

TOWN OF KURE BEACH
Kure Beach, North Carolina

FINANCIAL STATEMENTS
Year Ended June 30, 2010

TOWN OF KURE BEACH
Kure Beach, North Carolina

Town Council Members

James M. Dugan

Emilie Swearingen

Chuck Keener

Barry Nelder

ADMINISTRATIVE OFFICERS and FINANCIAL STAFF

Dean Lambeth
Mayor

Arlen Copenhaver
Finance Officer

Nancy Avery
Town Clerk

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 June 30, 2010

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Financial Section



CERTIFIED PUBLIC ACCOUNTANTS
4024 Oleander Drive Suite 2
Wilmington, North Carolina 28403
Telephone (910) 799-4872 Fax (910) 395-4872

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Town of Kure Beach, North Carolina, as of and for the year ended June 30, 2010, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Kure Beach's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position 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 as of June 30, 2010, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2010 on our consideration of Town of Kure Beach's internal control over financial reporting and our tests of its compliance with certain provisions of laws,

regulations, contracts, and grants. The purpose of the report is to describe the scope of our testing of internal control over financial and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Other Postemployment Benefits' Schedule of Funding Progress and Schedule of Employer Contributions are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Kure Beach, North Carolina. The combining, and individual fund financial statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budgetary schedules and other schedules, and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
October 31, 2010

**Town of Kure Beach
Management's Discussion and Analysis
June 30, 2010**

As management of the Town of Kure Beach, we offer readers of the Town of Kure Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Kure Beach for the fiscal year ended June 30, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

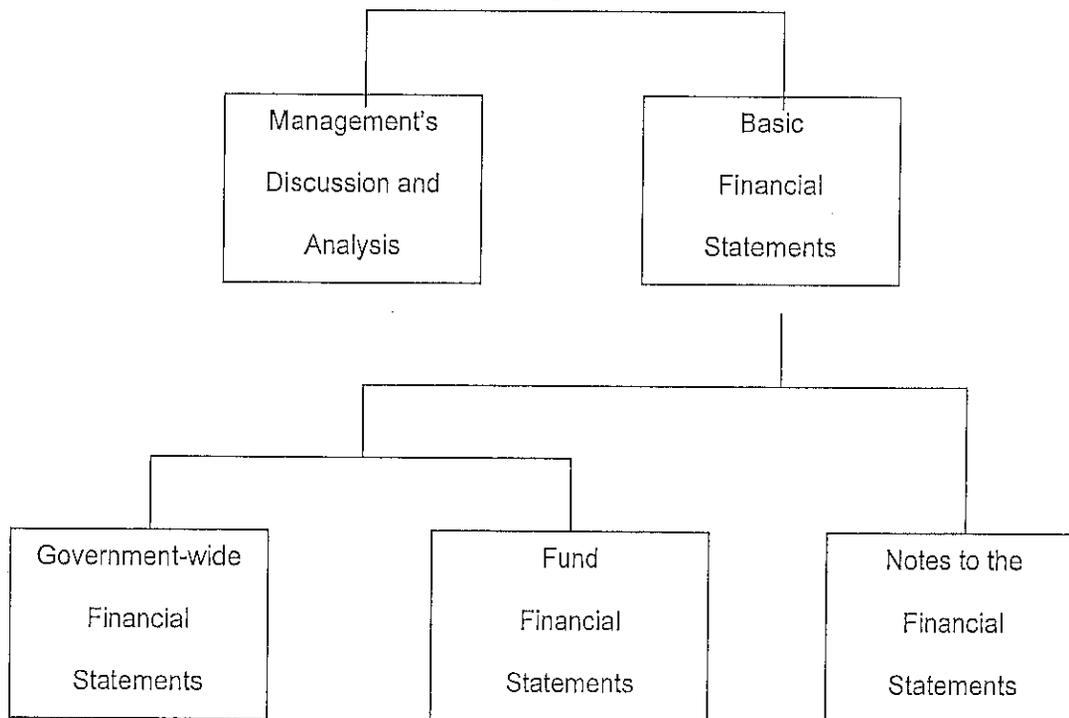
Financial Highlights

- The assets of the Town of Kure Beach exceeded its liabilities at the close of the fiscal year by \$12,320,450.
- The government's net assets at the year ending June 30, 2010 were \$6,351,219 for governmental type activities and \$5,969,231 business type activities.
- As of the close of the current fiscal year, the Town of Kure Beach's governmental funds reported an ending fund balance of \$1,504,347. Approximately 35% percent of this total amount, or \$532,076, is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,326,474 or 45% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

**Required Components of Annual Financial Report
Figure 1**



Summary----->Detail

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 8) 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 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 assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

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 Town of Kure Beach 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. Most 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 Assets 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 – Town of Kure Beach has one kind of proprietary fund. *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Kure Beach uses an enterprise fund to account for its water and sewer fund activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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 8 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 of Kure Beach's progress in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Analysis

The Town of Kure Beach's Net Assets
Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 1,738,862	\$ 1,834,993	\$ 713,332	\$ 879,599	\$ 2,452,194	\$ 2,714,592
Capital assets/Restricted assets	7,199,553	7,166,332	5,667,969	6,048,685	12,867,522	13,215,017
Total assets	8,938,415	9,001,325	6,381,301	6,928,284	15,319,716	15,929,609
Long-term liabilities outstanding	3,448,769	2,166,074	964,599	899,194	4,413,368	3,065,268
Other liabilities	374,507	484,032	62,265	59,859	426,772	543,891
Total liabilities	3,823,276	2,650,106	1,016,864	959,053	4,840,140	3,609,159
Net assets:						
Invested in capital assets, net of related debt	3,834,846	5,000,258	4,730,675	5,149,491	8,565,521	10,149,749
Restricted	160,909	172,959	-	-	160,909	172,959
Unrestricted	1,119,364	1,178,002	633,762	819,740	1,753,146	1,997,742
Total net assets	\$ 5,115,139	\$ 6,351,219	\$ 5,364,437	\$ 5,969,231	\$ 10,479,576	\$ 12,320,450

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Kure Beach exceeded liabilities by \$12,320,450 at June 30, 2010. The Town's net assets for governmental activities and business type activities were \$6,351,219 and \$5,969,231 respectively for the fiscal year ended June 30, 2010. However, the largest portion \$10,149,749 reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Kure Beach uses these capital assets to provide services to

Management Discussion and Analysis
Town of Kure Beach

citizens; consequently, these assets are not available for future spending. Although the Town of Kure Beach's 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 of Kure Beach's net assets of \$172,959 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,997,742 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.25%.

Town of Kure Beach Change in Net Assets

Figure 3

	Governmental Activities 2009	Governmental Activities 2010	Business Type Activities 2009	Business Type Activities 2010	Total 2009	Total 2010
Revenues:						
Program revenues:						
Charges for services	\$ 528,122	\$ 665,508	\$ 1,384,403	\$ 1,414,090	\$ 1,912,525	\$ 2,079,598
Operating grants and contributions	101,686	141,619	-	-	101,686	141,619
Capital grants and contributions	800,000	1,214,479	52,382	578,542	852,382	1,793,021
General revenues:						
Property taxes	1,567,749	1,594,288	-	-	1,567,749	1,594,288
Other taxes	755,266	666,971	-	-	755,266	666,971
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	25,493	5,498	11,278	1,044	36,771	6,542
Total revenues	3,778,316	4,288,363	1,448,063	1,993,676	5,226,379	6,282,039
Expenses:						
General government	412,881	448,971	-	-	412,881	448,971
Public safety	1,348,696	1,409,871	-	-	1,348,696	1,409,871
Highways/streets	51,320	1,373	-	-	51,320	1,373
Environmental Protection	885,058	875,990	-	-	885,058	875,990
Economic development	103,563	148,354	-	-	103,563	148,354
Special Development	40,587	45,072	-	-	40,587	45,072
Cultural and recreation	-	-	-	-	-	-
Interest on long-term debt	210,457	122,652	-	-	210,457	122,652
Water and sewer	-	-	1,388,131	1,388,882	1,388,131	1,388,882
Other	-	-	-	-	-	-
Total expenses	3,052,562	3,052,283	1,388,131	1,388,882	4,440,693	4,441,165
Increase in net assets before transfers	725,754	1,236,080	59,932	604,794	785,686	1,840,874
Transfers	-	-	-	-	-	-
Increase in net assets	725,754	1,236,080	59,932	604,794	785,686	1,840,874
Net assets, July 1	4,389,385	5,115,139	5,304,505	5,364,437	9,693,890	10,479,576
Net assets, June 30	\$ 5,115,139	\$ 6,351,219	\$ 5,364,437	\$ 5,969,231	\$ 10,479,576	\$ 12,320,450

Governmental activities. Governmental activities of the Town reported \$6,351,219 in net assets. Key elements of this increase are as follows:

- Increase in revenues and a decrease expenditures.
- Tourism to the Town has continued to increase.

Business-type activities: Business-type activities of the Town reported \$5,969,231 in net assets. Key elements of this increase are as follows:

- Increase in grant revenues.

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 of Kure Beach'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 of Kure Beach's financing requirements. Specifically, unreserved 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, unreserved fund balance of the General Fund was \$1,326,474 while total fund balance reached \$2,290,119. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 45% of total General Fund expenditures.

At June 30, 2010, the governmental funds of Town of Kure Beach reported a fund balance of 1,504,347.

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 assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$819,740. 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 of Kure Beach's investment in capital assets for its governmental and business type activities as of June 30, 2010, totals \$13,144,515. (Net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Vehicles

**Town of Kure Beach's Capital Assets
Figure 4**

(net of depreciation)

	Governmental		Business-type		Total	
	Activities 2009	Activities 2010	Activities 2009	Activities 2010	2009	2010
Land	\$ 3,668,455	\$ 3,668,455	20,697	20,697	3,689,152	3,689,152
Buildings and systems	100,518	73,237	5,369,380	5,852,733	5,469,898	5,925,970
Improvements other than buildings	9,719	8,156	-	-	9,719	8,156
Infrastructure	97,296	89,635	-	-	97,296	89,635
Vehicles and equipment	454,200	386,982	199,957	175,255	654,157	562,237
Construction in progress	2,869,365	2,939,867	77,934	-	2,947,299	2,939,867
Total	\$ 7,199,553	\$ 7,166,332	\$ 5,667,968	\$ 6,048,685	\$ 12,867,521	\$ 13,215,017

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, 2010, the Town of Kure Beach had total debt outstanding of \$3,065,269. Installment debt for governmental type activities and business type activities were \$2,166,074 and \$899,195 respectively.

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

Economic Factors and Next Year's Budgets and Rates

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

- Unemployment rates remained low.
- The town will benefit greatly from the water project through an increase in services provided.
- The Town has approved a \$2.89 million general fund budget for fiscal year 2010 – 2011, which represents a 2.6% decrease from the actual expenditures for the year ended June 30, 2010.

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.

Basic Financial Statements

Town of Kure Beach, North Carolina
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,598,681	\$ 712,325	\$ 2,311,006
Receivables (net)	179,359	224,227	403,586
Internal balances	56,953	(56,953)	-
Total current assets	<u>1,834,993</u>	<u>879,599</u>	<u>2,714,592</u>
Non-Current Assets:			
Capital assets:			
Land, improvements, and construction in progress	6,608,322	20,697	6,629,019
Other capital assets, net of depreciation	558,010	6,027,988	6,585,998
Total capital assets	<u>7,166,332</u>	<u>6,048,685</u>	<u>13,215,017</u>
Total assets	<u>\$ 9,001,325</u>	<u>\$ 6,928,284</u>	<u>\$ 15,929,609</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 314,955	\$ 23,813	\$ 338,768
Customer deposits	-	6,660	6,660
OPEB payable	98,340	14,692	113,032
Compensated absences payable	70,737	14,694	85,431
Long-term liabilities:			
Due within one year	240,288	86,348	326,636
Due in more than one year	1,925,786	812,846	2,738,632
Total liabilities	<u>2,650,106</u>	<u>959,053</u>	<u>3,609,159</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,000,258	5,149,491	10,149,749
Restricted for streets	172,959	-	172,959
Unrestricted (deficit)	1,178,002	819,740	1,997,742
Total net assets	<u>\$ 6,351,219</u>	<u>\$ 5,969,231</u>	<u>\$ 12,320,450</u>

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

Kure Beach
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Town of Kure Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and	Capital Grants and
Primary government:				
Governmental Activities:				
General government	\$ 448,971	\$ 205,650	\$ -	\$ -
Public safety	1,409,871	32,793	78,151	-
Transportation	1,373	-	63,468	-
Economic and physical development	148,354	-	-	1,214,479
Environmental protection	875,990	427,065	-	-
Special projects	45,072	-	-	-
Interest on long-term debt	122,652	-	-	-
Total governmental activities	3,052,283	665,508	141,619	1,214,479
Business-type activities:				
Water and Sewer	1,388,882	1,414,090	-	578,542
Total business-type activities	1,388,882	1,414,090	-	578,542
Total Primary Government	\$ 4,441,165	\$ 2,079,598	\$ 141,619	\$ 1,793,021

General revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Grants and contributions not restricted to specific programs

Investment earnings, unrestricted

Transfers

Miscellaneous, unrestricted

Total general revenues, special items, and transfers

Change in net assets

Net assets-beginning

Net assets-ending

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (243,321)	\$ -	\$ (243,321)
(1,298,927)	-	(1,298,927)
62,095	-	62,095
1,066,125	-	1,066,125
(448,925)	-	(448,925)
(45,072)	-	(45,072)
(122,652)	-	(122,652)
<u>(1,030,677)</u>	<u>-</u>	<u>(1,030,677)</u>
-	603,750	603,750
-	603,750	603,750
-	603,750	(426,927)
1,594,288	-	1,594,288
422,814	-	422,814
244,157	-	244,157
-	-	-
5,498	1,044	6,542
-	-	-
-	-	-
<u>2,266,757</u>	<u>1,044</u>	<u>2,267,801</u>
<u>1,236,080</u>	<u>604,794</u>	<u>1,840,874</u>
5,115,139	5,364,437	10,479,576
<u>\$ 6,351,219</u>	<u>\$ 5,969,231</u>	<u>\$ 12,320,450</u>

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

Town of Kure Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds			Total Governmental Funds
	General Fund	Capital Project Fund	Total Non- Major Funds	
ASSETS				
Cash and cash equivalents	\$ 1,580,255	\$ -	\$ 18,426	\$ 1,598,681
Taxes receivables, net	14,462	-	-	14,462
Account receivables, net	163,668	-	-	163,668
Due from other funds	627,018	-	-	627,018
Total assets	<u>\$ 2,385,403</u>	<u>\$ -</u>	<u>\$ 18,426</u>	<u>\$ 2,403,829</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 80,822	\$ 232,333	\$ 1,800	\$ 314,955
Due to other funds	-	562,065	8,000	570,065
Deferred revenue	14,462	-	-	14,462
Total liabilities	<u>95,284</u>	<u>794,398</u>	<u>9,800</u>	<u>899,482</u>
Fund balances:				
Reserved for:				
Reserved for streets - Powell Bill	172,959	-	-	172,959
State statute	790,686	-	-	790,686
Beach renourishment	-	-	8,626	8,626
Unreserved	1,326,474	(794,398)	-	532,076
Total fund balances	<u>2,290,119</u>	<u>(794,398)</u>	<u>8,626</u>	<u>1,504,347</u>
Total Liabilities and Fund Balances	<u>\$ 2,385,403</u>	<u>\$ -</u>	<u>\$ 18,426</u>	

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

financial resources and therefore are not reported in the funds.

7,166,332

Liabilities for earned but deferred revenues in fund statements.

14,462

Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.

1,229

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(2,335,151)

Net assets of governmental activities

\$ 6,351,219

Town of Kure Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds			Total Governmental Funds
	General Fund	Capital Project Fund	Total Non- Major Fund	
REVENUES				
Ad valorem taxes	\$ 1,612,834	\$ -	\$ -	\$ 1,612,834
Other taxes and licenses	11,446	-	-	11,446
Unrestricted intergovernmental	652,119	-	-	652,119
Restricted intergovernmental	141,619	1,214,479	-	1,356,098
Permits and fees	398,704	-	-	398,704
Sales and services	270,479	-	-	270,479
Investment earnings	5,498	-	-	5,498
Miscellaneous	-	-	-	-
Total revenues	<u>3,092,699</u>	<u>1,214,479</u>	<u>-</u>	<u>4,307,178</u>
EXPENDITURES				
Current:				
General government	498,704	-	-	498,704
Public safety	1,320,005	-	-	1,320,005
Transportation	26,814	-	-	26,814
Special projects	34,983	-	-	34,983
Environmental Protection	849,143	80,234	1,781	931,158
Economic and physical development	-	-	-	-
Debt service	240,015	1,099,893	-	1,339,908
Total expenditures	<u>2,969,664</u>	<u>1,180,127</u>	<u>1,781</u>	<u>4,151,572</u>
Excess (deficiency) of revenues over expenditures	<u>123,035</u>	<u>34,352</u>	<u>(1,781)</u>	<u>155,606</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	18,623	-	-	18,623
Total other financing sources and uses	<u>18,623</u>	<u>-</u>	<u>-</u>	<u>18,623</u>
Net change in fund balance	141,658	34,352	(1,781)	174,229
Fund balances-beginning	2,148,461	(828,750)	10,407	1,330,118
Fund balances-ending	<u>\$ 2,290,119</u>	<u>\$ (794,398)</u>	<u>\$ 8,626</u>	<u>\$ 1,504,347</u>

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

Town of Kure Beach, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
To the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2010

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

Net changes in fund balances - total governmental funds	\$	174,229
<p>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.</p>		
		(33,491)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Change in deferred revenue for tax revenues		(18,546)
<p>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:</p>		
Compensated absences		13,595
Other Postemployment Benefits		(98,340)
<p>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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		<u>1,198,633</u>
Total changes in net assets of governmental activities	\$	<u>1,236,080</u>

Town of Kure Beach, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended June 30, 2010

	General Fund			Variance With Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1,601,272	\$ 1,601,272	\$ 1,612,834	\$ 11,562
Other taxes and licenses	16,800	16,800	11,446	(5,354)
Unrestricted intergovernmental	682,934	683,834	652,119	(31,715)
Restricted intergovernmental	55,000	55,000	141,619	86,619
Permits and fees	428,598	428,597	398,704	(29,893)
Sales and services	92,100	219,915	270,479	50,564
Investment earnings	40,500	50,700	5,498	(45,202)
Miscellaneous	-	-	-	-
Total revenues	<u>2,917,204</u>	<u>3,056,118</u>	<u>3,092,699</u>	<u>36,581</u>
Expenditures				
Current:				
General government	563,013	506,277	498,704	7,573
Public safety	1,459,626	1,382,914	1,320,005	62,909
Transportation	-	33,800	26,814	6,986
Special projects	-	35,140	34,983	157
Environmental protection	836,765	861,545	849,143	12,402
Debt service	-	241,109	240,015	1,094
Total expenditures	<u>2,859,404</u>	<u>3,060,785</u>	<u>2,969,664</u>	<u>91,121</u>
Revenues over (under) expenditures	57,800	(4,667)	123,035	127,702
Other financing sources (uses):				
Proceeds from installment purchases	-	-	18,623	18,623
Transfers (to)/from	-	-	-	-
Fund Balance Appropriated	(57,800)	4,667	-	(4,667)
Total other financing sources (uses)	<u>(57,800)</u>	<u>4,667</u>	<u>18,623</u>	<u>13,956</u>
Net change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	141,658	<u>\$ 141,658</u>
Fund balance, Beginning			2,148,461	
Fund balance, Ending			<u>\$ 2,290,119</u>	

Town of Kure Beach, North Carolina
Statement of Net Assets
Proprietary Fund
June 30, 2010

	Major Enterprise Fund
	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 712,325
Accounts Receivable (net)	224,227
Due from other funds	-
Other Receivable	-
Total	936,552
Capital assets (net)	6,048,685
Total assets	\$ 6,985,237
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 23,813
Due to other funds	56,953
Customer deposits	6,660
Current portion of long-term debt	86,348
Total	173,774
Noncurrent liabilities:	
Compensated absences	14,692
Other postemployment benefits payable	14,694
Non-current portion of long-term debt	812,846
Total liabilities	1,016,006
Net Assets	
Invested in capital assets, net of related debt	5,149,491
Unrestricted	819,740
Total net assets	\$ 5,969,231

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

Town of Kure Beach, North Carolina
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2010

	Major Enterprise Fund
	Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 1,406,687
Other operating revenues	7,403
Total operating revenues	1,414,090
Operating expenses:	
Administration	180,251
Water and Sewer system operations	933,793
Depreciation	248,124
Total operating expenses	1,362,168
Operating income	51,922
Nonoperating revenues (expenses):	
Investment earnings	1,044
Interest and fees	(26,714)
Total nonoperating revenues (expenses)	(25,670)
Net income before transfers	26,252
Capital contributions	578,542
Transfer in (out)	-
Change in net assets	604,794
Total net assets, beginning	5,364,437
Total net assets, ending	\$ 5,969,231

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

Town of Kure Beach, North Carolina
 Proprietary Fund
 Statement of Cash Flows
 For The Year Ended June 30, 2010

	Major Enterprise Fund
	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 1,355,898
Cash paid for goods and services	(798,722)
Cash paid to employees for services	(328,739)
Net cash provided by operating activities	222,142
Cash flows from noncapital financing activities:	
Transfers in (out)	11,777
Note proceeds	38,287
Net cash used by noncapital financing activities	50,064
Cash flows from capital and related financing activities:	
Capital contributions	578,542
Acquisition and construction of capital assets	(628,840)
Principal paid on bond maturities and note agreements	(76,386)
Interest and fees paid on bond maturities and notes agreements	(26,714)
Net cash used by capital and related financing activities	(153,398)
Cash flows from investing activities:	
Interest on investments	1,044
Net decrease in cash and cash equivalents	119,852
Balances, Beginning	592,473
Balances, Ending	\$ 712,325

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

Town of Kure Beach, North Carolina
 Proprietary Fund
 Statement of Cash Flows
 For The Year Ended June 30, 2010

	<u>Water and Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ <u>51,922</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	248,124
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(58,192)
Increase (decrease) in accounts payable and accrued liabilities	(20,343)
Increase(decrease) in compensated absences	(12,613)
Increase(decrease) in OPEB payable	14,694
Increase(decrease) in deposits	<u>(1,450)</u>
Total adjustments	<u>170,220</u>
Net cash provided by operating activities	\$ <u><u>222,142</u></u>

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

Notes to the Financial Statements

Town of Kure Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2010

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Kure Beach conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non major funds.

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

The Town reports the following major governmental fund:

General Fund. The General 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.

Capital Projects Fund. This fund is used to account for grant funds that are restricted for use for a particular purpose.

The Town reports the following non-major governmental fund:

Grant Project Special Revenue Fund. This fund is used to account for grant funds that are restricted for use for a particular purpose.

The Town reports the following major enterprise funds:

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

C. 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 enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, New Hanover County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Kure Beach. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in New Hanover County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. 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 are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General, Special Revenue, and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Project Funds and the Enterprise Capital Project Funds. The Enterprise Fund projects are consolidated with their respective operating fund for reporting purposes. 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 reallocate departmental appropriations among the various expenditures within each department. The Budget Officer is also authorized to effect interdepartmental transfers of minor budget amendments not to exceed ten (10) percent of the appropriated funds for the department's allocation which is being reduced. Notification of all such amendments shall be made to the Board of Commissioners at their next regular meeting following the transfer.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. 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.

3. Restricted Cash

The unexpended note proceeds of the Water and Sewer fund is classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the debt was originally obtained.

4. 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, 2009. 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.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are written off using the direct write-off method.

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market.

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories are expensed when consumed rather than when purchased.

The Town does not have any prepaid items.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Capitalization cost for the Town's assets are \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Other 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

8. 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 assets. 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 are reported as deferred charges and amortized over the term of the related debt.

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

9. Compensated Absences

Vacation leave is accumulated at the rate of up to twenty (20) days per year with each leave being fully vested when earned. For the Town's 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.

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and inter-fund receivables which have not been offset by deferred revenues.

Reserved for streets - Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Unreserved:

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

B. Deficit Fund Balance or Retained Earnings of Individual Funds

The Capital Project fund had deficit fund balance at June 30, 2010 of \$794,398. The deficit fund balance was due to timing differences. Management will closely monitor expenditures in the future.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. 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 these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2010, the Town's deposits had a carrying amount of \$2,311,006 and a bank balance of \$2,734,693. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral under the pooling method.

Investments

The Town had no investments.

Receivables- Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts. Based on historical experience an allowance for doubtful accounts has not been established.

Receivables

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Other	Total
Governmental Activities:					
General	\$ 163,668	\$ 15,691	\$ -	\$ -	\$ 179,359
Total Governmental Activities	<u>\$ 163,668</u>	<u>\$ 15,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,359</u>
Business-Type Activities:					
Water and Sewer	\$ 224,227	\$ -	\$ -	\$ -	\$ 224,227
Total Business-Type Activities	<u>\$ 224,227</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,227</u>

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,668,455	\$ -	\$ -	3,668,455
Construction in progress	2,869,365	70,502	-	2,939,867
Total capital assets not being depreciated	6,537,820	70,502	-	6,608,322
Capital assets being depreciated:				
Buildings	545,627	-	-	545,627
Equipment and Vehicles	2,726,913	105,906	-	2,832,819
Improvements	33,354	-	-	33,354
Infrastructure	284,803	-	-	284,803
Total capital assets being depreciated	3,590,697	105,906	-	3,696,603
Less accumulated depreciation for:				
Buildings	445,109	27,281	-	472,390
Equipment and Vehicles	2,272,713	173,123	-	2,445,836
Improvements	23,634	1,584	-	25,198
Infrastructure	187,507	7,661	-	195,168
Total accumulated depreciation	2,928,963	209,630	-	3,138,593
Total capital assets being depreciated, net	661,734			558,010
Governmental activity capital assets, net	\$ 7,199,554		\$	7,166,332

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

General Government	\$	14,372
Public Safety		117,049
Transportation		-
Environmental Protection		68,120
Cultural and Recreational		10,089
Total Depreciation Expense	\$	<u>209,630</u>

Water and Sewer Fund:

	Beginning Balances	Increases	Decreases	Ending Balances
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 20,697	\$ -	\$ -	\$ 20,697
Construction in progress	77,934	579,344	657,278	-
Total capital assets not being depreciated	<u>98,631</u>	<u>579,344</u>	<u>657,278</u>	<u>20,697</u>
Capital assets being depreciated:				
Plant & Distribution Systems	7,611,479	657,278	-	8,268,757
Buildings	171,029	-	-	171,029
Equipment and Vehicles	351,437	49,496	-	400,933
Total capital assets being depreciated	<u>8,133,945</u>	<u>706,774</u>	<u>-</u>	<u>8,840,719</u>
Less accumulated depreciation for:				
Plant & Distribution Systems	2,285,010	165,375	-	2,450,385
Buildings	128,117	8,551	-	136,668
Equipment and Vehicles	151,480	74,198	-	225,678
Total accumulated depreciation	<u>2,564,607</u>	<u>248,124</u>	<u>-</u>	<u>2,812,731</u>
Total capital assets being depreciated, net	<u>5,569,338</u>			<u>6,027,988</u>
Water & Sewer Fund activity capital assets, net	\$ <u>5,667,969</u>			\$ <u>6,048,685</u>

Construction commitments:

The government has several active construction projects as of June 30, 2010.

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Kure Beach contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Kure Beach are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$67,784, \$59,486, and \$55,154 respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Kure Beach administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 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. The town has not obtained an actuarial plan because its required contributions are considered immaterial. The Town funds the plan when benefits become due. The Town has not reported a liability amount on the Statement of Net Assets because the amount has been determined to be immaterial.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

2. *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.

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

3. *Contributions.*

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

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

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and other employees employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent 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, 2010 were \$83,189, which consisted of \$67,891 from the Town and \$15,298 from the law enforcement officers and other employees. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2. Other Employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least fifteen years of creditable service with the Town.

The Town pays a percentage of the cost of coverage based upon the number of years of service for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy. By Town resolution, the Town pays a percentage of the cost of the coverage based upon the number of creditable service years the qualified retirees have under the Town resolution. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended, June 30, 2010, the Town's total contributions were \$0.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC).

The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Notes to the financial statements

Annual required contribution	\$ 113,034
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>113,034</u>
Contributions made	-
Increase (decrease) in net OPEB obligation	<u>113,034</u>
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ 113,034</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 113,034	0.0%	\$ 113,034

Funded Status and Funding Progress. As of June 30, 2010, the actuarial accrued liability for benefits was \$692,723, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,569,672, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 44.13 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

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

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 8.00 percent initially, reduced to an ultimate rate of 5.60 percent after six years, was used.

Health insurance premiums – 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.8 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2007 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 4.00 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was thirty years.

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Revenues

The balance in deferred/unearned revenues at year-end is composed of the following elements:

	Deferred Revenue
Taxes Receivable (General Fund)	\$ 14,462
Total	\$ <u>14,462</u>

4. 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 three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits and employee health coverage up to \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are under a blanket bond for \$50,000.

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.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2010, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long Term ObligationsCapital Leases

None.

Installment Purchases

The Town has entered into the following installment purchase contracts:

1 -Contract entered into for purchase of 1500 GPM Pumper Fire truck. Requires annual payments of \$29,517. Installments include interest on the unpaid balance at the rate of 3.36%. Balance at June 30, 2010 is \$56,187 for the governmental activities.

2 -Contract entered into for purchase of 2005 Ford F550 DRW Fire truck. Requires annual payments of \$11,448. The installments include interest on the unpaid balance at the rate of 3.56%. Balance at June 30, 2010 is \$20,000 for the governmental activities.

3 -Contract entered into for installation of a Town drainage system. Requires monthly payments of \$6,678. The installments include interest on the unpaid balance at the rate of 4.40%. Balance at June 30, 2010 is \$654,381 for the governmental activities.

4 -Contract entered into for purchase of 2008 Service Truck and 2007 Chevy 4500 Dump Truck. Requires annual payments of \$21,564. The installments include interest on the unpaid balance at the rate of 4.02%. Balance at June 30, 2010 is \$6,427 for the governmental activities and \$14,304 for the business type activities.

5 -Contract entered into for purchase of a John Deere Tractor for \$26,925. Requires annual payments of \$7,115. The installments include interest on the unpaid balance at the rate of 3.42%. Balance at June 30, 2010 is \$14,095 for the governmental activities and \$6,247 for the business type activities.

6 -Contract entered into for purchase of 2007 International garbage truck for \$150,980. Requires annual payments of \$32,544. The installments include interest on the unpaid balance at the rate of 3.89%. Balance at June 30, 2010 is \$31,325 for the governmental activities.

7 -Contract entered into for purchase of A 2010 Dodge Ram 1500 truck for the water and sewer department in the amount of \$29,985. Requires annual payments of \$8,132. The installments include interest on the unpaid balance at the rate of 3.34%. Balance at June 30, 2010 is \$29,985 for the business type activities.

8 -Contract entered into for purchase two (2) Ford Taurus sedans for \$51,919. Requires annual payments of \$10,685. The installments include interest on the unpaid balance at the rate of 3.53%. Balance at June 30, 2010 is \$10,321 for the governmental activities.

9 -Contract entered into for purchase land for \$3,600,000. Requires annual principal payments of \$64,904. The installments do not include interest on the unpaid balance at the rate of 4.28%. Balance at June 30, 2010 is \$1,168,272 for the governmental activities.

10 -Contract entered into for purchase of John Deere Backhoe Loader. Requires annual payments of \$15,145. The installments include interest on the unpaid balance at the rate of 4.12%. Balance at June 30, 2010 is \$13,135 for the governmental activities and \$15,420 for the business type activities.

11 -Contract entered into for construction of a water tower, well house, and renovations to town hall for \$1,187,187. Requires annual payments of \$105,433. The installments include interest on the unpaid balance at the rate of 3.92%. This loan is split between governmental activities(\$200,000) and the business type activities (\$987,187). The Balance at June 30, 2010 is \$165,869 for the governmental activities and \$833,239 for the business type activities.

12 -Contract entered into for purchase of (2) Crown Victoria's for the Police Department \$61,720. Requires annual payments of \$16,182. The installments include interest on the unpaid balance at the rate of 3.27%. Balance at June 30, 2010 is \$30,844 for the governmental activities.

b. Installment Purchases

The future minimum payments of the installment purchases as of June 30, 2010:

Year Ending June 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2011	240,288	90,978	86,348	34,470
2012	201,452	77,929	74,883	31,059
2013	139,369	73,031	69,907	28,127
2014	137,554	67,075	70,180	25,463
2015	140,786	61,064	64,776	22,734
2016-2020	757,640	215,219	364,433	73,116
2021-2025	354,272	85,009	168,668	8,168
2026-2030	194,713	19,446	-	-
Total	\$ 2,166,074	\$ 689,751	\$ 899,195	\$ 223,137

d. Changes in Long-Term Liabilities

During the year ended June 30, 2010, the following changes occurred in liabilities reported in long-term debt:

	Balance 07/01/2009	Increases	Decreases	Balance 06/30/2010	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 3,364,707	\$ 18,623	\$ (1,217,256)	\$ 2,166,074	\$ 240,288
OPEB liability	-	98,340	-	98,340	-
Compensated absences	84,332	53,261	(66,856)	70,737	-
Governmental activity long-term liabilities	\$ 3,449,039	\$ 170,224	\$ (1,284,112)	\$ 2,335,151	\$ 240,288
Business-type activities:					
Installment purchases	\$ 937,294	\$ 38,287	\$ (76,386)	\$ 899,195	\$ 86,348
OPEB liability	-	14,692	-	14,692	-
Compensated absences	27,305	-	(12,611)	14,694	-
Business-type activity long-term liabilities	\$ 964,599	\$ 52,979	\$ (88,997)	\$ 928,581	\$ 86,348

At June 30, 2010, the Town of Kure Beach had a legal debt margin of \$92,091,882.

C. Interfund Balances and Activity

Interfund balances	
Water and Sewer Fund owes General Fund	\$ 56,953
Beach Nourishment owes General Fund	8,000
Grant Project Fund owes the General Fund	<u>562,065</u>
Interfund balances	<u>\$ 627,018</u>

Balances are for day to day operations.

Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Required
Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

Schedule of Funding Progress for the Other Postemployment Benefits.

Schedule of Employer Contributions for the Other Postemployment Benefits.

Town of Kure Beach, North Carolina
 Other Post Employment Benefits
 Required Supplementary Information
 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
31-Dec-09	-	\$ 692,723	\$ 692,723	0.0%	\$ 1,569,672	44.13%

Town of Kure Beach, North Carolina
Other Post Employment Benefits
Required Supplementary Information
Schedule of Employer Contributions

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2010	113,034	0.00%

Supplementary Statements

The section contains additional statements required by the Local Government Commission
in North Carolina.

Town of Kure Beach, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 1,605,579	\$
Penalties and interest		7,255	
Total	<u>1,601,272</u>	<u>1,612,834</u>	<u>11,562</u>
Other taxes and licenses:			
Motor vehicle licenses		8,066	
Licenses & Fees		3,380	
Total	<u>16,800</u>	<u>11,446</u>	<u>(5,354)</u>
Unrestricted intergovernmental:			
Local option sales taxes		422,814	
ABC Revenue		11,062	
Hold harmless		47,067	
Utility franchise tax		78,107	
Beer and wine tax		3,138	
Video programming		45,362	
Telecommunications tax		19,452	
Refunds		25,117	
Total	<u>683,834</u>	<u>652,119</u>	<u>(31,715)</u>
Restricted intergovernmental:			
Grants		78,151	
Powell Bill allocation		63,468	
Total	<u>55,000</u>	<u>141,619</u>	<u>86,619</u>
Permits and fees:			
Garbage Fees		278,767	
Building permits		30,693	
Cable fees		3,675	
TDA funds		72,619	
Miscellaneous		10,850	
Police fees		2,100	
Total	<u>428,597</u>	<u>398,704</u>	<u>(29,893)</u>

Town of Kure Beach, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Rents and Concessions		93,393	
Impact fees		148,298	
Miscellaneous		28,788	
Total	219,915	270,479	50,564
Investment earnings	50,700	5,498	(45,202)
Total Revenues	3,056,118	3,092,699	36,581
General government:			
Governing body:			
Salaries & benefits		12,434	
Operating expense		15,367	
Capital Outlay		-	
Total	27,807	27,801	6
Elections:			
Operating expense		4,839	
Total	5,020	4,839	181
Administration:			
Salaries & benefits		139,940	
Operating expense		217,320	
Capital Outlay		-	
Total	362,825	357,260	5,565
Finance:			
Salaries & benefits		71,981	
Operating expense		36,823	
Capital Outlay		-	
Total	110,625	108,804	1,821
Total General Governmen	506,277	498,704	7,573
Transportation:			
Salaries & benefits		-	
Operating expense		26,814	
Capital Outlay		-	
Total	33,800	26,814	6,986

Town of Kure Beach, North Carolina
 General Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2010

	Budget	Actual	Variance Positive (Negative)
Public Safety:			
Police:			
Salaries & benefits		747,693	
Operating expense		97,454	
Capital Outlay		25,209	
Total	893,574	870,356	23,218
Fire:			
Salaries & benefits		142,918	
Operating expense		44,281	
Capital Outlay		50,994	
Total	242,080	238,193	3,887
Life guards:			
Salaries & benefits		103,996	
Operating expense		16,438	
Capital Outlay		4,262	
Total	146,567	124,696	21,871
Building Inspections:			
Salaries & benefits		73,328	
Operating expense		13,432	
Capital Outlay		-	
Total	100,693	86,760	13,933
Total Public Safety	1,382,914	1,320,005	62,909
Environmental protection:			
Salaries & benefits		451,845	
Operating expense		361,753	
Capital Outlay		35,545	
Total	861,545	849,143	12,402
Special projects:			
Economic development		5,338	
Parks and Recreation classes		505	
Street festival		12,240	
Community center		12,692	
Beautification		830	
Other		3,378	
Total	35,140	34,983	157
Debt service:			
Principal		200,525	
Interest		39,490	
Total	241,109	240,015	1,094
Total Expenditures	3,060,785	2,969,664	91,121
Revenues over (under) expenditure	(4,667)	123,035	127,702

Town of Kure Beach, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2010

	2010		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Proceeds from Install. Purchase	-	18,623	
Transfers from other funds	-	-	
Transfers to other funds	-	-	
Fund Balance Appropriated	<u>4,667</u>	<u>-</u>	
Total	<u>4,667</u>	<u>18,623</u>	<u>13,956</u>
Net change in Fund Balance	\$ <u>-</u>	141,658	\$ <u>141,658</u>
Fund balances, Beginning		<u>2,148,461</u>	
Fund balances, Ending		\$ <u>2,290,119</u>	

Town of Kure Beach, North Carolina
 Capital Project Fund - Capital Projects Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 From Inception and For the Fiscal Year Ended June 30, 2010

	Project Author - ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental					
Grants (Local)	\$ 500,000	\$ 500,000	\$ 500,000	\$ 1,000,000	
Federal and State Grants	5,000,000	800,000	714,479	1,514,479	
Interest	-	12,828		12,828	
Other income	-	11		11	
Total	<u>5,500,000</u>	<u>1,312,839</u>	<u>1,214,479</u>	<u>2,527,318</u>	\$ <u>(2,972,682)</u>
Expenditures:					
Capital projects:					
Planning and design	-	-	-	-	
Construction	1,012,025	594,634	80,234	674,868	
Debt Service	4,999,691	1,546,955	1,099,893	2,646,848	
Real estate acquisition	3,600,000	3,600,000	-	3,600,000	
Total expenditures	<u>9,611,716</u>	<u>5,741,589</u>	<u>1,180,127</u>	<u>6,921,716</u>	<u>2,690,000</u>
Revenues over expenditures	(4,111,716)	(4,428,750)	34,352	(4,394,398)	(282,682)
Other financing sources:					
Installment sale proceeds	3,600,000	3,600,000	-	3,600,000	-
Local match	511,716	-	-	-	(511,716)
Total other financing sources	<u>4,111,716</u>	<u>3,600,000</u>	<u>-</u>	<u>3,600,000</u>	<u>511,716</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>(828,750)</u>	34,352	\$ <u>(794,398)</u>	\$ <u>(794,398)</u>
Fund balances:					
Beginning of year, July 1			<u>(828,750)</u>		
End of year, June 30			\$ <u>(794,398)</u>		

Town of Kure Beach, North Carolina
Special Revenue Fund - Beach Nourishment Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental					
Grants	\$ 1,582,524	\$ 1,440,024	\$ -	\$ 1,440,024	\$
Interest	10,000	11,609	-	11,609	
Program Income	516,026	665,466	-	665,466	
Total	<u>2,108,550</u>	<u>2,117,099</u>	<u>-</u>	<u>2,117,099</u>	<u>8,549</u>
Expenditures:					
Beach renourishment:					
Planning and design	-	-	-	-	
Construction	2,108,550	2,106,692	1,781	2,108,473	
Real estate acquisition	-	-	-	-	
Total expenditures	<u>2,108,550</u>	<u>2,106,692</u>	<u>1,781</u>	<u>2,108,473</u>	<u>77</u>
Revenues over expenditures	-	10,407	(1,781)	8,626	8,626
Other financing sources:					
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 10,407</u>	<u>(1,781)</u>	<u>\$ 8,626</u>	<u>\$ 8,626</u>
Fund balances:					
Fund Balance, Beginning			<u>10,407</u>		
Fund Balance, Ending			<u>\$ 8,626</u>		

Town of Kure Beach, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water sales:			
Residential & Commercial	\$	\$ 1,406,687	\$
Water and Sewer taps		-	
Other operating revenues		7,403	
Total	<u>1,259,767</u>	<u>1,414,090</u>	<u>154,323</u>
Nonoperating revenues:			
Interest earnings	<u>12,000</u>	<u>1,044</u>	<u>(10,956)</u>
Total Revenues	<u>1,271,767</u>	<u>1,415,134</u>	<u>143,367</u>
Expenditures:			
Water and Sewer Administration & Operations:			
Salaries and benefits - Admin		43,536	
Salaries and benefits - OPS		285,203	
Utilities		58,796	
Supplies		81,667	
Repairs and maintenance		90,034	
Treatment facility charges		299,799	
Operating expenditures		257,090	
Capital outlay		628,840	
Total	<u>2,379,099</u>	<u>1,744,965</u>	<u>634,134</u>
Debt service:			
Interest and fees		26,714	
Principal retirement		76,386	
Total debt service	<u>103,100</u>	<u>103,100</u>	<u>-</u>
Total expenditures	<u>2,482,199</u>	<u>1,848,065</u>	<u>634,134</u>
Revenues over (under) expenditures	(1,210,432)	(432,931)	777,501

Town of Kure Beach, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2010

	2010		Variance Positive (Negative)
	Budget	Actual	
Other financing sources (uses):			
Transfers in (out)	-	-	-
Grants	1,210,432	574,553	(635,879)
Installment purchase proceeds	-	38,287	38,287
Fund balance appropriated	-	-	-
Total other financing sources (uses):	<u>1,210,432</u>	<u>612,840</u>	<u>(597,592)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 179,909</u>	<u>\$ 179,909</u>

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues and other sources over expenditures and other uses	\$ <u>179,909</u>
Reconciling items:	
Capital outlay	628,840
Capital contributions	3,989
Installment purchase proceeds	(38,287)
Change in OPEB and Compensated absences	2,081
Depreciation	(248,124)
Principal retirement	<u>76,386</u>
Total reconciling items	<u>424,885</u>
Change in net assets	<u>\$ 604,794</u>

Town of Kure Beach, North Carolina
Water Improvements Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2010

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental					
Local match	\$ 95,000	\$ -	\$ -	\$ -	
Federal and State Grants	204,000	52,382	3,989	56,371	
Interest	-	-	-	-	
Other income	-	-	-	-	
Total	<u>299,000</u>	<u>52,382</u>	<u>3,989</u>	<u>56,371</u>	\$ <u>(242,629)</u>
Expenditures:					
Capital projects:					
Planning and design	17,500	-	-	-	
Construction	273,000	77,934	-	77,934	
Administration	8,500	-	-	-	
Total expenditures	<u>299,000</u>	<u>77,934</u>	<u>-</u>	<u>77,934</u>	<u>221,066</u>
Revenues over expenditures	-	(25,552)	3,989	(21,563)	(21,563)
Other financing sources:					
Installment sale proceeds	-	-	-	-	-
Local match	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (25,552)</u>	<u>\$ 3,989</u>	<u>\$ (21,563)</u>	<u>\$ (21,563)</u>

OTHER SCHEDULES

This section includes additional information on property taxes, transfers, and cash and investments.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Kure Beach, North Carolina
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2010

Fiscal Year	Uncollected Balance June 30, 2009	Additions	Collections And Credits	Uncollected Balance June 30, 2010
2009-2010	\$	\$ 1,590,603	\$ (1,578,743)	\$ 11,860
2008-2009		24,608	(27,975)	1,414
2007-2008		988	(1,052)	726
2006-2007		1,367	(1,058)	309
2005-2006		773	(700)	73
2004-2005		731	(718)	13
2003 - and prior		2,220	(2,153)	67
	\$	<u>\$ 30,687</u>	<u>\$ (1,612,399)</u>	<u>\$ 14,462</u>
Ad valorem taxes receivable - net				<u>\$ 14,462</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,612,834
Reconciling items:				
Write offs, collection fees, & discounts				6,820
Interest collected				(7,255)
Total collections and credits				<u>\$ 1,612,399</u>

Town of Kure Beach, North Carolina
 Analysis of Current Tax Levy
 Town - Wide Levy
 For the Fiscal Year Ended June 30, 2010

	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	\$ 1,184,001,481	0.135%	\$ 1,598,402	\$ 1,574,711	\$ 23,691
Penalties	-		-	-	-
Total Original Levy	<u>1,184,001,481</u>		<u>1,598,402</u>	<u>1,574,711</u>	<u>23,691</u>
Discoveries:					
Current year taxes	-	0.135%	-	-	-
Abatements:					
Current Year Taxes	(5,777,037)	0.135%	(7,799)	(7,713)	(86)
Total for Year	<u>\$ 1,178,224,444</u>		<u>1,590,603</u>	<u>1,566,998</u>	<u>23,605</u>
Uncollected taxes at June 30, 2010			<u>11,860</u>	<u>10,134</u>	<u>1,726</u>
Current year's taxes collected			<u>\$ 1,578,743</u>	<u>\$ 1,556,864</u>	<u>\$ 21,879</u>
Current levy collection percentage			<u>99.25%</u>	<u>99.35%</u>	<u>92.69%</u>

Compliance Section



CERTIFIED PUBLIC ACCOUNTANTS
4024 Oleander Drive Suite 2
Wilmington, North Carolina 28403
Telephone (910) 799-4872 Fax (910) 395-4872

**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
Kure Beach, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of Kure Beach, North Carolina, as of and for the year ended June 30, 2010, which collectively comprises the Town of Kure Beach's basic financial statements, and have issued our report thereon dated October 31, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Kure Beach's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kure Beach's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when 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.

Our consideration of the internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, 2010-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kure Beach's 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, members of the Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.

October 31, 2010



CERTIFIED PUBLIC ACCOUNTANTS
4024 Oleander Drive Suite 2
Wilmington, North Carolina 28403
Telephone (910) 799-4872 Fax (910) 395-4872

Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

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

Compliance

We have audited Town of Kure Beach, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010. The Town of Kure Beach's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Town of Kure Beach's management. Our responsibility is to express an opinion on the Town of Kure Beach's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Kure Beach's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Kure Beach's compliance with those requirements.

In our opinion, the Town of Kure Beach complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Town of Kure Beach is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Town of Kure Beach's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not be designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, members of Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
October 31, 2010

Town of Kure Beach, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(s) identified
that are not considered to be
material weaknesses X yes none reported

Noncompliance material to financial
statements noted yes X no

Town of Kure Beach, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

State Awards

Internal control over major State programs:

- Material Weakness(es) identified? ___yes Xno
- Significant Deficiency(s) identified that are not
 considered to be a material weakness. ___yes Xnone reported

Type of auditor's report issued on compliance for major State programs: Unqualified.

Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit
Implementation Act ___yes Xno

Identification of major State programs:

Program Name

N.C. Department of Environment and Natural Resources - PARTF

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2010 – 1 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

Section III – State Award Findings and Questioned Costs

None.

Town of Kure Beach, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2010 – 1 Segregation of Duties

Name of contact person: Dean Lambeth, Mayor

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: The Board will implement the above procedure immediately.

Section III – State Award Findings and Questioned Costs

None.

Town of Kure Beach, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2010

2009 – 1 Segregation of Duties – The Town is working to correct this finding.

2008 – 1 Segregation of Duties – The Town is working to correct this finding.

TOWN OF KURE BEACH, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
U. S. Department of Homeland Security					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management					
AFG (FEMA)	97,044	EMW-2008-F0-03106	48,241	-	-
Public Assistance Grants Program for Infrastructure					
Support (FEMA)	97,039	N/A	29,910	-	-
Environmental Protection Agency					
Passed-through N.C. Department					
of Environment and Natural Resources					
Capitalization Grants for Clean Water State					
Revolving Funds					
ARRA - Capitalization Grants for Clean Water State					
Revolving Funds	66,458	N/A	305,836	-	-
State Grants:					
Cash Assistance:					
N.C. Department of Transportation:					
Powell Bill	DOT - 4	N/A	-	63,468	-
N.C. Department of Environment and Natural Resources					
Parks and Recreation Trust Fund			-	600,000	300,000
Clean Water Management Trust Fund			-	272,706	-
Division of Water Quality			-	114,479	-
Total assistance - State programs			-	-	-
Total assistance	\$ -		\$ 383,987	\$ 1,050,653	\$ 300,000

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Basis of presentation:

1 The schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Kure Beach and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.