)
Telecommunications tax	7,000	6,523	(477)
Refunds	52,000	-	(52,000)
Total	1,926,550	1,892,985	(33,565)
Restricted intergovernmental:			
Grants	-	29	29
ARPA funds	668,628	321,931	(346,697)
Powell Bill allocation	70,350	70,352	2
Total	738,978	392,312	(346,666)
Permits and fees:			
Garbage fees	554,500	570,593	16,093
Storm water fees	495,000	508,250	13,250
Building permits	118,900	131,604	12,704
TDA funds	472,404	472,458	54
Miscellaneous	3,470	4,615	1,145
Police fees	1,750	935	(815)
Total	1,646,024	1,688,455	42,431

(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, 2023**

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Rents and concessions	\$ 109,992	\$ 144,868	\$ 34,876
Parking program revenue	742,000	741,392	(608)
Miscellaneous	27,425	52,987	25,562
Total	879,417	939,247	59,830
Investment earnings	49,282	80,859	31,577
Total Revenues	8,607,431	8,399,355	(208,076)
Expenditures:			
General government:			
Governing body:			
Salaries and benefits	12,871	12,871	-
Operating expense	52,670	49,924	2,746
Total	65,541	62,795	2,746
Administration:			
Salaries and benefits	162,849	160,300	2,549
Operating expense	687,202	588,687	98,515
Total	850,051	748,987	101,064
Finance:			
Salaries and benefits	143,234	141,621	1,613
Operating expense	136,541	33,293	103,248
Capital outlay	-	66,107	(66,107)
Total	279,775	241,021	38,754
Total general government	1,195,367	1,052,803	142,564
Public Safety:			
Police:			
Salaries and benefits	1,474,112	1,362,387	111,725
Operating expense	499,368	429,017	70,351
Capital outlay	95,000	108,006	(13,006)
Total	2,068,480	1,899,410	169,070
Fire:			
Salaries and benefits	1,036,910	997,613	39,297
Operating expense	173,044	161,730	11,314
Capital outlay	717,773	715,549	2,224
Total	1,927,727	1,874,892	52,835

(Continued)

TOWN OF KURE BEACH, NORTH CAROLINA**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****Statement 1****General Fund (Continued)****Page 3 of 4****For the Fiscal Year Ended June 30, 2023**

	Budget	Actual	Variance Positive (Negative)
Life guards:			
Salaries and benefits	\$ 330,953	\$ 287,058	\$ 43,895
Operating expense	28,571	27,194	1,377
Capital outlay	12,500	12,688	(188)
Total	<u>372,024</u>	<u>326,940</u>	<u>45,084</u>
Building Inspection:			
Salaries and benefits	194,004	193,387	617
Operating expense	53,341	30,247	23,094
Total	<u>247,345</u>	<u>223,634</u>	<u>23,711</u>
Total public safety	<u>4,615,576</u>	<u>4,324,876</u>	<u>290,700</u>
Transportation:			
Operating expense	20,075	12,575	7,500
Capital outlay	185,000	79,511	105,489
Total transportation	<u>205,075</u>	<u>92,086</u>	<u>112,989</u>
Parks and recreation:			
Salaries and benefits	185,759	180,832	4,927
Operating expense	93,636	86,999	6,637
Capital outlay	66,000	58,505	7,495
Total parks and recreation	<u>345,395</u>	<u>326,336</u>	<u>19,059</u>
Special projects:			
Community center	27,000	23,914	3,086
Other	20,250	12,558	7,692
Capital outlay	78,000	-	78,000
Total special projects	<u>125,250</u>	<u>36,472</u>	<u>88,778</u>
Environmental protection:			
Salaries and benefits	742,056	661,742	80,314
Operating expense	949,725	770,682	179,043
Capital outlay	605,000	468,971	136,029
Total environmental protection	<u>2,296,781</u>	<u>1,901,395</u>	<u>395,386</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, 2023**

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal	\$ 547,410	\$ 580,724	\$ (33,314)
Interest	116,320	115,377	943
Total debt service	<u>663,730</u>	<u>696,101</u>	<u>(32,371)</u>
 Total expenditures	<u>9,447,174</u>	<u>8,430,069</u>	<u>1,017,105</u>
 Revenue over (under) expenditures	<u>(839,743)</u>	<u>(30,714)</u>	<u>809,029</u>
 Other financing sources (uses):			
Proceeds from installment purchases	1,157,773	799,455	(358,318)
Transfers to other funds	(668,710)	(321,931)	346,779
Total other financing sources (uses)	<u>489,063</u>	<u>477,524</u>	<u>(11,539)</u>
 Fund balance appropriated	<u>350,680</u>	<u>-</u>	<u>(350,680)</u>
 Net change in fund balance	<u>\$ -</u>	<u>446,810</u>	<u>\$ 446,810</u>
 Fund balances, beginning		<u>7,012,003</u>	
Fund balances, ending		<u>\$ 7,458,813</u>	

TOWN OF KURE BEACH, NORTH CAROLINA

Statement 2

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, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
SCIF grant	\$ 250,000	\$ -	\$ 25,120	\$ 25,120
Total revenues	<u>250,000</u>	<u>-</u>	<u>25,120</u>	<u>25,120</u>
Expenditures:				
Capital projects:				
Architectural	76,500	-	10,120	10,120
Construction	<u>173,500</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Total expenditures	<u>250,000</u>	<u>-</u>	<u>25,120</u>	<u>25,120</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ -</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, 2023

Statement 3
Page 1 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Water sales and sewer charges:			
Residential and commercial	\$ 2,360,525	\$ 2,336,131	\$ (24,394)
Water and sewer tap fees	45,000	81,500	36,500
Other user fees	1,800	2,580	780
Other operating revenues	7,400	12,215	4,815
Total	<u>2,414,725</u>	<u>2,432,426</u>	<u>17,701</u>
Non-operating revenues			
Interest earnings	<u>7,711</u>	<u>40,336</u>	<u>32,625</u>
Total revenues	<u>2,422,436</u>	<u>2,472,762</u>	<u>50,326</u>
Expenditures:			
Water and sewer administration and operations:			
Salaries and benefits - admin	304,895	291,123	13,772
Salaries and benefits - OPS	470,262	559,179	(88,917)
Utilities	60,720	59,491	1,229
Supplies	133,400	128,456	4,944
Repairs and maintenance	505,853	191,196	314,657
Treatment facility charges	275,000	253,031	21,969
Operating expenditures	306,487	292,711	13,776
Capital outlay	325,000	245,313	79,687
Total	<u>2,381,617</u>	<u>2,020,500</u>	<u>361,117</u>
Debt service:			
Interest and fees	49,750	49,076	674
Principal retirement	313,000	313,068	(68)
Total	<u>362,750</u>	<u>362,144</u>	<u>606</u>
Total expenditures	<u>2,744,367</u>	<u>2,382,644</u>	<u>361,723</u>
Revenues over (under) expenditures	<u>(321,931)</u>	<u>90,118</u>	<u>412,049</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, 2023

Statement 3
Page 2 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfer in	\$ 321,931	\$ 321,931	\$ -
Total other financing sources (uses)	<u>321,931</u>	<u>321,931</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	412,049	<u>\$ 412,049</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		245,313	
Depreciation		(432,074)	
Principal retirement		313,068	
Changes in assets and liabilities:			
Accounts receivable		(29,873)	
Deferred outflows of resources - pensions		(245,754)	
Deferred outflows of resources - OPEB		17,656	
Accounts payable and accrued liabilities		50,472	
Compensated absences		4,369	
Net Pension Liability		297,960	
Deferred inflows of resources - pensions		51	
Deferred inflows of resources - OPEB		46,334	
OPEB liability		<u>(70,867)</u>	
Total reconciling items		<u>196,655</u>	
Change in net position		<u>\$ 608,704</u>	

OTHER SCHEDULES

TOWN OF KURE BEACH, NORTH CAROLINA
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2023

Schedule 1

Fiscal Year	Uncollected Balance June 30, 2022	Additions	Collections, Credits and Adjustments	Uncollected Balance June 30, 2023
2022-2023	\$ -	\$ 3,387,009	\$ 3,381,361	\$ 5,648
2021-2022	11,183	-	6,002	5,181
2020-2021	3,688	-	1,108	2,580
2019-2020	5,892	-	962	4,930
2018-2019	2,335	-	583	1,752
2017-2018	2,257	-	374	1,883
2016-2017	2,933	-	376	2,557
2015-2016	2,498	-	343	2,155
2014-2015	1,573	-	346	1,227
2013-2014	1,569	-	286	1,283
2012-2013	1,037	-	1,009	28
Total	<u>\$ 34,965</u>	<u>\$ 3,387,009</u>	<u>\$ 3,392,750</u>	<u>\$ 29,224</u>

Ad valorem taxes receivable - net \$ 29,224

Reconciliation with revenues:

Ad valorem taxes - general fund	\$ 3,393,643
Reconciling items:	
Write offs, collection fees, and discounts	1,025
Miscellaneous adjustments	2,343
Interest collected	(4,261)
	<u>\$ 3,392,750</u>

TOWN OF KURE BEACH, NORTH CAROLINA
Analysis of Current Year Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2023

Schedule 2

	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	\$ 1,237,565,598	0.2658	\$ 3,289,449	\$ 3,289,449	\$ -
Motor vehicles	36,532,732	0.2658	97,104	-	97,104
Registered motor vehicles at prior year rates	88,889	0.2340	208	-	208
Penalties and interest	-		502	502	-
Total	<u>1,274,187,219</u>		<u>3,387,263</u>	<u>3,289,951</u>	<u>97,312</u>
Discoveries:					
Current year taxes	<u>-</u>		<u>186</u>	<u>186</u>	<u>-</u>
Abatements:					
Current year taxes	<u>(165,579)</u>		<u>(440)</u>	<u>(440)</u>	<u>-</u>
Total property value	<u>\$ 1,274,021,640</u>				
Net levy			<u>3,387,009</u>	<u>3,289,697</u>	<u>97,312</u>
Uncollected taxes at June 30, 2023			<u>5,648</u>	<u>5,648</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,381,361</u>	<u>\$ 3,284,049</u>	<u>\$ 97,312</u>
Current levy collection percentage			<u>99.83%</u>	<u>99.83%</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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 31, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
October 31, 2023