

Annual Comprehensive Financial Report Year Ended June 30, 2023

Town of Kernersville, North Carolina



Dawn H. Morgan, Mayor

Bill Apple, Mayor Pro-Tem

John Barrow

J.R. Gorham

Joe L. Pinnix, Jr.

Chris Thompson

Curtis L. Swisher

Town Manager

Franz Ader

Finance Director

Mandy Cartrette

Accounting Operations Manager

"Prepared by the Finance Department"

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Introductory Section

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Town of Kernersville, North Carolina

List of Principal Officials

Board of Aldermen

Dawn H. Morgan, Mayor
Bill Apple, Mayor Pro-Tem
John Barrow
J.R. Gorham
Joe L. Pinnix Jr.
Chris Thompson

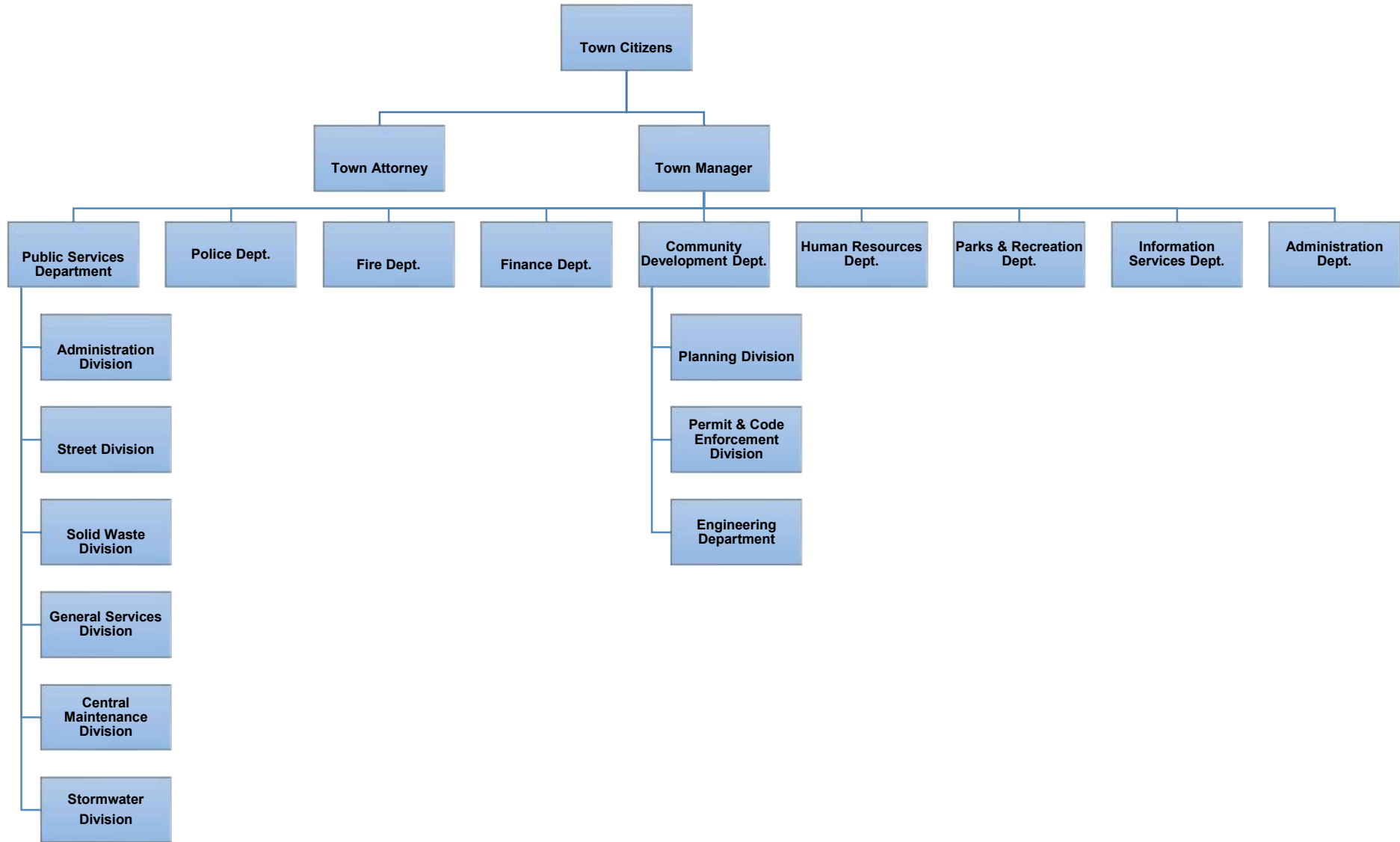
Town Manager

Curtis L. Swisher

Finance Director

Franz Ader

Organizational Chart



P.O. Box 728
Kernersville, NC 27285-0728

134 East Mountain Street
Telephone: (336) 996-3121

Letter of Transmittal

Honorable Mayor
Members of the Board of Aldermen
Town of Kernersville, North Carolina

Town Profile

The Town of Kernersville, incorporated in 1871 and uniquely centered between the cities of Greensboro, High Point and Winston-Salem, continues to grow and prosper. According to North Carolina state demographics, Kernersville has a Certified Population Estimate of 27,404 as of July 1, 2022 and occupies a land area of 18.21 square miles.

The Town is empowered by the state of North Carolina to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body. The Town of Kernersville has operated under the council-manager form of government since 1965. Policy-making and legislative authority are vested in a Board of Aldermen (Board) consisting of the mayor and five other members. The Board is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the Town's manager and attorney. The Town Manager is responsible for carrying out the policies and ordinances of the Board, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Board is elected on a non-partisan basis and members, including the Mayor, serve two-year terms. The Town of Kernersville provides a range of services including: police and fire protection, street maintenance/construction, fire and building inspections, community development, garbage collection and recreational activities.

Local Economy and Long-Term Financial Planning

The local economy continued to experience growth during this fiscal year, which has allowed Kernersville to increase its tax base. Planning for the needs of the community and enhancing the quality of life in Kernersville are two of the Town's top goals. Kernersville continues to develop and benefit from the considerable efforts of the Town's departments and long-range planning. Job growth continues to take place which is stimulating residential growth back to of level of pre-recession growth.

ALDERMEN

Bill Apple - John Barrow - J.R. Gorham - Joe L. Pinnix, Jr. - Chris Thompson



Development Activity

The overall valuation of new construction for fiscal year-end (FYE23) is \$167,137,777 which is a \$59,011,400 or 35.3% increase from FYE22. The Town permitted 1,761,374 square feet of new commercial space, including new commercial development in The Vieux Apartments at Welden Village, Piedmont Commerce Center, Georgetown Senior Apartments, and other commercial additions. The Town permitted 184 new single-family residential permits with a large number represented in the Glennview, Welden, or Caleb's Creek Subdivisions.

Commercial, Institutional and Industrial

- The Town issued permits for 33 new commercial projects, of which 26 were valued over \$100,000. Projects in this category include the Piedmont Commerce Buildings 1-4 (\$64,299,387), The Vieux Apartment Buildings 1-14 (\$12,696,843), Korner's Folly Visitor Center (\$2,000,000), and Georgetown Senior Apartments (\$10,960,000).
- The Town issued 102 permits for commercial upfits, of which 28 were valued over \$100,000. Projects in this category include Food Lion Parking Lot and Lights (\$7,000,000), John Deere (\$4,857,000), Cone Health Upfit (\$2,459,067), and Novant Hospital Bariatric Solutions (\$1,009,258).
- Gralin St Self Storage was the only public storage issued a permit and is valued at \$400,000.

Infrastructure

Some of the most significant infrastructure projects that are currently under construction or have been completed during the fiscal year 2022-2023 include the following:

- The Kerner's Mill Creek Greenway Park extending from Oakhurst Drive to Hopkins Road is nearing completion.
- NCDOT is completing construction of the Macy Grove Road extension from Business-40 to Piney Grove Road. Construction on the first phase from East Mountain Street to North Main Street has been completed. The second phase from North Main Street to Piney Grove Road is projected to start in 2024. This extension provides a by-pass around the northern portion of Town and further economic development on the north side of Town.
- NCDOT finished design and is currently finalizing the land acquisition for the Business-40 Big Mill Farm Road interchange and road widening of Hopkin Road from Big Mill Farm to NC 66. This interchange and road widening provide traffic relief to the South Main Street regional commercial center.

Projects like this have a positive impact on the Town's economy which will further provide increased revenues to fund the necessary services needed to keep the Town vibrant and flourishing. New businesses will continue to locate in Kernersville due to its strategic central location in the Piedmont Triad Metropolitan Region, quality of life, and financial stability. The Town will continue to enjoy growth in the residential and business arena with such existing major business facilities as FedEx Ground's 125-acre regional hub; Amazon's new 1,000,000+ square foot fulfillment center; Deere Hitachi's 1,000,000+ square foot manufacturing complex and corporate headquarters; Veterans Administration's regional health clinic; Novant's regional medical center and with the recently permitted Piedmont Commerce Center 1,500,000+ square foot industrial park. Many of these anchor industries are expanding or planning upcoming expansions. Their location in Kernersville is attracting additional industrial and logistics corporations to the Town.

Community Participation

Partnering with Town officials, local citizen groups are adding to the success of Kernersville. While the Town has many organizations that are standard to most communities, it has several unique associations that many cities and towns do not have. These organizations add value to the community in a way that further increases the Town's appeal to prospective businesses and residents. In addition to numerous civic, craft, recreational and newcomer organizations, the Town has: Kernersville Cares for Kids, Kernersville Little Theatre, Shepherd's Center of Kernersville (for seniors), Kernersville Community Appearance, Körner's Folly Foundation (historic in nature), Paul J. Ciener Botanical Garden, Chamber of Commerce and the Kernersville Council. These organizations add "flavor" and support to Kernersville benefiting both the citizens and the local economy. All of these efforts, and others, enable me to provide an annual financial report that reflects a stable local economy and a financially sound government for the fiscal year ended June 30, 2023.

The Report

The Annual Comprehensive Financial Report (ACFR) for Fiscal Year Ended June 30, 2023 reflects the fiscal policies our elected officials have established to achieve their annual priorities for program services and capital improvements. The Town's continued economic growth coupled with realistic long-term planning, management of resources and conservative use of debt are all a part of a proven formula to ensure positive operating results.

This ACFR consists of management's representations concerning the finances of the Town of Kernersville for the fiscal year ended June 30, 2023. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented herein. Management of the Town of Kernersville has established a comprehensive internal control framework that is designed to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

North Carolina general statutes require each unit of local government to publish, within four months after the close of the fiscal year, a complete set of financial statements presented in conformity with GAAP and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to this requirement, the Town engaged FORVIS, LLP, independent auditors, to perform an audit of the Town's reported financial position and results of operations contained in the government-wide, fund financial statements and notes to the financial statements. Working with the Town's financial staff, they made appropriate tests of data included in the financial statements and evaluated the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that the financial statements of the Town of Kernersville for the fiscal year ended June 30, 2023 are fairly presented in conformity with generally accepted accounting principles. The report of independent auditors is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Kernersville is part of a broader, state mandated "Single Audit" designed to meet the special needs of state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the Town's internal controls and compliance with legal requirements, with emphasis on administration of state grants.

The system of internal controls is designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with state statutes, GAAP, authorization of the Board, and that financial records are a reliable basis for preparation of annual financial statements. The system includes selection and training of qualified personnel, an organizational structure that provides appropriate delegation of authority and separation of responsibilities, an understanding of financial policies and procedures, and an internal audit program.

Assuring legal compliance with state statutes requires an accounting system that contains a variety of distinctly different fiscal and accounting entities. The annual budget serves as the foundation for the Town's financial planning and control. The Board is required to legally enact a final budget, by way of a Budget Ordinance or Project Ordinance, before the close of the fiscal year. The Budget Ordinance and Project Ordinances are prepared by fund and department, and are formally amended by the Board, when required. The Town Manager is authorized to transfer budget amounts between line items within a department, but changes between departments and/or funds require approval of the Board.

Conservative budgeting is management's key strategy to maintaining financial stability and it is an integral part of the Town's financial policy. The healthy fund balance of the Town's chief fund, the General Fund, attests to that.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada has awarded the highest form of recognition of governmental accounting and financial reporting, the Certificate of Achievement for Excellence in Financial Reporting, to the Town of Kernersville for each Annual Financial Report (Comprehensive) since 1997. We believe that this 2023 ACFR conforms to the highest reporting standards as well.

Deserving special commendation for the success of the Town's operations are skilled, talented and dedicated employees - the work force of the Town of Kernersville. Acknowledgement and appreciation are expressed for their contributions to another successful year. I also express my appreciation to the Mayor, Board of Aldermen and Town Manager for leadership, guidance, and establishment of policies for managing financial operations in a sound and progressive manner.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Kernersville's MD&A can be found immediately following the report of the independent auditors

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Franz Ader', with a long, sweeping horizontal line extending to the right.

Franz Ader
Finance Director
December 11, 2023



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Kernersville
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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Financial Section

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Independent Auditor's Report

Honorable Mayor and Members
of the Town Board of Aldermen
Town of Kernersville
Kernersville, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kernersville, North Carolina ("the Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise of the Town's basic financial statements listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2023 the Town adopted new accounting guidance, Government Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Audit of the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 18, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 70 and 71, respectively, the Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 72, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 73 and 74, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Kernersville, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the introductory information and the statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report December 11, 2023 on our consideration of the Town of Kernersville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and 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* in considering the Town of Kernersville's internal control over financial reporting completion.

FORVIS, LLP

**High Point, North Carolina
December 11, 2023**

Management's Discussion and Analysis

As management of the Town of Kernersville, we offer readers of the Town of Kernersville's financial statements this narrative overview and analysis of the financial activities of the Town of Kernersville for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

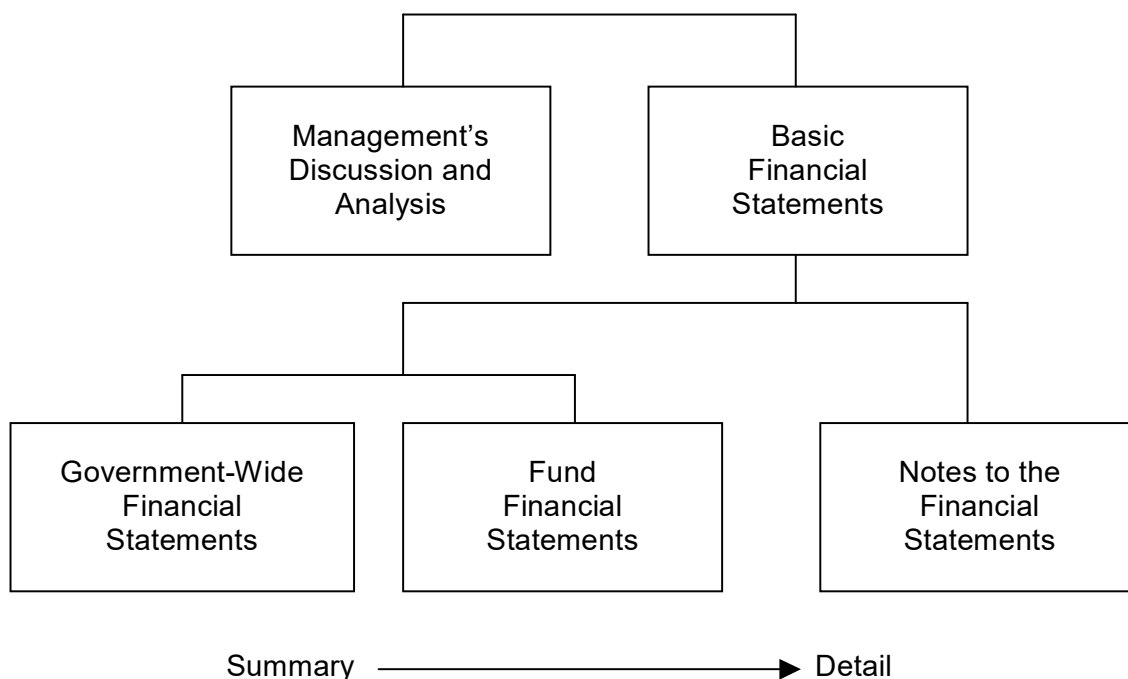
Financial Highlights

- The assets and deferred outflows of resources of the Town of Kernersville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$161,467,856.
- The government's total net position increased by \$12,523,904 in the current fiscal year, primarily the result of increased Sales and Use Tax proceeds and increases in operating and capital grants and contributions.
- As of the close of the current fiscal year, the Town of Kernersville's governmental funds reported combined ending fund balances of \$46,960,804. Approximately 16.3% of this total amount, or \$7,696,367 is available for spending at the government's discretion (unassigned).
- Approximately 14.4% of the total combined governmental fund balance or \$6,760,213 is committed to capital projects and about 69.0% or \$32,418,152 is non-spendable or restricted either by state statute or funding source.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund of \$7,696,367 represented 16.3% of total General Fund expenditures for the fiscal year.
- The Town of Kernersville's total debt of both governmental and business-type activities had a net increase of \$18,314,808 during the fiscal year ended June 30, 2023. The net increase was primarily the result of the issuance of installment purchase agreements for the Beeson's Fire Facility and the Recreation and Events Center.
- The Town of Kernersville bond rating from the Standard and Poor's Corporation is AA+ on its street construction refunding bonds. Moody's Investor Service rated this issue at Aa2. The street construction refunding bonds represent the only general obligation debt of the Town. At June 30, 2023, the outstanding principal of the street construction refunding bonds was \$420,000.
- For fiscal year 2022-2023, the Town's property tax rate was \$0.559 and supported 52.9% of governmental services to citizens and the community based on government-wide statements.
- During the fiscal year, the Town implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of this standard did not result in the creation of any new funds.

Overview of the financial statements

This Discussion and Analysis is intended to serve as an introduction to the Town of Kernersville'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 Kernersville.

Required Components of Annual Financial Report
Figure 1



Basic financial statements

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: (1) the governmental funds statements; (2) the budgetary comparison statements (3) the proprietary fund statements; and (4) the fiduciary 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 can also be found in this part of the statements.

Government-wide financial statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

Town of Kernersville, North Carolina Management's Discussion and Analysis

The government-wide statements present all of the Town's governmental activities. The governmental activities include the Town's basic services such as public safety, public service, parks and recreation, and general administration. Property taxes, other taxes, intergovernmental revenues, and state and federal grant funds finance most of these activities.

The required supplemental financial data are on Schedules A through C of this report.

Fund financial statements

The fund financial statements (see Exhibit 3 through 8) 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 Kernersville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Kernersville can be divided into three categories: governmental funds, proprietary funds and fiduciary 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*, which 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 governmental activities (reported in Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Kernersville 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 funds - The Town's Internal Service Fund is classified as a type of proprietary fund. The Town uses an internal service fund to account for its Self-Insurance operations. Because this operation benefits governmental activities, the internal service fund has been included within the Governmental Activities in the government-wide financial statements. The Stormwater Enterprise Fund receives revenues from user fees for stormwater program expenses and capital improvements/repairs.

Fiduciary funds - Fiduciary funds are used to account for resources held by the government in a trustee capacity for others. Because the resources of fiduciary funds cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide statements. The Town uses a fiduciary fund to account for the payments to be made on behalf of the City/County Utility Commission ("CCUC") Class Action Lawsuit Settlement.

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 are on pages 35 to 68 of this report.

Town of Kernersville, North Carolina
Management's Discussion and Analysis

Other information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Kernersville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 70 of this report.

Interdependence with other entities - The Town depends on financial resources flowing from, or associated with, both the federal government and the state of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Town of Kernersville
Government-Wide Financial Analysis
Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	As Restated 2022	2023	2022	2023	As Restated 2022
Current and other assets	\$ 55,154,903	\$ 33,691,208	\$ 1,005,882	\$ 1,276,569	\$ 56,160,785	\$ 34,967,777
Capital assets, net	174,249,155	159,834,596	1,067,871	1,096,395	175,317,026	160,930,991
Total assets	229,404,058	193,525,804	2,073,753	2,372,964	231,477,811	195,898,768
Deferred outflows of resources	8,932,376	5,274,539	322,065	601,346	9,254,441	5,875,885
Total assets and deferred outflows of resources	238,336,434	198,800,343	2,395,818	2,974,310	240,732,252	201,774,653
Current liabilities	13,138,883	8,676,254	215,960	213,814	13,354,843	8,890,068
Long-term liabilities	58,478,276	34,703,577	862,448	656,707	59,340,724	35,360,284
Total liabilities	71,617,159	43,379,831	1,078,408	870,521	72,695,567	44,250,352
Deferred inflows of resources	6,414,790	8,260,365	154,039	319,984	6,568,829	8,580,349
Net position:						
Net investment in capital assets	160,034,151	141,685,568	978,120	905,066	161,012,271	142,590,634
Restricted for:						
Stabilization by state statute	5,662,967	3,772,500	-	-	5,662,967	3,772,500
Tourism	286,835	138,262	-	-	286,835	138,262
Public safety	507,060	573,895	-	-	507,060	573,895
Unrestricted	(6,186,528)	989,922	185,251	878,739	(6,001,277)	1,868,661
Total net position	\$ 160,304,485	\$ 147,160,147	\$ 1,163,371	\$ 1,783,805	\$ 161,467,856	\$ 148,943,952

Over time, net position may serve as one useful indicator of a government's financial condition. The total governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$161,467,856 at June 30, 2023. The largest portion of net position (99.7%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the Town'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's net position, \$6,456,862, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(6,001,277) is unrestricted.

Town of Kernersville, North Carolina
Management's Discussion and Analysis

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

- Current year property tax collections were \$22,554,796 representing an increase of \$1,489,897. This increase is primarily due to new development activity. The overall valuation of new construction for fiscal year-end (FYE23) is \$167,137,777 which is a \$59,011,400 or 35.3% increase from FYE22. This construction consists of 1,761,374 square feet of new commercial space 184 new single-family homes within several subdivisions. This year's property tax collection rate was 99.6%.
- Sales and use tax collections increased \$1,008,765 over last year's collections to a total of 8,952,877. This increase of 12.7% over last year's collections represents an above average economic growth in Kernersville due to many factors including increase consumer demand in the purchase of goods versus services. The shift in consumer purchases from services to goods came about during the pandemic. Furthermore, changes in North Carolina laws around the beginning of the pandemic allowing sales and use tax being applied to online sales further fueled the increase in sales in use tax collections the last several fiscal years. The 12.7% increase observed in fiscal year 2022-23 from the prior year is almost exactly the same as the average increase of 12.3% from the three prior fiscal years (20% in FYE22, 12.0% in FYE21, and 4.8% in FYE20).
- Investment earnings in the governmental and business-type activities increased \$1,252,026 to a total of \$1,358,689. This increase is attributed to higher interest rates and balances of cash and cash equivalents.

Town of Kernersville
Changes In Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 2,959,667	\$ 2,781,964	\$ 1,211,232	\$ 1,206,797	\$ 4,170,899	\$ 3,988,761
Operating grants and contributions	8,788,221	4,117,241	-	-	8,788,221	4,117,241
Capital grants and contributions	5,508,257	588,071	-	-	5,508,257	588,071
General revenues:						
Property taxes	22,513,822	21,188,484	-	-	22,513,822	21,188,484
Other taxes	357,730	320,083	-	-	357,730	320,083
Unrestricted inter-governmental revenues	12,113,493	14,756,781	-	-	12,113,493	14,756,781
Investment earnings, Unrestricted	1,311,375	104,528	47,314	2,135	1,358,689	106,663
Gain (loss) on sale of capital assets	-	106,337	-	-	-	106,337
Miscellaneous	289,244	7,608,122	-	-	289,244	7,608,122
Total revenues	<u>53,841,809</u>	<u>51,571,611</u>	<u>1,258,546</u>	<u>1,208,932</u>	<u>55,100,355</u>	<u>52,780,543</u>
Expenses:						
General government	6,231,649	6,530,255	-	-	6,231,649	6,530,255
Public safety	18,540,239	17,127,838	-	-	18,540,239	17,127,838
Public service	10,750,804	9,115,678	-	-	10,750,804	9,115,678
Culture and recreation	4,172,066	3,121,925	-	-	4,172,066	3,121,925
Stormwater	-	-	2,116,917	1,197,898	2,116,917	1,197,898
Unallocated interest expense	764,776	875,440	-	-	764,776	875,440
Total expenses	<u>40,459,534</u>	<u>36,771,136</u>	<u>2,116,917</u>	<u>1,197,898</u>	<u>42,576,451</u>	<u>37,969,034</u>

Town of Kernersville, North Carolina
Management's Discussion and Analysis

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Increase (decrease) in net position before transfers	13,382,275	14,800,475	(858,371)	11,034	12,523,904	14,811,509
Transfers	(237,937)	(213,724)	237,937	213,724	-	-
Increase (decrease) in net position	13,144,338	14,586,751	(620,434)	224,758	12,523,904	14,811,509
Net position, beginning	147,160,147	132,573,396	1,783,805	1,559,047	148,943,952	134,132,443
Net position, ending	\$ 160,304,485	\$ 147,160,147	\$ 1,163,371	\$ 1,783,805	\$ 161,467,856	\$ 148,943,952

Governmental activities. The Town's net position from governmental activities increased by \$13,144,338 during the year. This net increase is primarily the result of general revenues exceeding expenses for the fiscal year ended June 30, 2023. The change is also related to operating grants and contributions and capital operating grants and contributions increasing during the year. The largest capital contributions were related to the Colfax Fire Department and the Botanical Gardens that were contributed to the Town.

Business-type activities. The Town's net position from business-type activities decreased by \$(620,434) during the year. This net decrease is primarily the result of increased drainage project expenses.

Financial analysis of the Town's funds

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

Governmental funds. The focus of the Town of Kernersville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements.

The General Fund is the chief operating fund of the Town of Kernersville. At the end of the current fiscal year, the total fund balance was \$19,909,312 of which \$10,524,555 was restricted or non-spendable and \$9,384,757 was either committed, assigned or unassigned. \$5,638,460 was restricted by state statute. Committed fund balance amounted to \$1,688,390 and is set aside for capital projects. \$7,696,367 was unassigned.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned General Fund - fund balance of \$7,696,367 represents 16.3% of total General Fund expenditures, while the total General Fund - fund balance of \$19,909,312 represents 42.1% of that same amount.

The Recreation Department Capital Projects Ordinance Fund had an increase in fund balance of \$14,858,649 or 294.1% due primarily to revenues exceeding expenditures with loan funding in the amount of \$16,250,000.

The Kerner Mill Capital Projects Ordinance Fund had a decrease in fund balance of \$168,685 or 9.0%. This was due to expenditures related to Greenway construction being higher than fiscal year revenues.

The Town had six Non-Major Special Revenue or Capital Project Funds: Occupancy Tax Fund, Emergency Telephone System Fund, Contributions Fund, Law Enforcement Forfeitures Fund, American Rescue Plan Act Fund, Beeson's Fire Facility Capital Projects Ordinance Fund. These funds had a total fund balance of \$5,438,267 at the fiscal year end. Of this amount, \$5,352,195 was restricted by state statute or other uses, while \$86,072 was assigned for subsequent year's expenditures.

Key changes in several non-major special revenue funds are summarized in the following narrative.

Town of Kernersville, North Carolina Management's Discussion and Analysis

The Occupancy Tax Fund had an increase in fund balance of 97.2% or \$151,646 due to the occupancy tax being 155.5% more than budgeted.

The Emergency Telephone System Fund saw a decrease in fund balance of 36.9% or \$50,167, due primarily to public safety expenditures being 30.1% or \$24,302 less than budgeted.

The Contributions Fund had an increase in fund balance of \$3,029 or 3.8%, primarily due to a \$13,958 or 48% less in actual expenditures compared to budget.

The Law Enforcement Forfeiture Fund had a decrease in fund balance of \$16,047 or 4.5%, due primarily to Police Department expenditures being \$52,134 or 31.2% less than budgeted.

The American Rescue Plan Act Special Revenue Fund had a increase in fund balance of \$85,572 due primarily to investment earnings on cash held during the year.

Of the Non-Major Capital Project Funds, the Beeson's Fire Facility Capital Projects Ordinance Fund had an increase in fund balance of 100% or \$4,533,793 due to the adoption of the fund during the fiscal year and revenues exceeding expenditures with loan funding in the amount of \$4,525,000.

At June 30, 2023, the total of the General Fund and all other governmental funds of the Town reported a combined fund balance of \$46,960,804 with an increase of \$16,560,059 or 54.5% over the previous year. The increase is primarily due to installment purchase obligations issued in the amount of \$23,052,900.

General Fund budgetary highlights: 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.

There were eleven (11) budget amendments during the fiscal year that resulted in a total net increase of \$12,623,849 in budgeted General Fund expenditures. The net increase includes a combination of both carry-over purchases and projects, and construction improvements. Notable budgetary increases that were not carryover purchases include the following: the purchase of property adjacent to Ivey Redmon Athletic Sports Complex on Shields Road (\$5,818,637), purchase of Paul J. Ciener Botanical Gardens (\$340,000), and a fiber optic cable installation project (\$400,000).

The Numerous budget-to-actual variances in both revenue and expenditure categories warrant further discussion. The most notable budgeted revenue variances occurred in the following four categories: Restricted Intergovernmental Revenues, General Revenues, Functionally Related Revenues, and Contributions and Donations Revenues.

The largest revenue budgetary variance occurred in the Restricted Intergovernmental Revenues with a total variance of \$(3,342,135) or (53.6%) primarily due to a decrease in the City-County Utilities Commission (CCUC) water and sewer project reimbursements in the amount of \$(1,330,801) or (43.8%) as a result of projects that did not occur or were not completed by fiscal year-end. Also, variances of \$(2,012,883) or (82.7%) contributed to the total category variance due to grant purchases that did not occur or grant projects not completed by fiscal year-end for state transportation grants, Governor's Highway Safety Grants, and NC Department of Commerce grants.

The second largest revenue budgetary variance occurred in the General Revenue category which consists solely of Ad Valorem Taxes for real property (buildings, houses, etc.), individual/business personal property (equipment) and vehicles. This revenue source had a budget variance of \$491,745 or 2.2%. This budget variance was the result of conservative budgeting and a high collection rate of 99.86%.

Town of Kernersville, North Carolina Management's Discussion and Analysis

The Functionally Related Revenue category had the third largest revenue budgetary variance exhibited a budgetary \$(480,375) or (17.7%) primarily due to Commercial Industrial Solid Waste Fees having a budget variance of \$(204,622) or (70.0%) because of the program being phased-out over a three-year period had more customers discontinuing their service than anticipated. Another large variance in this category was Building Inspection Fees exhibiting a budgetary variance of \$(82,550) or (13.4%) as a result of decreased consumer demand for new construction due to rising commercial and home-

The total net budget variance in the Town's general fund revenue excluding transfers in or out was \$(3,345,770) or (7.3%).

General Fund expenditure categories include General Government, Public Safety, Public Service, Culture and Recreational, and Debt Service. The budget to actual variances were positive in all General Fund expenditure categories.

Notable positive budget variances within certain General Fund categories warrant explanation: Public Service, Public Safety, and Culture and Recreational. The Public Service category had the greatest positive budget variance totaling \$4,132,426 or 30.1%. Three departments with notable budget variances within the category were the Engineering, Streets, and Sanitation Departments. The Engineering Department had the largest budget variance of \$1,738,844 or 70.3% primarily because five large projects were either not started or not completed during the fiscal year. These projects were the following: Kernersville Medical Parkway Sewer, West Mountain Street Sidewalk, Town-wide Sewer Study, Brookford Road Sewer Engineering Design, and Glenn High Road Extension Study. The Streets Department had a budget variance of \$1,684,595 or 28.8% primarily due to projects not completed before the end of the fiscal year: Street Resurfacing, North Cherry Street Parking Lot Project, and Street Repair Projects. The Sanitation Department had a budget variance of \$564,244 or 18.4% primarily because a sewer study was not conducted nor was a water/sewer construction project completed by fiscal year end.

The Public Safety category had the third largest positive budget variance of \$2,664,626 or 13.0% with the Fire and Police Departments having the largest. The Fire Department had the largest positive budget variance of \$1,487,287 or 15.5% primarily for several reasons: salary expenses were lower than predicted due to position vacancies, a fire pumper truck was ordered was not and not received, and the renovation of a 1923 fire engine was not completed by fiscal-year end.

The Police Department had a variance of \$963,432 or 9.6% primarily because capital outlay, operating and maintenance, and personnel costs were lowered than predicted. Capital outlay expenses were down because four patrol cars and one school resource officer vehicle were ordered but not received. Operating and Maintenance expenses were lower than budgeted primarily because car radio grant purchases had not been received. And personnel-related costs were less than budgeted due to position vacancies.

Within the Cultural and Recreational category, the budget to actual variance totaled \$557,684 or 4.5% with the Recreation Department experiencing the greatest variance followed by the Botanical Garden Department. Within the Recreation Department, budget variances were the greatest because various grant park improvements projects were either not started or completed by fiscal year end, personnel costs were down due to vacancies, and operation and maintenance expenses were lower than predicted.

The total expenditure variance for all categories and departments within the General Fund including debt service (excluding transfers in or out) was \$7,701,833 or 14.0%. Including transfers and other financing sources, a total of \$3,127,233 in fund balance was appropriated compared to the budgeted amount of \$7,454,767 to balance General Fund revenues with General Fund expenditures.

Town of Kernersville, North Carolina Management's Discussion and Analysis

Proprietary funds. The Town of Kernersville's proprietary funds provide the same type of information found in the government-wide statements. The Town has two proprietary funds: the Stormwater Utility Fund and the Worker's Compensation Fund.

The Stormwater Enterprise Fund receives revenues from user fees for stormwater program expenses and capital improvements/repairs. The Stormwater Enterprise Fund total net position decreased by \$620,434 or (34.8%) during the year to \$1,163,371. This net decrease is primarily the result of increased expenses related to a drainage project.

The Workers Compensation Self-Insurance Fund - the Town's only internal service fund - provides insurance for workers compensation claims for Town employees. The assets of this fund will fluctuate yearly depending upon the number and dollar amount of claims made against it. Total net position of the Self-Insurance Fund at the end of the fiscal year increased by \$220,779 or 53.8% to a total of \$631,296 due to claims being less than predicted.

Fiduciary fund. The Town of Kernersville's fiduciary fund provides the Statement of Net Position and the Statement of Changes in Net Position. The Town has one fiduciary fund: the Kernersville Sewer Settlement Residual Fund. The Kernersville Sewer Settlement Residual Fund receives revenues from investment income. The Settlement Fiduciary Fund total net position increased by \$498,726 during the fiscal year to \$500,582 as a result of a court order releasing all fund amounts to the Town with the exception of \$50,000 restricted for accounts payable and accrued liabilities.

Capital asset and debt administration

Capital assets. The Town of Kernersville's capital assets for its governmental activities as of June 30, 2023 total \$174,249,155 (net of accumulated depreciation). These assets include buildings, roads, and bridges, land, machinery and equipment, park facilities and vehicles. The Town of Kernersville's capital assets in the business-type activities or the Stormwater Fund totaled \$1,067,871.

For the fiscal year ended June 30, 2023, major capital asset transactions for governmental activities include the following:

- Land, buildings and equipment additions of approximately \$2,788,000 for the donation of the Colfax Fire Department
- Land, buildings and equipment additions of approximately \$2,446,000 for the donation of botanical gardens
- Land additions of approximately \$6,372,000 for the Ivey Redmon Sports Complex
- Construction in progress additions of approximately \$2,307,000 for Civitan Park improvements and \$231,000 for cabling project
- Buildings and improvements addition of approximately \$501,000 for Police Range building
- Equipment purchases of approximately \$713,000 for sanitation.

For the fiscal year ended June 30, 2023, major capital asset transactions for the business-type activities (Stormwater Fund) include the following:

- Purchase of knuckleboom truck in the amount of \$189,795.

Additional information on the Town's capital assets can be found in Note 2.A.6 in the Notes to the Financial Statements.

Town of Kernersville, North Carolina
Management's Discussion and Analysis

Town of Kernersville
Capital Assets (Net of Depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2023	As Restated 2022	2023	As Restated 2022	2023	As Restated 2022
Capital assets not being depreciated/amortized:						
Land	\$ 94,337,201	\$ 86,972,471	\$ -	\$ -	\$ 94,337,201	\$ 86,972,471
Construction in progress	<u>4,085,869</u>	<u>96,421</u>	<u>-</u>	<u>-</u>	<u>4,085,869</u>	<u>96,421</u>
Total capital assets not being depreciated	<u>98,423,070</u>	<u>87,068,892</u>	<u>-</u>	<u>-</u>	<u>98,423,070</u>	<u>87,068,892</u>
Capital assets being depreciated/amortized:						
Buildings and improvements	19,743,047	16,256,347	43,218	44,229	19,786,265	16,300,576
Land improvements	1,760,988	1,956,112	72,610	81,783	1,833,598	2,037,895
Infrastructure	47,246,072	49,340,449	82,025	85,455	47,328,097	49,425,904
Equipment and heavy equipment	4,760,194	3,221,132	823,325	787,952	5,583,519	4,009,084
Vehicles	1,872,810	1,637,082	46,693	96,976	1,919,503	1,734,058
Right-to-use assets, leases	234,098	349,712	-	-	234,098	349,712
Right-to-use assets, subscriptions	<u>208,876</u>	<u>128,379</u>	<u>-</u>	<u>-</u>	<u>208,876</u>	<u>128,379</u>
Total capital assets being depreciated	<u>75,826,085</u>	<u>72,411,123</u>	<u>1,067,871</u>	<u>1,096,395</u>	<u>76,893,956</u>	<u>73,507,518</u>
Total capital assets	<u>\$ 174,249,155</u>	<u>\$ 159,480,015</u>	<u>\$ 1,067,871</u>	<u>\$ 1,096,395</u>	<u>\$ 175,317,026</u>	<u>\$ 160,576,410</u>

Long-term debt. As of June 30, 2023, the Town of Kernersville had total bonded debt outstanding of \$420,000 for street construction. This debt was issued in fiscal year 2003-04 and refunded in the prior year. The last payment on the refunding debt is scheduled to occur in May 2024. This is a general obligation debt and, thus, is backed by the full faith and credit of the Town.

Town of Kernersville
Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2023	As Restated 2022	2023	As Restated 2022	2023	As Restated 2022
Refunding bond	\$ 420,000	\$ 825,000	\$ -	\$ -	\$ 420,000	\$ 825,000
Revolving loan payable	800,000	1,200,000	-	-	800,000	1,200,000
Direct borrowing						
installment purchases	38,492,216	19,189,768	89,751	183,253	38,581,967	19,373,021
Lease liabilities	259,612	355,171	-	-	259,612	355,171
Subscription liabilities	<u>134,800</u>	<u>128,379</u>	<u>-</u>	<u>-</u>	<u>134,800</u>	<u>128,379</u>
Total	<u>\$ 40,106,628</u>	<u>\$ 21,698,318</u>	<u>\$ 89,751</u>	<u>\$ 183,253</u>	<u>\$ 40,196,379</u>	<u>\$ 21,881,571</u>

Town of Kernersville, North Carolina
Management’s Discussion and Analysis

The Town of Kernersville’s total debt of both governmental and business-type activities had a net increase of \$18,314,808 or 83.7% for the fiscal year ended June 30, 2023. The net increase was primarily the result of new installment purchase obligations being issued in excess of principal payments in the current year. Total debt currently stands at \$40,196,379.

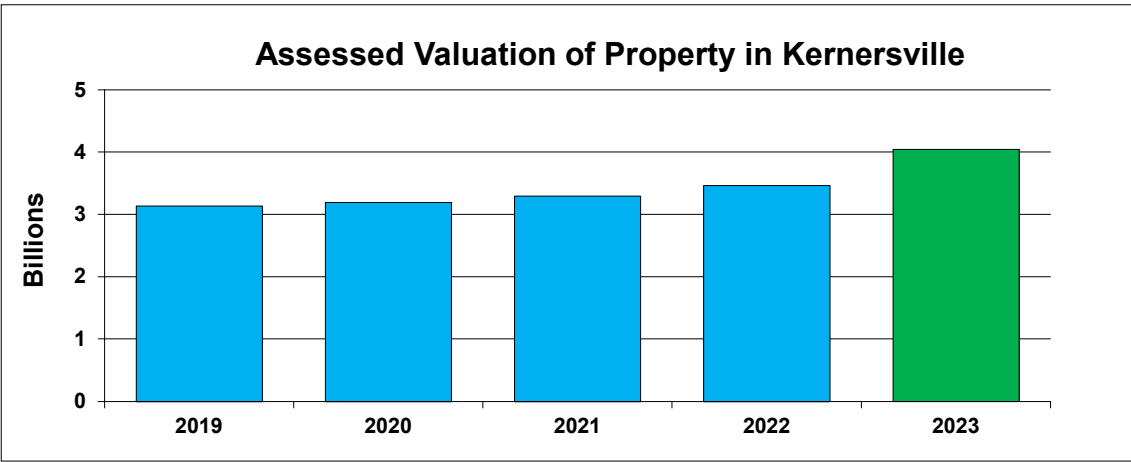
Refunding bonds issued in fiscal year 2015-16 represent the only general obligation debt of the Town. As mentioned in the financial highlights section of this document, the Standard and Poor’s Corporation rated the street construction debt AA+. The Moody’s Investor Service rated the debt at Aa2. These ratings are a clear indication of the Town’s financial condition and its consistency for managing its finances well.

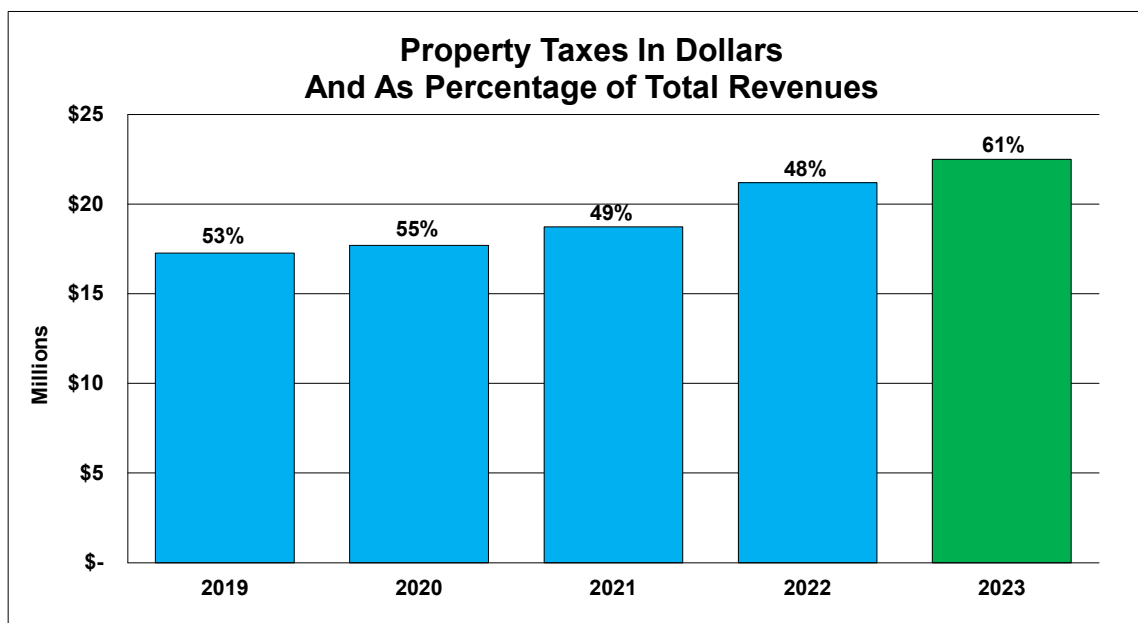
North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government’s boundaries or \$4,046,992,308. The total debt outstanding at the close of this fiscal year was \$40,196,379 for governmental and business-type activities, resulting in a legal debt margin for the Town of Kernersville of \$283,563,006. Hence, the total debt for the Town of Kernersville is 14.2% of the total legal debt limit. The Town has no authorized but unissued debt at June 30, 2023.

Additional information regarding the Town’s long-term debt can be found on Section 2.B.7 of the notes.

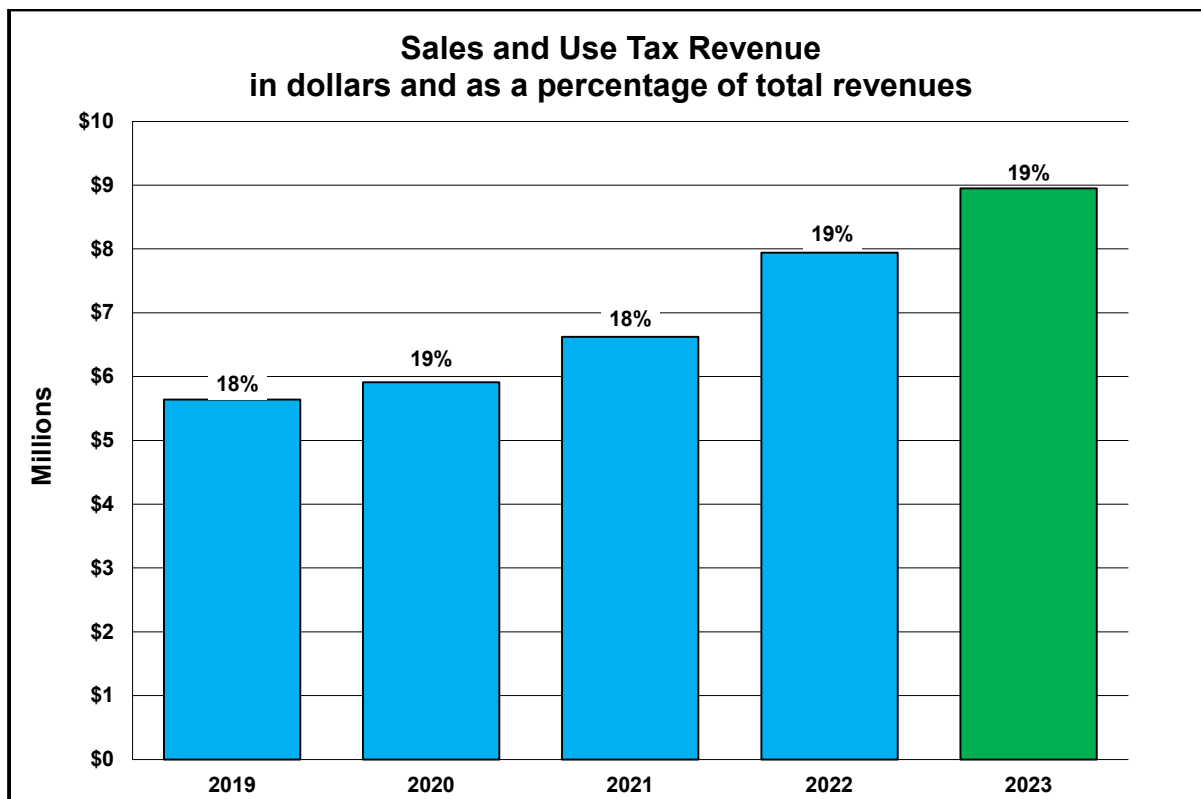
Economic factors and next year’s budgets and rates

The following key economic information reflects the growth and prosperity in Kernersville.

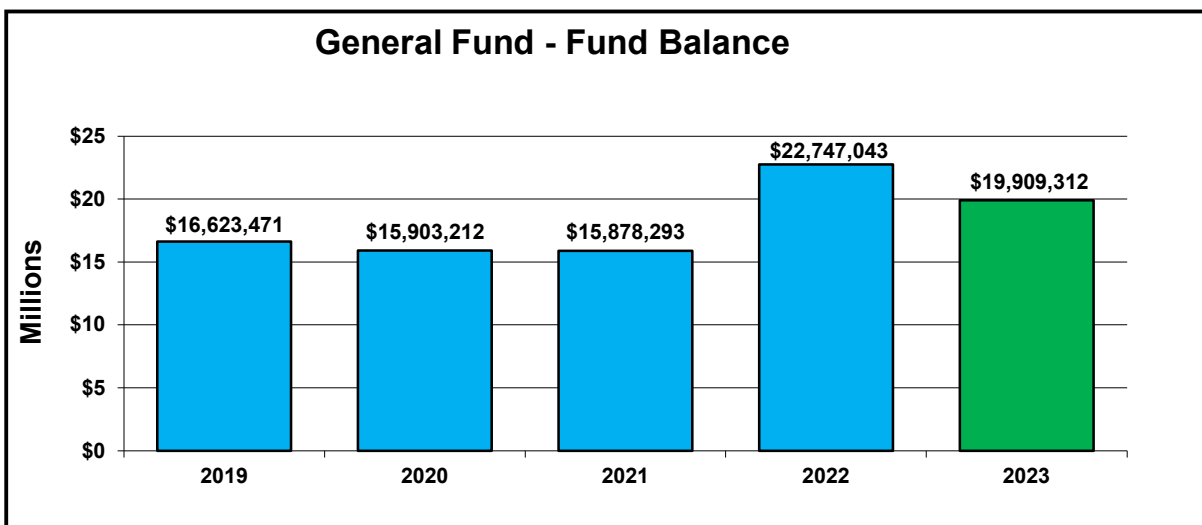




The preceding graphs show that the Town's largest source of revenue, property taxes, increased steadily from 2019 to 2023.



Growth in the Town's second largest revenue source (sales and use tax) has increased steadily from 2019 to 2023. A 20.0% or \$1,323,652 collection increase was observed in 2022, followed by a 12.7% increase or \$1,008,765 in 2023.



As indicated earlier, fund balance can be a good indicator of the General Fund's liquidity. The Town's General Fund - fund balance remained relatively flat or unchanged from 2019 to 2021, as can be seen from the graph above. The decrease of (4.3)% or \$(720,259) in 2019-20 was due to expenditures exceeding revenue. The decrease of (0.2)% or \$(24,919) in 2020-21 was due to decreased revenues in response to the pandemic. The fund balance increased 43.3% or \$6,868,750 in 2021-22 due to revenues exceeding expenditures. And the decrease of (12.5)% or \$(2,837,731) in 2022-23 was primarily due to expenditures exceeding revenues primarily relating to large capital asset purchases such as real estate for future park development.

Regarding the revenues, there were notable increases in ad valorem property tax, local option sales and use tax, and unspent installment purchase proceeds (Schedule 1). Regarding the expenditures, there were several large capital equipment purchases that were budgeted but not received and construction projects that were not completed at fiscal year-end.

While labor statistics are not available for the Town of Kernersville, they are available for both Forsyth County and Guilford County, where Kernersville is located. As of June 30, 2023, the unemployment rate for Forsyth County was 3.7% and Guilford County was 4.2%, compared to the State seasonally adjusted rate of 3.3% during the same period. The data was obtained from the Employment Security Commission of North Carolina.

Budget highlights for the upcoming fiscal year ending June 30, 2024

Governmental funds: The General Fund budget for fiscal year 2023-24 was approved at \$47,200,757. The collection of property taxes - the Town's largest source of revenue - is expected to conservatively increase about 4.7% or \$419,940 above the actual amount collected in fiscal year 2022-23 based upon prior collection history. The General Fund tax rate for the fiscal year ending June 30, 2023 is 55.90 cents per hundred-dollar valuation of taxable property.

The unrestricted intergovernmental revenue categories budgeted in 2023-24 are expected to modestly increase compared to the amounts collected in fiscal year 2021-2022, based upon prior collection history.

The restricted intergovernmental revenue categories budgeted in 2023-24 allocates \$4,688,000 in budgeted loans that will finance several capital outlay items including equipment and improvements to Town properties.

Other non-major governmental fund services and expenditures in 2023-24 are comparable to those in the prior year.

Town of Kernersville, North Carolina Management's Discussion and Analysis

Enterprise fund: The budget for the Stormwater Enterprise Fund was approved at \$2,570,970 for 2023-24 with \$1,167,317 budgeted for capital improvements at Beeson Creek, the majority of which will be funded by the NC Land and Water Fund and the NC Division of Water Resources Development Grant.

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 Director, Town of Kernersville, 134 East Mountain Street, Post Office Drawer 728, Kernersville, North Carolina 27285.

As management of the Town of Kernersville, we offer readers of the Town of Kernersville's financial statements this narrative overview and analysis of the financial activities of the Town of Kernersville for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Basic Financial Statements

Town of Kernersville, North Carolina
Statement of Net Position
June 30, 2023

Exhibit 1
(2 pages)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 20,471,773	\$ 957,330	\$ 21,429,103
Receivables:			
Taxes receivable, net	163,599	-	163,599
Accrued interest receivable on taxes	9,585	-	9,585
Accounts receivable, net	155,934	-	155,934
Other receivables	268,516	-	268,516
Due from other governments	6,025,883	-	6,025,883
Leases receivable	149,395	-	149,395
Internal balances	(13,957)	13,957	-
Restricted cash and cash equivalents	26,235,679	34,595	26,270,274
Total current assets	53,466,407	1,005,882	54,472,289
Noncurrent assets:			
Leases receivable, less current portion	1,688,496	-	1,688,496
Capital assets:			
Capital assets not depreciated or amortized	98,423,070	-	98,423,070
Other capital assets, net of depreciation and amortization	75,826,085	1,067,871	76,893,956
Total noncurrent assets	175,937,651	1,067,871	177,005,522
Total assets	229,404,058	2,073,753	231,477,811
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	7,396,130	262,771	7,658,901
OPEB deferrals	1,536,246	59,294	1,595,540
Total deferred outflows of resources	8,932,376	322,065	9,254,441

Town of Kernersville, North Carolina
Statement of Net Position
June 30, 2023

Exhibit 1
(2 pages)

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 3,700,805	\$ 91,042	\$ 3,791,847
Performance bonds	344,055	34,595	378,650
Claims and judgments	362,457	-	362,457
Accrued interest payable	217,511	321	217,832
Unearned revenues	695,227	-	695,227
Current portion of total pension liability - LEO	207,995	-	207,995
Current portion of total OPEB liability	459,618	-	459,618
Current portion of long-term liabilities	7,151,215	90,002	7,241,217
Total current liabilities	13,138,883	215,960	13,354,843
Long-term liabilities:			
Due in more than one year	34,748,411	43,208	34,791,619
Net pension liability - LGERS	10,329,791	407,539	10,737,330
Total pension liability - LEO, net of current	3,192,882	-	3,192,882
Total OPEB liability, net of current	10,207,192	411,701	10,618,893
Total long-term liabilities	58,478,276	862,448	59,340,724
Total liabilities	71,617,159	1,078,408	72,695,567
DEFERRED INFLOWS OF RESOURCES			
Leases	1,768,225	-	1,768,225
Pension deferrals	971,202	12,183	983,385
OPEB deferrals	3,675,363	141,856	3,817,219
Total deferred inflows of resources	6,414,790	154,039	6,568,829
NET POSITION			
Net investment in capital assets	160,034,151	978,120	161,012,271
Restricted for:			
Stabilization by state statute	5,662,967	-	5,662,967
Tourism	286,835	-	286,835
Public safety	507,060	-	507,060
Unrestricted	(6,186,528)	185,251	(6,001,277)
Total net position	160,304,485	1,163,371	161,467,856

Town of Kernersville, North Carolina
Statement of Activities
Year Ended June 30, 2023

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 6,231,649	\$ 590,558	\$ 601,751	\$ 219,105	\$ (4,820,235)	\$ -	\$ (4,820,235)
Public safety	18,540,239	1,319,352	3,059,455	2,842,517	(11,318,915)	-	(11,318,915)
Public service	10,750,804	610,357	3,444,125	-	(6,696,322)	-	(6,696,322)
Cultural and recreation	4,172,066	439,400	1,682,890	2,446,635	396,859	-	396,859
Interest on long-term obligations	764,776	-	-	-	(764,776)	-	(764,776)
Total governmental activities	40,459,534	2,959,667	8,788,221	5,508,257	(23,203,389)	-	(23,203,389)
Business-type activities:							
Stormwater	2,116,917	1,211,232	-	-	-	(905,685)	(905,685)
Total business-type activities	2,116,917	1,211,232	-	-	-	(905,685)	(905,685)
Total government	<u>\$ 42,576,451</u>	<u>\$ 4,170,899</u>	<u>\$ 8,788,221</u>	<u>\$ 5,508,257</u>	<u>(23,203,389)</u>	<u>(905,685)</u>	<u>(24,109,074)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					22,513,822	-	22,513,822
Other taxes					357,730	-	357,730
Unrestricted intergovernmental revenues					12,113,493	-	12,113,493
Unrestricted investment earnings					1,311,375	47,314	1,358,689
Miscellaneous					289,244	-	289,244
Total general revenues not including transfers					36,585,664	47,314	36,632,978
Net transfers					(237,937)	237,937	-
Total general revenues and transfers					36,347,727	285,251	36,632,978
Change in net position					13,144,338	(620,434)	12,523,904
Net position, beginning					147,160,147	1,783,805	148,943,952
Net position, ending					<u>\$ 160,304,485</u>	<u>\$ 1,163,371</u>	<u>\$ 161,467,856</u>

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

Town of Kernersville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2023

Exhibit 3
(2 pages)

	Major Funds				
	General Fund	Recreation Department Capital Projects Ordinance Fund	Kerner Mill Greenway Capital Projects Ordinance Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 12,749,985	\$ 3,885,169	\$ 2,222,646	\$ 888,736	\$ 19,746,536
Restricted cash	5,160,484	16,541,402	-	4,533,793	26,235,679
Taxes receivable, net	163,599	-	-	-	163,599
Accounts receivable, net	152,284	-	-	3,650	155,934
Due from other governments	5,486,176	-	518,850	20,857	6,025,883
Leases receivable	1,837,891	-	-	-	1,837,891
Total assets	<u>\$ 25,550,419</u>	<u>\$ 20,426,571</u>	<u>\$ 2,741,496</u>	<u>\$ 5,447,036</u>	<u>\$ 54,165,522</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 2,656,044	\$ 515,232	\$ 520,760	\$ 8,769	\$ 3,700,805
Due to other funds	13,957	-	-	-	13,957
Performance bonds	344,055	-	-	-	344,055
Unearned revenue	695,227	-	-	-	695,227
Total liabilities	<u>3,709,283</u>	<u>515,232</u>	<u>520,760</u>	<u>8,769</u>	<u>4,754,044</u>
DEFERRED INFLOWS OF RESOURCES					
Property tax receivable	163,599	-	-	-	163,599
Unavailable revenues	-	-	518,850	-	518,850
Leases	1,768,225	-	-	-	1,768,225
Total deferred inflows of resources	<u>1,931,824</u>	<u>-</u>	<u>518,850</u>	<u>-</u>	<u>2,450,674</u>
FUND BALANCES					
Non-spendable:					
Leases	69,666	-	-	-	69,666
Restricted:					
Stabilization by state statute	5,638,460	-	-	24,507	5,662,967
Capital equipment	2,212,053	-	-	-	2,212,053
Capital projects	2,604,376	16,541,402	-	4,533,793	23,679,571
Tourism	-	-	-	286,835	286,835
Public safety	-	-	-	507,060	507,060
Committed:					
Capital projects	1,688,390	3,369,937	1,701,886	-	6,760,213
Assigned:					
Subsequent year's expenditures	-	-	-	86,072	86,072
Unassigned	7,696,367	-	-	-	7,696,367
Total fund balances	<u>19,909,312</u>	<u>19,911,339</u>	<u>1,701,886</u>	<u>5,438,267</u>	<u>46,960,804</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,550,419</u>	<u>\$ 20,426,571</u>	<u>\$ 2,741,496</u>	<u>\$ 5,447,036</u>	<u>\$ 54,165,522</u>

Town of Kernersville, North Carolina
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Position
June 30, 2023

Exhibit 3
(2 pages)

Amounts reported for governmental activities in the
Statement of Net Position (Exhibit 1) are different because:

Total fund balance, governmental funds	\$ 46,960,804
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	174,249,155
Deferred outflows of resources related to pensions are not reported in the funds	7,396,130
Deferred outflows of resources related to OPEB are not reported in the funds	1,536,246
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	9,585
The Self-Insurance Internal Service Fund is used by management to charge the costs of workers' compensation claims to the General Fund. The assets and liabilities of the Self-Insurance Internal Service Fund are included in governmental activities in the Statement of Net Position.	631,296
Earned revenues considered deferred inflows of resources in fund statements	682,449
Net pension liability - LGERS	(10,329,791)
Total pension liability - LEO	(3,400,877)
Total OPEB liability	(10,666,810)
Deferred inflows of resources related to pensions are not reported in the funds	(971,202)
Deferred inflows of resources related to OPEB are not reported in the funds	(3,675,363)
Some liabilities, including long-term debt and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	<u>(42,117,137)</u>
Net position of governmental activities	<u>\$ 160,304,485</u>

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

Exhibit 4
(3 pages)

	Major Funds				
		Recreation Department Capital Projects Ordinance Fund	Kerner Mill Greenway Capital Projects Ordinance Fund	Non-Major Governmental Funds	Total Governmental Funds
	General Fund				
Revenues:					
Ad valorem taxes	\$ 22,586,182	\$ -	\$ -	\$ -	\$ 22,586,182
Other taxes and licenses	121,510	-	-	236,220	357,730
Unrestricted intergovernmental	12,113,492	-	-	3,929,539	16,043,031
Restricted intergovernmental	2,894,982	-	960,992	96,760	3,952,734
Penalties and interest	652,000	466,094	47,284	117,408	1,282,786
Contributions and donations	1,365,819	-	-	16,247	1,382,066
Other general revenues	308,725	-	-	-	308,725
Functionally related revenues	2,238,667	-	-	-	2,238,667
Total revenues	42,281,377	466,094	1,008,276	4,396,174	48,151,921
Expenditures:					
Current:					
General government	6,199,471	-	-	466,757	6,666,228
Public safety	15,884,734	-	-	3,172,650	19,057,384
Public service	9,036,882	-	-	511,462	9,548,344
Cultural and recreational	11,178,181	1,368,451	1,176,961	292,500	14,016,093
Debt service:					
Principal	4,495,598	406,250	-	54,000	4,955,848
Interest and other charges	529,786	82,744	-	1,769	614,299
Total expenditures	47,324,652	1,857,445	1,176,961	4,499,138	54,858,196
Revenues under expenditures	(5,043,275)	(1,391,351)	(168,685)	(102,964)	(6,706,275)
Other financing sources (uses):					
Transfers from other funds	-	-	-	285,790	285,790
Transfers to other funds	(523,727)	-	-	-	(523,727)
Installment purchase obligations issued	2,277,900	16,250,000	-	4,525,000	23,052,900
Lease liabilities issued	101,279	-	-	-	101,279
Subscription liabilities issued	209,979	-	-	-	209,979
Sale of capital assets	140,113	-	-	-	140,113
Total other financing sources	2,205,544	16,250,000	-	4,810,790	23,266,334
Net change in fund balances	(2,837,731)	14,858,649	(168,685)	4,707,826	16,560,059
Fund balances, beginning	22,747,043	5,052,690	1,870,571	730,441	30,400,745
Fund balances, ending	\$ 19,909,312	\$ 19,911,339	\$ 1,701,886	\$ 5,438,267	\$ 46,960,804

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

Exhibit 4
(3 pages)

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities**

Total net change in fund balances - total governmental funds		\$	16,560,059
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital outlay expenditures which were capitalized	\$	13,712,923	
Depreciation and amortization expense for governmental assets		(4,496,570)	9,216,353
Cost of capital asset disposed of during the year, not recognized on modified accrual basis.			
Proceeds on disposal of fixed assets under modified accrual basis		(140,113)	
Loss on sale of fixed assets recognized under full accrual basis		(19,481)	(159,594)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.			
			1,770,521
Benefit payments paid and administrative expense for the Law Enforcement Officers Separation Allowance are not included on the Statement of Activities			
			191,685
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities			
			459,618
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
Amount of donated assets		5,234,290	
Change in unavailable revenue, property tax receivable		(54,358)	
Change in unavailable revenue, grant revenues		518,850	
Change in accrued interest receivable on property taxes		(18,002)	5,680,780

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

Exhibit 4
(3 pages)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. 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.

New installment purchase obligations issued	\$	(23,052,900)	
Lease liabilities issued		(101,279)	
Subscription liabilities issued		(209,979)	
Principal payments on long-term debt		4,955,848	
Change in accrued interest payable		<u>(150,477)</u>	\$ (18,558,787)

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.

Change in compensated absences	(179,851)	
OPEB plan expense	(322,277)	
Pension expense	<u>(1,734,948)</u>	(2,237,076)

Change in net position of internal service funds determined to be governmental-type.

220,779

Total changes in net position of governmental activities

\$ 13,144,338

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2023

Exhibit 5
(2 pages)

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Positive
				(Negative)
Revenues:				
Ad valorem taxes	\$ 22,094,437	\$ 22,094,437	\$ 22,586,182	\$ 491,745
Other taxes and licenses	110,800	110,800	121,510	10,710
Unrestricted intergovernmental	10,912,121	12,027,795	12,113,492	85,697
Restricted intergovernmental	6,504,694	6,237,117	2,894,982	(3,342,135)
Penalties and interest	24,297	401,655	597,798	196,143
Contributions and donations	1,150,040	1,651,558	1,365,819	(285,739)
Other general revenues	77,100	330,541	308,725	(21,816)
Functionally related revenues	2,327,257	2,719,042	2,238,667	(480,375)
Total revenues	43,200,746	45,572,945	42,227,175	(3,345,770)
Expenditures:				
Current:				
General government	5,071,455	7,516,574	7,169,889	346,685
Public safety	23,682,080	20,481,557	17,816,931	2,664,626
Public service	10,241,788	13,729,933	9,597,507	4,132,426
Cultural and recreational	2,915,808	12,446,643	11,888,959	557,684
Debt service	851,778	851,778	851,366	412
Total expenditures	42,762,909	55,026,485	47,324,652	7,701,833
Revenues over (under) expenditures	437,837	(9,453,540)	(5,097,477)	4,356,063
Other financing sources (uses):				
Transfers from other funds	100	39,183	39,183	-
Transfers to other funds	(437,937)	(798,210)	(798,210)	-
Installment purchase obligations issued	-	2,617,600	2,277,900	(339,700)
Lease liabilities issued	-	-	101,279	101,279
Subscription liabilities issued	-	-	209,979	209,979
Sale of capital assets	-	140,200	140,113	(87)
Total other financing sources (uses)	(437,837)	1,998,773	1,970,244	(28,529)

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2023

Exhibit 5
(2 pages)

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
				Positive
				(Negative)
Revenues and other financing sources over (under) expenditures and other financing sources	\$ -	\$ (7,454,767)	\$ (3,127,233)	\$ 4,327,534
Fund balance appropriated	-	7,454,767	-	(7,454,767)
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	(3,127,233)	<u>\$ (3,127,233)</u>
Fund balance, beginning			21,348,155	
Fund balance, ending			18,220,922	
A legally budgeted capital reserve fund is consolidated into the General Fund for reporting purposes:				
Fund balance, beginning			1,398,888	
Investment earnings			54,202	
Net transfers from other funds			235,300	
Fund balance, ending (Exhibit 4)			<u>\$ 19,909,312</u>	

Town of Kernersville, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2023

Exhibit 6

	Major Fund Stormwater Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 957,330	\$ 725,237
Restricted cash	34,595	-
Due from other fund	13,957	-
Other receivables	-	268,516
Total current assets	<u>1,005,882</u>	<u>993,753</u>
Noncurrent assets:		
Capital assets, net of depreciation	<u>1,067,871</u>	<u>-</u>
Total noncurrent assets	<u>1,067,871</u>	<u>-</u>
Total assets	<u>2,073,753</u>	<u>993,753</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	262,771	-
OPEB deferrals	<u>59,294</u>	<u>-</u>
Total deferred outflows	<u>322,065</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	91,042	-
Claims and judgments	-	362,457
Accrued interest payable	321	-
Performance bonds	34,595	-
Current portion of long-term liabilities	<u>90,002</u>	<u>-</u>
Total current liabilities	<u>215,960</u>	<u>362,457</u>
Noncurrent liabilities:		
Net pension liability - LGERS	407,539	-
OPEB liability	411,701	-
Noncurrent portion of long-term debt	<u>43,208</u>	<u>-</u>
Total noncurrent liabilities	<u>862,448</u>	<u>-</u>
Total liabilities	<u>1,078,408</u>	<u>362,457</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	12,183	-
OPEB deferrals	<u>141,856</u>	<u>-</u>
Total deferred inflows	<u>154,039</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	978,120	-
Unrestricted	<u>185,251</u>	<u>631,296</u>
Total net position	<u><u>\$ 1,163,371</u></u>	<u><u>\$ 631,296</u></u>

Town of Kernersville, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2023

Exhibit 7

	Major Fund Stormwater Fund	Internal Service Fund
Operating revenues		
Charges for services	\$ 1,211,232	\$ 344,900
Insurance claims received	-	268,516
Total operating revenues	1,211,232	613,416
Operating expenses		
Personnel services	1,158,286	-
Depreciation	218,320	-
Other current charges	731,612	-
Claims incurred	-	309,746
Stop-loss coverage	-	99,979
Administration	-	11,500
Total operating expenses	2,108,218	421,225
Operating income (loss)	(896,986)	192,191
Nonoperating revenues		
Investment earnings	47,314	28,588
Interest and other charges	(8,699)	-
Total nonoperating revenues	38,615	28,588
Income (loss) before transfers	(858,371)	220,779
Other financing sources		
Transfers from other funds	237,937	-
Change in net position	(620,434)	220,779
Total net position, beginning	1,783,805	410,517
Total net position, ending	\$ 1,163,371	\$ 631,296

Town of Kernersville, North Carolina
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

Exhibit 8

	Major Fund	
	Stormwater Fund	Internal Service Fund
Cash flows from operating activities:		
Cash received from customers	\$ 1,213,192	\$ -
Cash paid for goods and services	(701,783)	(99,979)
Cash paid to or on behalf of employees for services	(786,902)	-
Receipts from other funds	-	344,900
Payment of claims	-	(452,083)
Payment of fee to administrator	-	(11,500)
Net cash used by operating activities	<u>(275,493)</u>	<u>(218,662)</u>
Cash flows from noncapital financing activities		
Transfers in from other funds	<u>237,937</u>	-
Net cash provided by noncapital financing activities	<u>237,937</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(189,795)	-
Principal paid on installment debt	(93,502)	-
Interest paid on installment debt	(9,147)	-
Net cash used by capital and related financing activities	<u>(292,444)</u>	<u>-</u>
Cash flows from investing activities		
Investment earnings	<u>47,314</u>	<u>28,588</u>
Net cash provided by investing activities	<u>47,314</u>	<u>28,588</u>
Net change in cash and cash equivalents	(282,686)	(190,074)
Cash and cash equivalents, beginning	<u>1,274,611</u>	<u>915,311</u>
Cash and cash equivalents, ending	<u><u>\$ 991,925</u></u>	<u><u>\$ 725,237</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities		
Operating income (loss)	\$ (896,986)	\$ 192,191
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	218,320	-
Change in assets, deferred outflows of resources, and liabilities:		
Increase in deferred outflows of resources - pensions	(117,788)	-
Decrease in net pension liability	307,759	-
Decrease in deferred inflows of resources - pensions	(144,809)	-
Decrease in deferred outflows of resources - OPEB	397,069	-
Increase in OPEB liability	(53,657)	-
Increase in deferred inflows of resources - OPEB	(21,136)	-
Receivables	1,960	(268,516)
Due from other fund	(13,957)	-
Accounts payable and accrued liabilities	43,786	-
Claims and judgments	-	(142,337)
Accrued vacation pay	3,946	-
Net cash used by operating activities	<u><u>\$ (275,493)</u></u>	<u><u>\$ (218,662)</u></u>

Town of Kernersville, North Carolina
Statement of Fiduciary Net Position
Kernersville Sewer Settlement Residual Fund
June 30, 2023

Exhibit 9

	<u>Custodial Fund</u> <u>Kernersville</u> <u>Sewer</u> <u>Settlement</u> <u>Residual Fund</u>
ASSETS	
Cash and cash equivalents	\$ 550,582
Total assets	<u>550,582</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>50,000</u>
Total liabilities	<u>50,000</u>
NET POSITION	
Restricted for settlement payments	715
Restricted for amenities for Kernersville portion of Greenway System	<u>499,867</u>
Total net position	<u><u>\$ 500,582</u></u>

Town of Kernersville, North Carolina
Statement of Changes in Fiduciary Net Position
Kernersville Sewer Settlement Residual Fund
Year Ended June 30, 2023

Exhibit 10

	<u>Custodial Fund</u> <u>Kernersville</u> <u>Sewer</u> <u>Settlement</u> <u>Residual Fund</u>
Additions	
Release of liability from court order	\$ 487,659
Investment income	<u>11,067</u>
Total additions	<u>498,726</u>
Net change in fund balance	498,726
Net position - beginning of year	<u>1,856</u>
Net position - end of year	<u><u>\$ 500,582</u></u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Kernersville 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 Kernersville (the "Town") is a municipal corporation which is governed by an elected mayor and a five-member Board of Aldermen. As required by generally accepted accounting principles, these financial statements present all funds, agencies, boards, commissions and authorities which are controlled by or are financially dependent upon the Town.

B. Basis of presentation

Government-wide statements: The statement of net position and the statement of activities display information about the non-fiduciary activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses; however, interfund services provided and used are not eliminated in the process of consolidation. 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 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 are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund financial statements: The fund financial statements provide information about the Town's funds, including the fiduciary fund. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each displayed in a separate column. All remaining governmental 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. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state and federal grants, and various other taxes and licenses. The primary expenditures are for public safety, streets and maintenance, sanitation and general government services.

Additionally, the Town has legally adopted a *Capital Reserve Fund*. Under GASB 54 guidance, the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplementary information. The Capital Reserve Fund is used to account for resources to be used for future major capital purchases or projects.

The Recreation Department Capital Projects Ordinance Fund. The Recreation Department Capital Projects Ordinance Fund accounts for the financial resources and uses for the acquisition or construction of assets and improvements related to the Recreation Department.

The Kerner Mill Greenway Capital Project Ordinance Fund. The Kerner Mill Greenway Capital Projects Ordinance Fund accounts for the financial resources and uses for the acquisition or construction of assets and improvement related to the Kerner Mill Greenway.

The Town reports the following major enterprise fund:

Stormwater Fund. The purpose of the Stormwater Enterprise Fund is to finance the operations of the Stormwater Division, which was created in response to state and federal mandates, as well as a desire of the citizenry to ensure that the Town remains a quality community, especially in regard to environmental stewardship.

The Town reports the following non-major governmental funds:

Special Revenue Funds. The Town reports five special revenue funds. The Occupancy Tax Fund accounts for the revenue generated by the tax charged on hotel and motel rooms to be used to promote travel and tourism, and tourism-related expenditures; the Emergency Telephone System Fund accounts for 911 system subscriber fees and levies; the Contributions Fund accounts for donations used to support drug education programs; the Law Enforcement Forfeitures Fund accounts for restricted proceeds resulting from the sale of properties seized in criminal investigations; and the American Rescue Plan Act Special Revenue Fund is used to account for federal grant funds received and spent as part of the American Rescue Plan Act for COVID-19 relief and economic recovery.

Capital Project Funds. The Town reports one non-major Capital Project fund. The Beeson's Fire Facility Capital Projects Ordinance Fund accounts for the financial resources and uses for the acquisition or construction of assets and improvements related to the Beeson's Fire Facility.

The Town reports the following non-major proprietary funds:

Internal Service Fund. The Internal Service fund accounts for operations that provide services to other departments or agencies of the Town, or to other governments, on a cost-reimbursement basis. The Town has one Internal Service Fund. The Self-Insurance Fund accounts for workers' compensation insurance provided for the Town's employees.

Additionally, the Town reports the following fund type:

Custodial Fund. The Kernersville Sewer Settlement Residual Fund accounts for money to be paid out to individuals related to the CCUC Class Action Lawsuit.

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, proprietary, and fiduciary fund financial statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and 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. Nonexchange 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.

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 installment purchase agreements are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the state of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied at the county level and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

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 positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

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 Fund, the Enterprise Fund, and the Special Revenue Funds, with the exception of the American Rescue Plan Act Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Capital Project Funds and the American Rescue Plan Act Fund.

Town of Kernersville, North Carolina
Notes to Financial Statements

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 object level for multi-year funds. The Town Manager is authorized to make budget amendments to all departments and line items within the same fund, and is required to have such amendments entered into the minutes of the next regular meeting of the Board of Aldermen. During the year, amendments to the original budget were necessary, the effects of which were not material.

E. Assets, liabilities, deferred outflows/inflows of resources and net position or fund balance

(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 non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The NCCMT, which consists of a SEC-registered mutual fund (the Government Portfolio), is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries, government agencies, and collateralized repurchase agreements, is a money market mutual fund (2a7) and maintains an AAAm rating from S&P and AAAmf by Moody's Investor Service. It is reported at fair value.

(2) Cash and cash equivalents

The Town pools money from several funds, except for the Kernersville Sewer Settlement Residual Fund, 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 assets

Performance bonds in the amount of \$344,055 and \$34,595, respectively, are classified as restricted cash on the balance sheet Governmental Funds and Statement of Fund Net Position Proprietary Funds. The Town requires developers/contractors to pay a performance bond to guarantee successful performance on certain construction projects. Once the Town has ensured that the work has been satisfactorily completed, the performance bonds are released. There is \$25,891,624 on the Governmental Funds balance sheet of unexpended debt proceeds that are restricted to capital improvements for which the debt was issued.

(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. These taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. The taxes levied are based on the assessed values as of January 1, 2022. As allowed by state law, the Town has established a schedule of discounts that apply to taxes that 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 shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables written off in prior years.

(6) Lease receivable

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

(7) Prepaid assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets in both government-wide and fund financial statements and expensed as the assets are used.

(8) Capital assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain amount and an estimated useful life in excess of three years. Minimum capitalization costs are as follows: buildings and improvements - \$20,000; infrastructure - \$100,000; and furniture, equipment and vehicles - \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or historical cost. General infrastructure assets acquired prior to July 1, 2003 consist of road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	50 years
Land improvements	25 years
Infrastructure	40 years
Furniture, equipment, and heavy equipment	5 to 10 years
Vehicles	6 years

(9) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The Town has two items that meet the criterion for this category: pension and OPEB deferrals for the 2023 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category: property taxes receivable, unavailable grant revenues, leases receivable, OPEB, and pension deferrals.

(10) Long-term obligations

In the government-wide financial statements and the 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 or business-type activities statement of net position.

(11) Compensated absences

The vacation policy of the Town provides for a maximum accumulation of 240 hours of earned vacation leave based on an employee's years of service, five years or greater. Such leave is fully vested when earned. Employees that have 0 to 4 years of experience cannot accrue any vacation. At the end of each calendar year, any vacation balance in excess of the amount that an employee could accrue in a 24-month period is converted to sick leave. Any accrued vacation not converted to sick leave in excess of the maximum accumulation shall be cancelled.

For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded 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 policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but 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 has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

(12) Net position/fund balances

Net position

Net position in the government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through state statute.

Fund balances

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

The governmental fund types classify fund balances as follows:

Non-spendable fund balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

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

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 1559-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State Statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for Capital Expenditures - portion of fund balance that is restricted due to unexpended installment purchases for the purchase of capital assets.

Restricted for Tourism - portion of fund balance restricted by occupancy tax revenues for tourism-related expenditures.

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures and for law enforcement expenditures.

Committed fund balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by the government through formal action at the highest level of decision-making authority (Town of Kernersville's Board). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Capital Projects - portion of fund balance that is set aside by the Board for capital projects.

Assigned fund balance - portion of fund balance that the Town of Kernersville intends to use for specific purposes.

Unassigned fund balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The Town of Kernersville has a revenue-spending practice that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond and installment financing proceeds, federal funds, state funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and finally unassigned fund balance. The Finance Officer has the authority to deviate from this practice, if it is in the best interest of the Town.

The Town of Kernersville has adopted a minimum fund balance policy for the General Fund, which instructs management to conduct business of the Town in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures.

(13) Pensions

For purposes of measuring the total pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

F. Change in Accounting Principle

Effective July 1, 2022, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The statement establishes that a SBITA results in an intangible right-to-use asset and corresponding subscription liability. At July 1, 2022, the Town recognized right-to-use assets and subscription lease liabilities for governmental activities of \$128,379, respectively. There was no impact on net position or fund balances as previously presented.

2. Detail Notes on All Funds

A. Assets

(1) Deposits

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for noninterest-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

Town of Kernersville, North Carolina
Notes to Financial Statements

under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2023, the Town's deposits had a carrying amount of \$9,988,326 and a bank balance of \$7,053,192. Of the bank balance, \$1,250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2023, the Town's petty cash fund totaled \$8,600.

(2) Investments

At June 30, 2023, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at June 30, 2023</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 37,702,451	N/A	AAAm

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

Level of fair value hierarchy:

Level 1 - Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

The Town does not have a formal investment policy.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Governmental Portfolio, which invests in treasuries, government agencies, and collateralized repurchase agreements, is a money mutual fund (2a7) and maintains a credit rating of AAAm by Standard & Poor's and AAAmf by Moody's Investor Service as of June 30, 2023.

Town of Kernersville, North Carolina
Notes to Financial Statements

(3) Due from other governments

Amounts due from other governments consist of the following:

	<u>Governmental Activities</u>
General fund:	
Sales and use tax distribution	\$ 2,286,361
Sales tax refunds	473,789
Utilities franchise, video programming, solid waste, and telecommunications tax	464,909
Alcohol beverage tax	221,471
Utility Commission reimbursements	1,655,115
North Carolina Vehicle Tax System remittances	344,498
Miscellaneous grant reimbursements	<u>40,033</u>
Total general fund	<u>5,486,176</u>
Other governmental funds:	
Grant receivable	518,850
Occupancy tax reimbursement	<u>20,857</u>
Total other governmental funds	<u>539,707</u>
	<u><u>\$ 6,025,883</u></u>

(4) Receivables - allowance for doubtful accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023 are net of the following allowances for doubtful accounts:

General fund:	
Taxes receivable	\$ <u>60,000</u>

(5) Leases receivable

The Town allows certain organizations to have equipment on the Town-owned communications tower and also leases certain buildings and facilities. The terms of these lease agreements expire at various times through fiscal year 2036. Payments for one of the leases is constant consistent through August 2026 and then increases annually by approximately 3%. The other two leases increase annually by approximately 3%.

Future minimum lessee payments due to the Town under non-cancelable lease agreements, as of June 30, 2023, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 149,395	\$ 59,111	\$ 208,506
2025	157,406	54,255	211,661
2026	165,903	49,008	214,911
2027	177,236	43,605	220,841
2028	143,618	38,190	181,808
2029 - 2033	748,532	124,464	872,996
2034 - 2036	<u>295,801</u>	<u>14,297</u>	<u>310,098</u>
	<u><u>\$ 1,837,891</u></u>	<u><u>\$ 382,930</u></u>	<u><u>\$ 2,220,821</u></u>

Town of Kernersville, North Carolina
Notes to Financial Statements

The Town reported lease revenue of \$424,172 and interest revenue of \$5,569 during the year ended June 30, 2023. Deferred inflows of resources related to the leases receivable amounted to \$1,768,225 as of June 30, 2023.

(6) Capital assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Restated Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 86,972,471	\$ 7,364,731	\$ -	\$ 94,337,201
Construction in progress	96,421	3,989,447	-	4,085,869
Total capital assets not being depreciated	<u>87,068,892</u>	<u>11,354,178</u>	<u>-</u>	<u>98,423,070</u>
Capital assets being depreciated:				
Buildings and improvements	24,251,163	3,957,306	-	28,208,469
Land improvements	4,836,262	30,054	-	4,866,316
Infrastructure	107,403,632	-	-	107,403,632
Equipment and heavy equipment	15,447,180	2,606,959	(913,683)	17,140,456
Vehicles	5,868,303	687,458	(178,203)	6,377,558
Total capital assets being depreciated	<u>157,806,540</u>	<u>7,281,777</u>	<u>(1,091,886)</u>	<u>163,996,431</u>
Less accumulated depreciation for:				
Buildings and improvements	7,994,815	470,607	-	8,465,422
Land improvements	2,880,151	225,177	-	3,105,328
Infrastructure	58,063,183	2,094,377	-	60,157,560
Equipment and heavy equipment	12,226,048	908,303	(754,089)	12,380,262
Vehicles	4,231,220	451,731	(178,203)	4,504,748
Total accumulated depreciation	<u>85,395,417</u>	<u>\$ 4,150,195</u>	<u>\$ (932,292)</u>	<u>88,613,320</u>
Total capital assets being depreciated, net	<u>72,411,123</u>			<u>75,383,111</u>
Capital assets being amortized				
Right-to-use assets:				
Leased equipment	\$ 401,412	\$ 101,279	\$ (211,413)	\$ 291,278
Leased vehicles	77,428	-	-	77,428
Leased buildings	245,392	-	-	245,392
Software subscriptions	128,379	209,979	-	338,358
Total capital assets being amortized	<u>852,611</u>	<u>311,258</u>	<u>(211,413)</u>	<u>952,456</u>
Less accumulated amortization:				
Right-to-use assets				
Leased equipment	232,160	96,996	(211,413)	117,743
Leased vehicles	46,457	30,971	-	77,428
Leased buildings	95,903	88,926	-	184,829
Software subscriptions	-	129,482	-	129,482
Total accumulated amortization	<u>374,520</u>	<u>\$ 346,375</u>	<u>\$ (211,413)</u>	<u>509,482</u>
Total capital assets being amortized, net	<u>\$ 478,091</u>			<u>\$ 442,974</u>
Governmental activities capital assets, net	<u>\$ 159,958,106</u>			<u>\$ 174,249,155</u>

Town of Kernersville, North Carolina
Notes to Financial Statements

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

General government	\$ 535,567
Public safety	1,172,599
Public service	2,416,166
Cultural and recreational	<u>372,238</u>
Total depreciation and amortization expense	<u>\$ 4,496,570</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 50,548	\$ -	\$ -	\$ 50,548
Land improvements	137,450	-	-	137,450
Infrastructure	137,185	-	-	137,185
Equipment and heavy equipment	2,011,008	189,795	-	2,200,803
Vehicles	<u>260,545</u>	<u>-</u>	<u>-</u>	<u>260,545</u>
Total capital assets being depreciated	<u>2,596,736</u>	<u>189,795</u>	<u>-</u>	<u>2,786,531</u>
Less accumulated depreciation for:				
Buildings and improvements	6,319	1,011	-	7,330
Land improvements	55,668	9,172	-	64,840
Infrastructure	51,730	3,430	-	55,160
Equipment and heavy equipment	1,223,055	154,423	-	1,377,478
Vehicles	<u>163,569</u>	<u>50,284</u>	<u>-</u>	<u>213,852</u>
Total accumulated depreciation	<u>1,500,341</u>	<u>\$ 218,320</u>	<u>\$ -</u>	<u>1,718,660</u>
Stormwater fund capital assets, net	<u>\$ 1,096,395</u>			<u>\$ 1,067,871</u>

Construction and Other Significant Commitments

The Town has several active construction projects as of June 30, 2023. These projects are for various capital improvements. At year end, the Town's remaining commitments for these projects were approximately \$23,239,000. The majority of the remaining commitments relates to the Recreation and Events Center, Beeson's Fire Facility and Kerner Mill Greenway.

B. Liabilities

(1) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at June 30, 2023 were as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Payable to vendors and others	\$ 2,767,916	\$ 59,880	\$ 2,827,796
Accrued payroll and related liabilities	<u>932,889</u>	<u>31,162</u>	<u>964,051</u>
Total accounts payable and accrued liabilities	<u>\$ 3,700,805</u>	<u>\$ 91,042</u>	<u>\$ 3,791,847</u>

(2) Pension plan and postemployment obligations

(a) Local Governmental Employees' Retirement System

Plan description. The Town of Kernersville is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits provided. LGERS provides retirement, disability and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad workers who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the North Carolina General Assembly.

LGERS plan members who are Law Enforcement Officers (LEOs) are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. LEOs who complete 25 years of creditable service with 15 years as an officer are eligible to retire with partial retirement benefits. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of creditable service as an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Kernersville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2023 was 13.04% of compensation for law enforcement officers and 12.10% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$1,840,373 for the year ended June 30, 2023.

Town of Kernersville, North Carolina
Notes to Financial Statements

Refunds of contributions. Town employees who have terminated service as contributing members may file an application for a refund of their contributions. By state law, refunds to members include interest (currently 4% per year) regardless of the number of years of retirement service credit or of the reason for separation from service. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to any other retirement or survivor benefit provided by LGERS.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2023, the Town reported a liability of \$10,737,330 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Town's proportion was 0.190%, which was an increase of 0.002% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$2,859,574. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 462,662	\$ 45,361
Changes of assumptions	1,071,345	-
Net difference between projected and actual earnings on pension plan investments	3,548,800	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	275,612
Town contributions subsequent to the measurement date	<u>1,840,373</u>	<u>-</u>
Total	<u>\$ 6,923,180</u>	<u>\$ 320,973</u>

\$1,840,373 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30

2024	\$ 1,424,325
2025	1,257,043
2026	389,751
2027	1,690,715
Thereafter	<u>-</u>
	<u>\$ 4,761,834</u>

Town of Kernersville, North Carolina
Notes to Financial Statements

Actuarial assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 (measurement date) are summarized in the following table:

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

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

Town of Kernersville, North Carolina
Notes to Financial Statements

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 19,379,498	\$ 10,737,330	\$ 3,615,682

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the state of North Carolina.

(b) Law Enforcement Officers Special Separation Allowance

Plan description. The Town of Kernersville administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	14
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>67</u>
Total	<u><u>81</u></u>

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Town of Kernersville, North Carolina
Notes to Financial Statements

Actuarial assumptions. The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent
Discount rate	4.31 percent

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index. Index determined at the end of each month for the year ended December 31, 2021.

Mortality rates are based on the RP-2014 Series Mortality tables with adjustments for mortality improvements based on Scale AA.

Change in actuarial assumptions. On the prior Measurement Date (December 31, 2021), the Municipal Bond Index Rate, on which the discount rate is based, was 2.25%. Since the Prior Measurement Date, the Municipal Bond Index Rate has increased to 4.31% as of the Measurement Date (December 31, 2022).

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$207,995 as benefits came due for the reporting period.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2023, the Town reported a total pension liability of \$3,400,877. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was rolled forward to December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$352,785.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,998	\$ 60,190
Changes of assumptions	541,083	602,222
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>109,640</u>	<u>-</u>
Total	<u>\$ 735,721</u>	<u>\$ 662,412</u>

The \$109,640 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Town of Kernersville, North Carolina
Notes to Financial Statements

Year Ending June 30

2024	\$	57,142
2025		46,398
2026		36,946
2027		(108,996)
2028		<u>(67,821)</u>
	\$	<u>(36,331)</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 4.31 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.31 percent) or 1 percentage point higher (5.31 percent) than the current rate:

	<u>1% Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Total pension liability	\$ 3,689,773	\$ 3,400,877	\$ 3,138,893

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

	<u>2023</u>
Beginning balance	\$ 3,931,493
Service cost	180,806
Interest on the total pension liability	86,119
Difference between expected and actual experience	37,151
Changes of assumptions or other inputs	(626,697)
Benefit payments	<u>(207,995)</u>
Ending balance of the total pension liability	<u>\$ 3,400,877</u>

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 2,859,574	\$ 352,785	\$ 3,095,847
Pension liability	10,737,330	3,400,877	14,138,207
Proportionate share of net pension liability	0.190%	n/a	

Town of Kernersville, North Carolina
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	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Deferred outflows of resources:			
Differences between expected and actual experience	\$ 462,662	\$ 84,998	\$ 547,660
Changes of assumptions	1,071,345	541,083	1,612,428
Net difference between projected and actual earnings on plan investments	3,548,800	-	3,548,800
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	1,840,373	109,640	1,950,013
Deferred inflows of resources:			
Differences between expected and actual experience	45,361	60,190	105,551
Changes of assumptions	-	602,222	602,222
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	275,612	-	275,612

(d) Supplemental Retirement Income Plan

Plan description. The Town of Kernersville 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 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. Additionally, the Town has elected to include all permanent, full-time employees under this plan. The Supplemental Retirement Income Plan is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each sworn law enforcement officer's salary, and all amounts contributed are vested immediately. Sworn law enforcement officers may also make voluntary contributions to the plan. Contributions for the year ending June 30, 2023 totaled \$398,540, of which \$200,201 were contributed by the Town and \$198,339 by sworn law enforcement officers. No amounts were forfeited.

The Town elected to contribute 2% of salary for general employees (non-sworn law enforcement officers) to the Supplemental Retirement Plan for the year ended June 30, 2023. General employees may also make voluntary contributions to the plan. Contributions for the year ending June 30, 2023 totaled \$612,835, of which \$217,557 were contributed by the Town and \$395,278 were contributed by general employees. No amounts were forfeited.

(e) Other Postemployment Benefits

(i) Healthcare benefits

Plan description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System. For the Town to contribute 100% of the employer's contribution toward health care premiums, the retiree must have completed at least 25 years of creditable service with the Town. To receive 75% of the employer's contribution, the retiree must have completed at least 20 years of creditable service with the Town. To receive 50% of the employer's contribution, the retiree must have completed at least 15 years of creditable service with the Town. Prior to June 30, 2005, employees qualified for full insurance benefits after ten years of creditable service with the Town. The Town pays the cost of coverage for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town's Board of Aldermen may amend the benefit provisions. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the HCB Plan consisted of the following at July 1, 2022, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees receiving benefits	26	15
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>181</u>	<u>64</u>
Total	<u><u>207</u></u>	<u><u>79</u></u>

(ii) Total OPEB liability

The Town's total OPEB liability of \$11,078,511 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2022.

Actuarial assumptions and other inputs. The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Discount rate	3.87 percent
Healthcare cost trend rates	Medical and prescription - 6.00% initially, trending down to 4.25% ultimately

The discount rate is based on the yield of a 20-year municipal bond Aaa index as of the measurement date.

Town of Kernersville, North Carolina
Notes to Financial Statements

(iii) *Changes in the total OPEB liability*

	<u>2023</u>
Beginning balance	\$ 10,897,133
Service cost	624,664
Interest on the total pension liability	416,750
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(204,107)
Changes of assumptions or other inputs	(196,311)
Benefit payments	<u>(459,618)</u>
Ending balance of the total OPEB liability	<u>\$ 11,078,511</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.69% to 3.87%.

Mortality rates were based on the Pub-2010G Mortality Tables (headcount weighted), with adjustments for mortality improvements based on Scale SSA projected on a generational basis. Pub2010 G Disabled tables were used for the valuation of disabled members.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB liability	\$ 12,259,912	\$ 11,078,511	\$ 10,031,001

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

	<u>1% Decrease (3.25%)</u>	<u>Discount Rate (4.25%)</u>	<u>1% Increase (5.25%)</u>
Total OPEB liability	\$ 9,777,704	\$ 11,078,511	\$ 12,630,186

(iv) *OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB*

For the year ended June 30, 2023, the Town recognized OPEB expense of \$858,186. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,824,937
Changes of assumptions	<u>1,595,540</u>	<u>1,992,282</u>
Total	<u>\$ 1,595,540</u>	<u>\$ 3,817,219</u>

Town of Kernersville, North Carolina
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The amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30

2024	\$ 183,229
2025	183,229
2026	183,229
2027	183,229
2028	183,229
Thereafter	<u>1,305,534</u>
	<u>\$ 2,221,679</u>

3. Other employment benefits

The Town has elected to provide death benefits to local law enforcement 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 local law enforcement employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

4. Deferred outflows and inflows of resources

Deferred outflows of resources in the current fiscal year is comprised of pension plan deferrals in the amount of \$7,658,901, as well as OPEB deferrals in the amount of \$1,595,540.

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

Taxes receivable, net (General Fund balance sheet)	\$ 163,599
Unavailable revenues (Governmental Funds balance sheet)	518,850
Leases	1,768,225
Pension deferrals	983,385
OPEB deferrals	3,817,219

5. 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, illnesses of employees and natural disasters. The Town has general liability, auto and property coverages under a fully insured plan through Travelers Insurance. The Town's auto liability coverage has limits up to \$1,000,000 per occurrence, and the general liability coverage has limits up to \$3,000,000 per occurrence, depending on the type of loss. Property coverage is limited up to the total insurance values of the property policy.

Town of Kernersville, North Carolina
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The Fire Department has auto, general liability and property insurance through VFIS with an auto liability coverage up to \$1,000,000 per occurrence and the general liability coverage of \$1,000,000 per occurrence with an aggregate of \$10,000,000.

The Town is self-funded for workers' compensation insurance. All claims are administered by a third-party administrator. The third-party administrator pays all bills for compensable claims and files documents required by the North Carolina Industrial Commission by personnel licensed to adjust workers' compensation claims in the state of North Carolina. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The estimate of the claims liability also includes other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries from salvage or subrogation, for example, are another component of the claims liability estimate. The Town is insured by Midwest Employers Casualty Company for workers' compensation claims in excess of \$550,000 up to statutory limits.

Changes in the balances of workers' compensation claims liabilities during the past two years are as follows:

	Year Ended June 30,	
	2023	2022
Unpaid claims, beginning of fiscal year	\$ 504,794	\$ 854,549
Incurred claims (including IBNR)	176,746	(181,737)
Claim payments	<u>(319,083)</u>	<u>(168,018)</u>
Unpaid claims, end of fiscal year	<u>\$ 362,457</u>	<u>\$ 504,794</u>

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 bonded for \$250,000 individually. The remainder of the Town employees are also bonded under a blanket policy for \$250,000.

The Town carries flood insurance through Travelers Insurance. The Town's flood coverage limit is \$1,000,000 with a \$50,000 deductible. The Town has one structure, a recycling center, within a FEMA-designated "A" zone (an area close to a river, lake, or stream). The Town elected not to purchase excess flood coverage for that structure due to the unlikelihood that the structure would be damaged if flooding occurred.

The Town carries commercial coverage for all other risks or losses. 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.

6. Claims and judgments

Various claims and legal actions are pending against the Town, and it is not possible at this time to predict their outcome. However, in the opinion of management and the Town attorney, ultimate resolutions will not have a material, adverse impact on the Town's financial position.

7. Long-term obligations

(a) Direct borrowing installment purchase agreements - equipment and construction

The Town has entered into installment purchase agreements for the purchase and/or improvement of personal property including vehicles and equipment, as well as real property consisting of land and building improvements. The title to these assets is held in the name of the Town, and security interest has been granted to the financing institution. The installment purchase notes payable at June 30, 2023 are as follows:

Town of Kernersville, North Carolina
Notes to Financial Statements

Serviced by the General Fund:

Direct borrowing installment purchase note payable in the original amount of \$1,218,500 for the purchase of various land and buildings. The underlying assets are held as collateral against this note. The agreement requires a total of 15 annual variable payments with a fixed principal component of \$81,233, plus interest at 2.25%. Payments are due beginning August 20, 2012, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on August 20, 2026.

\$ 324,933

Direct borrowing installment purchase note payable in the original amount of \$1,000,000 for the purchase of a fire ladder truck. The underlying assets is held as collateral against this note. The agreement requires a total of 12 annual fixed payments of \$93,905, including interest at 2.25%. Payments are due beginning November 8, 2013, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on November 8, 2024.

181,655

Direct borrowing installment purchase note payable in the original amount of \$475,000 for the purchase of a fire pumper truck. The underlying asset is held as collateral against this note. The agreement requires a total of ten annual fixed payments of \$51,843, including interest at 2.00%. Payments are due beginning December 17, 2014, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on December 17, 2023.

50,765

Direct borrowing installment purchase note payable in the original amount of \$1,146,900 for the purchase of a tract of land within the Town's limits. The underlying asset is held as collateral against this note. The agreement requires a total of 15 annual variable payments with a fixed principal component of \$76,460, plus interest at 2.63%. Payments are due beginning June 17, 2016, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on June 17, 2030.

611,680

Installment purchase note payable in the original amount of \$1,097,000 for building and land improvements. The underlying assets are held as collateral against this note. The agreement requires a total of 10 annual variable payments with a fixed principal component of \$109,700, plus interest at 1.98%. Payments are due beginning September 18, 2015, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on September 18, 2024.

219,400

Direct borrowing installment purchase note payable in the original amount of \$5,130,000 for building and land improvements for the Public Services Administration Facility. The underlying assets are held as collateral against this note. The agreement requires a total of 60 quarterly variable payments with a fixed principal component of \$85,500, plus interest at 2.050%. Payments are due beginning January 21, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on October 21, 2031.

2,907,000

Town of Kernersville, North Carolina
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Direct borrowing installment purchase note payable in the original amount of \$3,185,000 for equipment and paving improvements. The underlying assets are held as collateral against this note. The agreement requires a total of 40 quarterly variable payments with a fixed principal component of \$79,625, plus interest at 1.83%. Payments are due beginning January 21, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on October 21, 2026.

\$ 1,114,750

Direct borrowing installment purchase note payable in the original amount of \$475,000 for the purchase of a fire truck. The underlying asset is held as collateral against this note. The agreement requires a total of 40 quarterly fixed payments of \$12,963, including interest at 1.74%. Payments are due beginning December 15, 2016, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on September 15, 2026.

163,508

Direct borrowing installment purchase note payable in the original amount of \$6,900,000 for land purchase and construction of the Fire Station. The underlying asset is held as collateral against this note. The agreement requires a total of 60 quarterly variable payments with a fixed principal component of \$115,000, plus interest at 2.63%. Payments are due beginning December 18, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on September 18, 2032.

4,255,000

Direct borrowing installment purchase note payable in the original amount of \$1,552,000 for land purchase and construction of the Fire Station. The underlying asset is held as collateral against this note. The agreement requires a total of 40 quarterly variable payments with a fixed principal component of \$38,800, plus interest at 2.42%. Payments are due beginning December 18, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on September 18, 2027.

639,232

Direct borrowing installment purchase note payable in the original amount of \$300,000 for the construction of Founders Körner Park. The underlying asset is held as collateral against this note. The agreement requires a total of 40 quarterly variable payments with a fixed principal component of \$7,500, plus interest at 3.18%. Payments are due beginning September 28, 2018, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on June 28, 2028.

150,000

Direct borrowing installment purchase note payable in the original amount of \$1,940,000 for land and improvements related to the Fire Station. The underlying asset is held as collateral against this note. The agreement requires a total of 40 quarterly variable payments with a fixed principal component of \$48,500, plus interest at 3.23%. Payments are due beginning December 14, 2018, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on September 14, 2028.

1,018,000

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Direct borrowing installment purchase note payable in the original amount of \$1,274,150, of which the General Fund has been allocated \$909,150 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$63,708, including interest at 2.80%. Payments are due beginning October 27, 2018, with a final payment of all outstanding principal and unpaid interest due on July 27, 2023.

\$ 44,180

Direct borrowing installment purchase note payable in the original amount of \$1,148,044, of which the General Fund has been allocated \$1,087,944 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$57,402, including interest at 2.17%. Payments are due beginning October 16, 2019, with a final payment of all outstanding principal and unpaid interest due on July 16, 2024.

239,210

Direct borrowing installment purchase note payable in the original amount of \$740,000 for the purchase of a fire truck. The underlying asset is held as collateral against this note. The agreement requires a total of 28 quarterly fixed payments of \$26,639, including interest at 2.25%. Payments are due beginning August 10, 2020, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on June 10, 2027.

437,028

Direct borrowing installment purchase note payable in the original amount of \$518,715 for the purchase of various vehicles and equipment, and various improvements. The underlying asset is held as collateral against this note. The agreement requires a total of 10 semi-annual variable payments with a fixed principal component of \$51,872, including interest at 1.68%. Payments are due beginning November 1, 2020, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on May 1, 2025.

207,487

Direct borrowing installment purchase note payable in the original amount of \$1,236,740, of which the General Fund has been allocated \$1,152,740 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 10 semi-annual variable payments with a fixed principal component of \$57,402, including interest at 0.77%. Payments are due beginning February 17, 2022, with a final payment of all outstanding principal and unpaid interest due on August 17, 2026.

806,918

Direct borrowing installment purchase note payable in the original amount of \$850,000 for the purchase of a fire truck. The underlying asset is held as collateral against this note. The agreement requires a total of 20 semi-annual fixed payments of \$46,810, including interest at 1.22%. Payments are due beginning February 17, 2022, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on August 17, 2031.

722,500

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Direct borrowing installment purchase note payable in the original amount of \$320,000 for the purchase of various improvements. The underlying asset is held as collateral against this note. The agreement requires a total of 20 semi-annual variable payments with a fixed principal component of \$51,872, including interest at 1.49%. Payments are due beginning May 1, 2022, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on November 1, 2022.	\$ 272,000
Direct borrowing installment purchase note payable in the original amount of \$1,901,000 for the purchase of various improvements. The underlying asset is held as collateral against this note. The agreement requires a total of 20 semi-annual variable payments with a fixed principal component of \$51,872, including interest at 2.56%. Payments are due beginning December 1, 2022, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on June 1, 2032.	1,710,900
Direct borrowing installment purchase note payable in the original amount of \$777,900 for the purchase of various improvements. The underlying asset is held as collateral against this note. The agreement requires a total of 10 semi-annual variable payments with a fixed principal component of \$77,790, including interest at 2.95%. Payments are due beginning March 16, 2023, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on August 16, 2027.	622,320
Direct borrowing installment purchase note payable in the original amount of \$1,500,000 for the purchase of various improvements. The underlying asset is held as collateral against this note. The agreement requires a total of 20 semi-annual variable payments with a fixed principal component of \$75,000, including interest at 3.69%. Payments are due beginning April 1, 2023, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on October 1, 2032.	1,425,000
Direct borrowing installment purchase note payable in the original amount of \$16,250,000 for the purchase of various improvements. The underlying asset is held as collateral against this note. The agreement requires a total of 40 semi-annual variable payments with a fixed principal component of \$406,250, including interest at 3.99%. Payments are due beginning April 1, 2023, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on October 1, 2042.	15,843,750
Direct borrowing installment purchase note payable in the original amount of \$4,525,000 for the purchase of various improvements. The underlying asset is held as collateral against this note. The agreement requires a total of 30 semi-annual variable payments with a fixed principal component of \$150,833, including interest at 3.29%. Payments are due beginning August 1, 2023, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on February 1, 2038.	<u>4,525,000</u>
Total	<u>\$ 38,492,216</u>

Town of Kernersville, North Carolina
Notes to Financial Statements

Serviced by the Stormwater Fund:

Direct borrowing installment purchase note payable in the original amount of \$1,274,150, of which the Stormwater Fund has been allocated \$365,000 for the purchase of a various equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$63,708, including interest at 2.8%. Payments are due beginning October 27, 2018, with a final payment of all outstanding principal and unpaid interest due on July 27, 2023.

\$ 17,737

Direct borrowing installment purchase note payable in the original amount of \$1,148,044, of which the Stormwater Fund has been allocated \$60,100 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$57,402, including interest at 2.17%. Payments are due beginning October 16, 2019, with a final payment of all outstanding principal and unpaid interest due on July 16, 2024.

13,214

Direct borrowing installment purchase note payable in the original amount of \$1,236,740, of which the Stormwater Fund has been allocated \$84,000 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 10 semi-annual variable payments with a fixed principal component of \$57,402, including interest at 0.77%. Payments are due beginning February 17, 2022, with a final payment of all outstanding principal and unpaid interest due on August 17, 2026.

58,800

Total

\$ 89,751

Annual debt service payments of the direct borrowing installment purchases as of June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 4,385,631	\$ 1,127,887	\$ 46,543	\$ 773
2025	4,132,674	1,065,663	19,797	308
2026	3,776,322	956,108	16,795	162
2027	3,466,136	852,893	6,616	32
2028	2,692,159	759,187	-	-
2029 to 2033	10,769,153	2,652,514	-	-
2034 to 2038	5,570,834	1,310,173	-	-
Thereafter	3,699,307	364,254	-	-
Total	\$ 38,492,216	\$ 9,088,679	\$ 89,751	\$ 1,275

Town of Kernersville, North Carolina
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(b) General obligation indebtedness

On July 29, 2014, the Town issued \$4,065,000 in General Obligation Refunding Bonds, Series 2014, as authorized by a resolution adopted by the Board of Aldermen on June 24, 2014, with final approval granted by the Local Government Commission of North Carolina (the "LGC"). The proceeds from these bonds were used to refund the Town's previously outstanding General Obligation Street Bonds, Series 2004, as well as pay certain fees and expenses incurred in connection with the sale and issuance of the bonds.

All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2023 consist of the following individual issues:

Refunding Bonds, Series 2014; principal due annually on May 1 beginning May 1, 2015 in installments of \$405,000 through 2023 with a final principal installment of \$420,000 due on May 1, 2024; interest due November 1 and May 1 beginning November 1, 2014 at 2.15% per annum. \$ 420,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ 420,000</u>	<u>\$ 9,030</u>	<u>\$ 429,030</u>

The state of North Carolina limits the general obligation borrowing of the Town to 8% of its total appraised value of property subject to Town taxation. The Town's legal debt margin, as of June 30, 2023, is as follows:

Assessed value for taxation	<u>\$ 4,046,992,308</u>
Legal debt margin (8%)	<u>\$ 323,759,385</u>
Debt applicable to limitation:	
Outstanding general obligation debt	420,000
Revolving loan payable	800,000
Installment purchases	38,581,967
Other debt	<u>394,412</u>
Total net debt applicable to limit	<u>40,196,379</u>
Remaining legal debt margin	<u>\$ 283,563,006</u>

(c) Revolving loan payable

On June 3, 2003, the Town was approved for a maximum loan amount of \$8,000,000 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Clean Water State Revolving Fund. The loan proceeds were used to assist in the relocation of the Deep River Pump Station, construction of the Twin Creek Pump Station, and construction of new force mains and interceptors ending at the Abbott's Creek Pump Station. The loan is repayable in equal principal repayments of \$400,000 plus interest at 2.42% through fiscal year ending 2025. The Town repaid \$400,000 during fiscal year ended June 30, 2023. The total amount outstanding at June 30, 2023 was \$800,000.

Town of Kernersville, North Carolina
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Annual debt service requirements to maturity for the Revolving Loan Payable are as follows:

<u>Fiscal Year Ending June 30,</u>	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 400,000	\$ 19,360	\$ 419,360
2025	<u>400,000</u>	<u>9,680</u>	<u>409,680</u>
	<u>\$ 800,000</u>	<u>\$ 29,040</u>	<u>\$ 829,040</u>

(d) Leases and Subscriptions

The Town has entered into numerous agreements to lease building space, vehicles, and equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. These leases expire at various times through 2027.

The future minimum lease obligations and the net present value of these minimum payments for the lease payments were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 117,193	\$ 448
2025	55,309	160
2026	49,801	-
2027	<u>37,309</u>	<u>-</u>
Total	<u>\$ 259,612</u>	<u>\$ 608</u>

The Town is committed to make future payments under various subscription-based information technology arrangements (SBITAs). As of June 30, 2023, the Town has numerous qualifying SBITAs under GASB 96 that expire at various times through 2026. These SBITAs have been recorded as a right-to-use asset and corresponding subscription liability at the present value of the future minimum subscription payments as of July 1, 2022, the effective date of the Town's adoption of GASB 96. The assets represent the Town's right to use the software.

The future minimum lease obligations and the net present value of these minimum payments for subscription-based information technology arrangements as of June 30, 2023 were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 35,393	\$ 1,834
2025	42,037	2,604
2026	<u>57,370</u>	<u>1,592</u>
Total	<u>\$ 134,800</u>	<u>\$ 6,030</u>

Town of Kernersville, North Carolina
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(e) Changes in long-term obligations

During the year ended June 30, 2023, the following changes occurred in long-term obligations:

	<u>Beginning Balance Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental activities:					
General obligation bonds	\$ 825,000	\$ -	\$ (405,000)	\$ 420,000	\$ 420,000
Revolving loan payable	1,200,000	-	(400,000)	800,000	400,000
Direct borrowing installment purchases	19,189,768	23,052,900	(3,750,452)	38,492,216	4,385,631
Lease liabilities	355,171	101,279	(196,838)	259,612	117,193
Subscription liabilities	128,379	209,979	(203,558)	134,800	35,393
Compensated absences	1,613,147	2,133,693	(1,953,842)	1,792,998	1,792,998
Total pension liability (LGERS)	2,776,541	7,553,250	-	10,329,791	-
Total pension liability (LEO)	3,913,493	377,593	(890,209)	3,400,877	207,995
Total OPEB obligation	<u>10,431,775</u>	<u>1,002,714</u>	<u>(767,679)</u>	<u>10,666,810</u>	<u>459,618</u>
	<u>\$ 40,433,274</u>	<u>\$ 34,431,408</u>	<u>\$ (8,567,578)</u>	<u>\$ 66,297,104</u>	<u>\$ 7,818,828</u>
Business-type activities:					
Direct borrowing installment purchases	\$ 183,253	\$ -	\$ (93,502)	\$ 89,751	\$ 46,543
Compensated absences	39,516	65,317	(61,374)	43,459	43,459
Total pension liability (LGERS)	99,780	307,759	-	407,539	-
Total OPEB obligation	<u>465,358</u>	<u>38,701</u>	<u>(92,358)</u>	<u>411,701</u>	<u>-</u>
	<u>\$ 787,907</u>	<u>\$ 411,777</u>	<u>\$ (247,234)</u>	<u>\$ 952,450</u>	<u>\$ 90,002</u>

Compensated absences, total pension obligation, and total OPEB obligation have typically been liquidated in the General Fund.

C. Interfund balances and activity

Transfers to/from other funds at June 30, 2023 consist of the following:

From the General Fund to the Stormwater Fund for storm water fees.	\$ 237,937
From the General Fund to the Capital Reserve Fund for estimated development fees related to future capital projects.	74,483
From the General Fund to the Capital Reserve Fund for funding future OPEB liability	200,000
From the General Fund to the Beeson's Fire Station Capital Projects Fund to provide for Beeson's Fire Station expenses.	285,790
From Capital Reserve Fund to the General Fund for investment interest received.	<u>39,183</u>
	<u>\$ 837,393</u>

Town of Kernersville, North Carolina
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D. Fund balance

The Town's fund balance policy defines Unrestricted Fund Balance as all committed, assigned, and unassigned fund balances. The Town of Kernersville has adopted a minimum fund balance policy for the General Fund, which instructs management to conduct business of the Town in such a manner that Unrestricted Fund Balance is at least equal to or greater than 15% of budgeted expenditures. A summary of the fund balance policy is shown below:

General Fund - Unrestricted Fund Balance		
Fund balance classification		
Committed	\$	1,688,390
Assigned		-
Unassigned		<u>7,696,367</u>
Total		9,384,757
Less: minimum working capital requirement per fund balance policy		<u>7,080,114</u>
Excess fund balance per policy	\$	<u>2,304,643</u>

E. Net Investment in Capital Assets

The following schedule presents the calculation of the Town's net investment in capital assets as reported in the statement of net position:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 174,249,155	\$ 1,067,871
Less:		
General obligation bonds	(420,000)	-
Revolving loan payable	(800,000)	-
Installment purchases	(38,492,216)	(89,751)
Lease liabilities	(259,612)	-
Subscription liabilities	(134,800)	-
Add:		
Unspent loan proceeds	<u>25,891,624</u>	<u>-</u>
Total	<u>\$ 160,034,151</u>	<u>\$ 978,120</u>

3. Reconciliation of GAAP and Budget Basis Expenditures

The accompanying schedule reconciles certain General Fund transactions which are treated differently on Exhibit 4 (GAAP basis) and Exhibit 5 (budgetary basis). These differences relate to installment purchase transactions and the water/sewer bond indebtedness, and are summarized as follows:

	<u>Exhibit 4</u>	<u>Increase (Decrease)</u>		<u>Exhibit 5</u>
General government	\$ 6,199,471	\$ 970,418	(1)	\$ 7,169,889
Public safety	15,884,734	1,932,197	(1)	17,816,931
Public service	9,036,882	560,625	(1)	9,597,507
Culture and recreation	11,178,181	710,778	(1)	11,888,959
Debt service	-	851,366	(1)	851,366
Principal retirement	4,495,598	(4,495,598)	(1)	-
Interest and fiscal charges	<u>529,786</u>	<u>(529,786)</u>	(1)	<u>-</u>
Total	<u>\$ 47,324,652</u>	<u>\$ -</u>		<u>\$ 47,324,652</u>

(1) *Reclassification of installment purchases, leases, subscriptions and note payments.*

4. Jointly Governed Organizations

The Town is a participating member of the Piedmont Triad Regional Council (PTRC), which is a voluntary association of local governments serving 73 member governments in a 12-county area. The PTRC was established to make and implement joint regional decisions by bringing together local elected officials on a regular basis to give them an opportunity to form working relationships and promote cooperation among the members. Each of the 73 participating governments appoint one member to the PTRC's Board of Delegates. The Town paid membership fees of \$5,554 to the PTRC during the fiscal year ended June 30, 2023.

The Town, along with six other municipalities and Forsyth County, is also a participating member of the Triad Municipal Alcoholic Beverage Control Board. The Town of Kernersville appoints one member to the nine-member governing board. This organization was established under North Carolina Alcoholic Beverage laws to operate liquor stores in the Davie, Forsyth, Guilford and Yadkin County areas. North Carolina General Statutes require the ABC Board to distribute its net income to the participating municipalities. The distribution to the Town amounted to \$837,335 during the fiscal year ended June 30, 2023. Complete financial statements for the Triad Municipal ABC Board are available through their administrative offices at 3127 Starlight Drive, Winston-Salem, North Carolina 27107-4141.

5. Interlocal Agreement

An interlocal agreement between the Town and City/County Utility Commission (CCUC), which oversees the Winston-Salem/Forsyth County water and sewer system, was established in 1996. As a condition of the interlocal agreement, the Town transferred control and ownership of its pre-existing water and sewer systems and extensions to the CCUC, and the CCUC agreed to assume sole responsibility for planning, constructing, operating and maintaining the water and sewer systems. As part of the agreement, it was determined that the CCUC would charge the Town's sewer service customers an incremental rate to defray costs of repairs and continual improvements to the systems. The incremental rate was set to decline over the next ten years, allowing the overall rate charged to the Town's sewer customers to parallel those charged to similar customers. However, during July 2003, the incremental rate was frozen and a Rate Differential Account was established to accumulate the difference between the frozen rate and the previously scheduled rates. The funds accumulated within the Rate Differential Account were to be used by the Town for future water and sewer projects and debt service of the revolving loan payable (see Note II.B.7.c). The Rate Differential Account remains in the possession of the CCUC. As of June 30, 2023, the Rate Differential Account amounted to \$8,154,915. Under the terms of the most recent modification agreement in July 2016, the contract was extended in perpetuity.

6. 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 monies 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 monies.

7. Subsequent Events

In August 2023, the Town entered into an agreement for the completion of certain sewer extension improvements in the amount of approximately \$492,000.

In October 2023, the Town entered into a five-year agreement for the lease of in-care security cameras and software service agreement. The total payments approximate \$476,000.

Required Supplementary Financial Data

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

- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability and Related Ratios
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

Town of Kernersville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Seven Fiscal Years
Required Supplementary Information

Exhibit A-1

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 3,931,493	\$ 3,950,303	\$ 2,978,861	\$ 2,864,831	\$ 2,775,271	\$ 2,539,929	\$ 2,546,410
Service cost	180,806	180,675	117,857	105,525	114,611	95,531	101,702
Interest on the total pension liability	86,119	74,211	94,531	101,460	84,927	94,784	88,460
Changes in benefit terms	-	-	-	-	-	-	-
Differences between expensed and actual experience in the measurement of the total pension liability	37,151	42,711	(102,306)	(27,274)	177,543	53,053	-
Changes of assumptions or other inputs	(626,697)	(106,097)	1,019,622	89,241	(112,125)	160,733	(59,575)
Benefit payments	(207,995)	(210,310)	(158,262)	(154,922)	(175,396)	(168,759)	(137,068)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability**	<u>\$ 3,400,877</u>	<u>\$ 3,931,493</u>	<u>\$ 3,950,303</u>	<u>\$ 2,978,861</u>	<u>\$ 2,864,831</u>	<u>\$ 2,775,271</u>	<u>\$ 2,539,929</u>

* This schedule is intended to provide information for ten fiscal years. Additional fiscal years' information will be displayed as it becomes available.

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

Town of Kernersville, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Seven Fiscal Years
Required Supplementary Information

Exhibit A-2

	2023	2022	2021	2020	2019	2018	2017
Total pension liability**	\$ 3,400,877	\$ 3,931,493	\$ 3,950,303	\$ 2,978,861	\$ 2,864,831	\$ 2,775,271	\$ 2,539,929
Covered-employee payroll	3,893,751	3,728,949	3,782,774	3,683,897	3,765,492	3,628,855	3,661,815
Total pension liability as a percentage of covered-employee payroll	87.34%	105.43%	104.43%	80.86%	76.08%	76.48%	69.36%

* This schedule is intended to provide information for ten fiscal years. Additional fiscal years' information will be displayed as it becomes available.

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

Town of Kernersville, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
Last Six Fiscal Years

Exhibit B-1

	2023	2022	2021	2020	2019	2018
Total OPEB liability**						
Service cost	\$ 624,664	\$ 606,470	\$ 515,371	\$ 500,360	\$ 432,433	\$ 419,838
Interest	416,750	250,447	341,189	390,374	408,347	389,376
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(204,107)	-	(2,185,848)	-	-	-
Changes of assumptions	(196,311)	(2,176,581)	819,398	994,756	637,928	-
Benefit payments	(459,618)	(439,618)	(485,939)	(406,709)	(303,576)	(291,974)
Net change in total OPEB liability	181,378	(1,759,282)	(995,829)	1,478,781	1,175,132	517,240
Total OPEB liability, beginning	10,897,133	12,656,415	13,652,244	12,173,463	10,998,331	10,481,091
Total OPEB liability, ending	<u>\$ 11,078,511</u>	<u>\$ 10,897,133</u>	<u>\$ 12,656,415</u>	<u>\$ 13,652,244</u>	<u>\$ 12,173,463</u>	<u>\$ 10,998,331</u>
Covered-employee payroll	\$ 14,918,819	\$ 13,000,000	\$ 13,431,808	\$ 13,169,338	\$ 12,676,690	\$ 11,811,467
Total OPEB liability as a percentage of covered-employee payroll	74.26%	83.82%	94.23%	103.67%	96.03%	93.12%

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

Fiscal Year	Rate
2023	3.87%
2022	3.69%
2021	1.92%
2020	2.45%
2019	3.13%
2018	3.62%

* This schedule is intended to provide information for ten fiscal years. Additional fiscal years' information will be displayed as it becomes available.

** The Town of Kernersville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

Town of Kernersville, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Required Supplementary Information
Last Ten Fiscal Years*

Exhibit C-1

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Kernersville's proportion of the net pension liability (asset) (%)	0.19033%	0.18813%	0.20283%	0.20569%	0.21355%	0.21295%	0.21646%	0.22629%	0.22694%	.23710%
Kernersville's proportion of the net pension liability (asset) (\$)	\$ 10,737,330	\$ 2,876,321	\$ 7,247,980	\$ 5,617,233	\$ 5,066,136	\$ 3,253,286	\$ 4,594,006	\$ 1,015,579	\$ (1,338,370)	\$ 2,857,965
Kernersville's covered payroll	12,669,610	13,318,910	13,155,641	12,773,228	12,442,787	12,498,522	11,935,898	11,129,175	10,999,722	10,989,967
Kernersville's proportion of the net pension liability (asset) as a percentage of its covered payroll	84.75%	21.60%	55.09%	43.98%	40.72%	26.03%	38.49%	9.13%	-12.17%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

Town of Kernersville, North Carolina
Schedule of Contributions
Local Government Employees' Retirement System
Required Supplementary Information
Last Ten Fiscal Years

Exhibit C-2

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,840,373	\$ 1,461,684	\$ 1,377,852	\$ 1,205,305	\$ 1,016,821	\$ 960,028	\$ 899,448	\$ 812,578	\$ 798,097	\$ 784,303
Contributions in relation to the contractually required contribution	<u>1,840,373</u>	<u>1,461,684</u>	<u>1,377,852</u>	<u>1,205,305</u>	<u>1,016,821</u>	<u>960,028</u>	<u>899,448</u>	<u>812,578</u>	<u>798,097</u>	<u>784,303</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Kernersville's covered payroll	\$ 14,898,644	\$ 12,669,610	\$ 13,318,910	\$ 13,155,641	\$ 12,773,228	\$ 12,442,787	\$ 12,498,522	\$ 11,935,898	\$ 11,129,175	\$ 10,999,722
Contributions as a percentage of covered payroll	12.35%	11.54%	10.35%	9.16%	7.96%	7.72%	7.20%	6.81%	7.17%	7.13%

Supplementary Information

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2023

Schedule 1
(4 pages)

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
General revenues:			
Ad valorem taxes:			
Current	\$ 21,998,187	\$ 22,554,796	\$ 556,609
Prior	96,250	31,386	(64,864)
Total	22,094,437	22,586,182	491,745
Other taxes and licenses:			
Local vehicle taxes and fees	110,800	121,510	10,710
Total	110,800	121,510	10,710
Unrestricted intergovernmental:			
Solid waste disposal tax	20,000	21,441	1,441
Utility sales tax	1,646,390	1,801,020	154,630
Telecommunications sales tax	86,071	98,476	12,405
Alcoholic beverage tax	902,344	957,881	55,537
Local option sales and use tax	9,081,813	8,952,877	(128,936)
Rental vehicle fees	75,000	75,132	132
Video programming	216,177	206,665	(9,512)
Total	12,027,795	12,113,492	85,697
Restricted intergovernmental:			
Powell Bill	744,398	744,399	1
State transportation grants	615,960	29,050	(586,910)
CCUC reimbursements	3,035,427	1,704,626	(1,330,801)
Governor's Highway Safety grants	24,000	25,548	1,548
Federal Department of Justice grants	568,805	37,260	(531,545)
NC Department of Commerce grants	1,248,527	354,099	(894,428)
Total	6,237,117	2,894,982	(3,342,135)
Penalties and interest:			
Penalties and interest	20,762	35,249	14,487
Investment earnings	380,893	562,549	181,656
Total	401,655	597,798	196,143
Contributions and donations	1,651,558	1,365,819	(285,739)
Other general revenues:			
Other	330,541	308,725	(21,816)
Total general revenues	42,853,903	39,988,508	(2,865,395)
Functionally related revenues:			
Use and rental fees:			
Recreation revenue	347,395	333,315	(14,080)
Lease revenue	-	62,505	62,505
Commercial industrial collection fees	292,300	87,678	(204,622)
Court facility fees	13,810	15,167	1,357
Rent on town property	463,726	382,097	(81,629)
Building inspections	616,447	533,897	(82,550)
Zoning fees	121,833	134,826	12,993
Recycling revenue	386,250	391,579	5,329
Yard waste cart fees and sales	20,180	19,770	(410)
Other functionally related fees	457,101	277,833	(179,268)
Total functionally related revenues	2,719,042	2,238,667	(480,375)
Total revenues	45,572,945	42,227,175	(3,345,770)

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2023

Schedule 1
(4 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Current:			
General government:			
Governing body:			
Personnel services	\$ 41,984	\$ 45,482	
Operating and maintenance	367,741	333,586	
Other improvements	323,730	322,465	
Special appropriations	880,650	870,971	
Capital outlay	-	311,258	
Installment purchase agreement payments	265,200	264,985	
Total	<u>1,879,305</u>	<u>2,148,747</u>	<u>\$ (269,442)</u>
Administration:			
Personnel services	330,469	317,690	
Operating and maintenance	38,234	34,667	
Total	<u>368,703</u>	<u>352,357</u>	<u>16,346</u>
Finance:			
Personnel services	550,452	530,983	
Operating and maintenance	620,220	596,639	
Total	<u>1,170,672</u>	<u>1,127,622</u>	<u>43,050</u>
Information technology:			
Personnel services	459,932	437,551	
Operating and maintenance	374,946	353,079	
Capital outlay	400,000	231,367	
Lease and subscription agreement payments	55,800	55,483	
Installment purchase agreement payments	54,980	54,408	
Total	<u>1,345,658</u>	<u>1,131,888</u>	<u>213,770</u>
Planning and zoning:			
Personnel services	417,949	301,963	
Operating and maintenance	120,218	57,772	
Installment purchase agreement payments	13,540	13,486	
Total	<u>551,707</u>	<u>373,221</u>	<u>178,486</u>
Human Resources:			
Personnel services	482,778	444,564	
Operating and maintenance	302,532	270,830	
Lease and subscription agreement payments	23,000	22,386	
Installment purchase agreement payments	4,710	4,692	
Total	<u>813,020</u>	<u>742,472</u>	<u>70,548</u>
General services:			
Personnel services	275,674	267,321	
Operating and maintenance	570,205	484,769	
Installment purchase agreement payments	541,630	541,492	
Total	<u>1,387,509</u>	<u>1,293,582</u>	<u>93,927</u>
Total general government	<u>7,516,574</u>	<u>7,169,889</u>	<u>346,685</u>

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2023

Schedule 1
(4 pages)

	Final Budget	Actual	Variance Positive (Negative)
Public safety:			
Police department:			
Personnel services	\$ 6,528,146	\$ 6,217,030	
Operating and maintenance	1,488,424	1,374,089	
Special appropriations	10,500	7,205	
Capital outlay	1,316,936	786,904	
Lease and subscription agreement payments	93,000	91,833	
Installment purchase agreement payments	604,350	600,863	
Total	10,041,356	9,077,924	\$ 963,432
Fire department:			
Personnel services	5,436,674	5,112,515	
Operating and maintenance	1,513,625	1,143,604	
Special appropriations	121,200	121,200	
Capital outlay	1,334,539	554,004	
Lease and subscription agreement payments	12,000	11,973	
Installment purchase agreement payments	1,180,045	1,167,500	
Total	9,598,083	8,110,796	1,487,287
Inspections:			
Personnel services	533,382	392,031	
Operating and maintenance:	95,576	73,285	
Capital outlay	152,950	102,867	
Lease and subscription agreement payments	59,000	58,822	
Installment purchase agreement payments	1,210	1,206	
Total	842,118	628,211	213,907
Total public safety	20,481,557	17,816,931	2,664,626
Public service:			
Engineering department:			
Personnel services	20,454	18,796	
Operating and maintenance	1,029,742	123,374	
Capital outlay	1,422,260	591,442	
Total	2,472,456	733,612	1,738,844
Street department:			
Personnel services	867,681	832,346	
Operating and maintenance	2,002,894	1,290,510	
Capital outlay	2,503,740	1,678,576	
Installment purchase agreement payments	471,420	359,708	
Total	5,845,735	4,161,140	1,684,595
Sanitation department:			
Personnel services	840,971	780,660	
Operating and maintenance	1,207,006	773,579	
Capital outlay	777,988	758,665	
Lease and subscription agreement payments	32,000	31,998	
Installment purchase agreement payments	202,560	151,379	
Total	3,060,525	2,496,281	564,244
Public works administration:			
Personnel services	386,219	376,158	
Operating and maintenance	39,665	32,930	
Installment purchase agreement payments	11,310	11,304	
Total	437,194	420,392	16,802

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2023

Schedule 1
(4 pages)

	Final Budget	Actual	Variance Positive (Negative)
Central maintenance:			
Personnel services	\$ 659,605	\$ 638,311	
Operating and maintenance	1,248,138	1,141,535	
Installment purchase agreement payments	6,280	6,236	
Total	<u>1,914,023</u>	<u>1,786,082</u>	<u>\$ 127,941</u>
Total public service	<u>13,729,933</u>	<u>9,597,507</u>	<u>4,132,426</u>
Cultural and recreational:			
Recreation department:			
Personnel services	1,076,842	1,046,326	
Operating and maintenance	937,974	813,921	
Capital outlay	9,079,110	8,782,058	
Lease and subscription agreement payments	132,000	131,651	
Installment purchase agreement payments	579,130	579,127	
Total	<u>11,805,056</u>	<u>11,353,083</u>	<u>451,973</u>
Paul J. Ciener botanical gardens			
Personnel services	183,687	133,862	
Operating and maintenance	117,900	64,389	
Capital outlay	340,000	337,625	
Total	<u>641,587</u>	<u>535,876</u>	<u>105,711</u>
Total cultural and recreational	<u>12,446,643</u>	<u>11,888,959</u>	<u>557,684</u>
Debt service:			
Principal retirement	805,000	805,000	-
Interest and fiscal charges	46,778	46,366	412
Total debt service	<u>851,778</u>	<u>851,366</u>	<u>412</u>
Total expenditures	<u>55,026,485</u>	<u>47,324,652</u>	<u>7,701,833</u>
Revenues under expenditures	<u>(9,453,540)</u>	<u>(5,097,477)</u>	<u>4,356,063</u>
Other financing sources (uses):			
Transfers from other funds:			
Capital Reserve Fund	39,183	39,183	-
Capital Reserve Fund	(274,483)	(274,483)	-
Stormwater Fund	(237,937)	(237,937)	-
Beeson's Fire Facility Capital Project Ordinance Fund	(285,790)	(285,790)	-
Total net transfers	<u>(759,027)</u>	<u>(759,027)</u>	<u>-</u>
Installment purchase obligations issued	2,617,600	2,277,900	(339,700)
Lease liabilities issued	-	101,279	101,279
Subscription liabilities issued	-	209,979	209,979
Sale of capital assets	140,200	140,113	(87)
Total other financing sources	<u>1,998,773</u>	<u>1,970,244</u>	<u>(28,529)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>(7,454,767)</u>	<u>(3,127,233)</u>	<u>4,327,534</u>
Appropriated fund balance	<u>7,454,767</u>	<u>-</u>	<u>(7,454,767)</u>
Revenues, other financing sources and appropriated fund balance under expenditures and other financing uses	<u>\$ -</u>	<u>(3,127,233)</u>	<u>\$ (3,127,233)</u>
Fund balance, beginning		<u>21,348,155</u>	
Fund balance, ending		<u>\$ 18,220,922</u>	

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Reserve Fund
Year Ended June 30, 2023

Schedule 2

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Investment earnings	\$ 100	\$ 28,583	\$ 54,202	\$ 25,619
Expenditures				
Capital reserve expenditures	-	-	-	-
Revenues over expenditures	100	28,583	54,202	25,619
Other financing sources (uses)				
Transfers in:				
General Fund	200,000	274,483	274,483	-
Transfers out:				
General Fund	(100)	(39,183)	(39,183)	-
Total other financing sources (uses)	199,900	235,300	235,300	-
Revenues and other financing sources over (under) expenditures and other financing uses	200,000	263,883	289,502	25,619
Appropriated to fund balance	(200,000)	(263,883)	-	263,883
Revenues and appropriated fund balance over expenditures and other financing uses	\$ -	\$ -	289,502	\$ 289,502
Fund balance, beginning			1,398,888	
Fund balance, ending			\$ 1,688,390	

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Project Authorization and Actual
Recreation Department
Capital Projects Fund
Recreation Facility Capital Projects Ordinance Fund
From Inception and for the Fiscal Year Ended June 30, 2023

Schedule 3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted					
Investment earnings	\$ -	\$ 4,790	\$ 466,094	\$ 470,884	\$ 470,884
Total revenues	-	4,790	466,094	470,884	470,884
Expenditures					
Cultural and recreational:					
Professional services	1,388,089	699,800	307,355	1,007,155	380,934
Construction	19,746,573	-	1,061,096	1,061,096	18,685,477
	21,134,662	699,800	1,368,451	2,068,251	19,066,411
Debt service:					
Principal		-	406,250	406,250	
Interest and other charges		-	82,744	82,744	
	863,038	-	488,994	488,994	374,044
Total expenditures	21,997,700	699,800	1,857,445	2,557,245	19,440,455
Revenues under expenditures	(21,997,700)	(695,010)	(1,391,351)	(2,086,361)	19,911,339
Other financing sources (uses)					
Transfers in:					
General Fund	4,273,861	4,273,861	-	4,273,861	-
Capital Reserve Fund	1,473,839	1,473,839	-	1,473,839	-
Installment purchase obligations issued	16,250,000	-	16,250,000	16,250,000	-
Total other financing sources	21,997,700	5,747,700	16,250,000	21,997,700	-
Revenues and other financing sources under expenditures	\$ -	\$ 5,052,690	14,858,649	\$ 19,911,339	\$ 19,911,339
Fund balance, beginning			5,052,690		
Fund balance, ending			\$ 19,911,339		

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Project Authorization and Actual
Kerner Mill Greenway
Capital Projects Fund
Greenway Capital Projects Ordinance Fund
From Inception and for the Year Ended June 30, 2023

Schedule 4

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted					
Intergovernmental	\$ 2,095,063	\$ 165,810	\$ 960,992	\$ 1,126,802	\$ (968,261)
Investment earnings	-	3,153	47,284	50,437	50,437
Total revenues	<u>2,095,063</u>	<u>168,963</u>	<u>1,008,276</u>	<u>1,177,239</u>	<u>(917,824)</u>
Expenditures					
Cultural and recreational:					
Professional services	1,243,578	446,919	202,613	649,532	594,046
Construction	<u>1,729,675</u>	<u>614,726</u>	<u>974,348</u>	<u>1,589,074</u>	<u>140,601</u>
Total expenditures	<u>2,973,253</u>	<u>1,061,645</u>	<u>1,176,961</u>	<u>2,238,606</u>	<u>734,647</u>
Revenues under expenditures	<u>(878,190)</u>	<u>(892,682)</u>	<u>(168,685)</u>	<u>(1,061,367)</u>	<u>(183,177)</u>
Other financing sources (uses)					
Transfers in:					
General Fund	2,867,253	2,867,253	-	2,867,253	-
Transfers out:					
General Fund	<u>(1,989,063)</u>	<u>(104,000)</u>	<u>-</u>	<u>(104,000)</u>	<u>1,885,063</u>
Total other financing sources (uses)	<u>878,190</u>	<u>2,763,253</u>	<u>-</u>	<u>2,763,253</u>	<u>1,885,063</u>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	<u>-</u>	<u>1,870,571</u>	<u>(168,685)</u>	<u>1,701,886</u>	<u>1,701,886</u>
Excess of revenues, other financing sources, and appropriated fund balance under expenditures	<u>\$ -</u>	<u>\$ 1,870,571</u>	<u>(168,685)</u>	<u>\$ 1,701,886</u>	<u>\$ 1,701,886</u>
Fund balance, beginning			<u>1,870,571</u>		
Fund balance, ending			<u>\$ 1,701,886</u>		

Supplementary Information

Non-Major Governmental Funds

Town of Kernersville, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

Schedule 5

	Non-Major Special Revenue Funds					Non-Major Capital Projects Fund Beeson's Fire Facility Capital Projects Ordinance Fund	Total Non-Major Governmental Funds
	Occupancy Tax Fund	Emergency Telephone System Fund	Contributions Fund	Law Enforcement Forfeitures Fund	American Rescue Plan Act Special Revenue Fund		
ASSETS							
Cash and cash equivalents	\$ 286,835	\$ 82,267	\$ 92,074	\$ 341,488	\$ 86,072	\$ -	\$ 888,736
Restricted cash	-	-	-	-	-	4,533,793	4,533,793
Accounts receivable, net	-	3,650	-	-	-	-	3,650
Due from other governments	20,857	-	-	-	-	-	20,857
Total assets	<u>\$ 307,692</u>	<u>\$ 85,917</u>	<u>\$ 92,074</u>	<u>\$ 341,488</u>	<u>\$ 86,072</u>	<u>\$ 4,533,793</u>	<u>\$ 5,447,036</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 8,769	\$ -	\$ -	\$ -	\$ 8,769
Total liabilities	<u>-</u>	<u>-</u>	<u>8,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,769</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:							
Restricted:							
Stabilization by state statute	20,857	3,650	-	-	-	-	24,507
Tourism	286,835	-	-	-	-	-	286,835
Public safety	-	82,267	83,305	341,488	-	-	507,060
Capital projects	-	-	-	-	-	4,533,793	4,533,793
Committed:							
Capital projects	-	-	-	-	-	-	-
Assigned:							
Subsequent year's expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,072</u>	<u>-</u>	<u>86,072</u>
Total fund balances	<u>307,692</u>	<u>85,917</u>	<u>83,305</u>	<u>341,488</u>	<u>86,072</u>	<u>4,533,793</u>	<u>5,438,267</u>
Total liabilities and fund balances	<u>\$ 307,692</u>	<u>\$ 85,917</u>	<u>\$ 92,074</u>	<u>\$ 341,488</u>	<u>\$ 86,072</u>	<u>\$ 4,533,793</u>	<u>\$ 5,447,036</u>

Town of Kernersville, North Carolina
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2023

Schedule 6

	Non-Major Special Revenue Funds					Non-Major Capital Projects Fund	
	Occupancy Tax Fund	Emergency Telephone System Fund	Contributions Fund	Law Enforcement Forfeitures Fund	American Rescue Plan Act Special Revenue Fund	Beeson's Fire Facility Capital Projects Ordinance Fund	Total Non-Major Governmental Funds
Revenues							
Other taxes and licenses	\$ 236,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236,220
Unrestricted intergovernmental	-	-	-	-	3,929,539	-	3,929,539
Restricted intergovernmental	-	3,649	-	93,111	-	-	96,760
Investment earnings	7,926	2,722	1,917	5,619	85,571	13,653	117,408
Contributions and donations	-	-	16,247	-	-	-	16,247
Total revenues	244,146	6,371	18,164	98,730	4,015,110	13,653	4,396,174
Expenditures							
General government	-	-	-	-	466,757	-	466,757
Public safety	-	56,538	15,135	59,008	2,751,319	290,650	3,172,650
Public service	-	-	-	-	511,462	-	511,462
Cultural and recreational	92,500	-	-	-	200,000	-	292,500
Debt service:							
Principal	-	-	-	54,000	-	-	54,000
Interest and other charges	-	-	-	1,769	-	-	1,769
Total expenditures	92,500	56,538	15,135	114,777	3,929,538	290,650	4,499,138
Revenues over (under) expenditures	151,646	(50,167)	3,029	(16,047)	85,572	(276,997)	(102,964)
Other financing sources							
Transfers in:							
General Fund	-	-	-	-	-	285,790	285,790
Installment purchase obligations issued	-	-	-	-	-	4,525,000	4,525,000
Total other financing sources (uses)	-	-	-	-	-	4,810,790	4,810,790
Revenues and other financing sources over (under) expenditures and other financing uses	151,646	(50,167)	3,029	(16,047)	85,572	4,533,793	4,707,826
Fund balances, beginning	156,046	136,084	80,276	357,535	500	-	730,441
Fund balances, ending	\$ 307,692	\$ 85,917	\$ 83,305	\$ 341,488	\$ 86,072	\$ 4,533,793	\$ 5,438,267

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Occupancy Tax Fund
Year Ended June 30, 2023

Schedule 7

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Occupancy tax proceeds	\$ 92,450	\$ 92,450	\$ 236,220	\$ 143,770
Investment earnings	50	50	7,926	7,876
Total revenues	92,500	92,500	244,146	151,646
Expenditures				
Cultural and recreational	92,500	92,500	92,500	-
Revenues over expenditures	-	-	151,646	151,646
Revenues over expenditures and other financing uses	\$ -	\$ -	151,646	\$ 151,646
Fund balance, beginning			156,046	
Fund balance, ending			\$ 307,692	

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Emergency Telephone System Fund
Year Ended June 30, 2023

Schedule 8

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Restricted intergovernmental	\$ -	\$ -	\$ 3,649	\$ 3,649
Investment earnings	25	25	2,722	2,697
Total revenues	25	25	6,371	6,346
Expenditures				
Public safety:				
Other operating expenditures			56,538	
Total expenditures	80,840	80,840	56,538	24,302
Revenues under expenditures	(80,815)	(80,815)	(50,167)	30,648
Appropriated fund balance	80,815	80,815	-	(80,815)
	<u>\$ -</u>	<u>\$ -</u>	(50,167)	<u>\$ (50,167)</u>
Fund balance, beginning			136,084	
Fund balance, ending			<u>\$ 85,917</u>	

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Contributions Fund
Year Ended June 30, 2023

Schedule 9

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Investment earnings			\$ 1,917	
Contributions and donations			16,247	
Total revenues	\$ 25,150	\$ 25,150	18,164	\$ (6,986)
Expenditures:				
Public safety			15,135	
Total expenditures	\$ 25,150	\$ 29,093	15,135	13,958
Revenues over (under) expenditures	-	(3,943)	3,029	6,972
Appropriated fund balance	-	3,943	-	(3,943)
Revenues and appropriated fund balance over expenditures	\$ -	\$ -	3,029	\$ 3,029
Fund balance, beginning			80,276	
Fund balance, ending			\$ 83,305	

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Law Enforcement Forfeitures Fund
Year Ended June 30, 2023

Schedule 10

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Restricted intergovernmental	\$ -	\$ 91,052	\$ 93,111	\$ 2,059
Investment earnings	75	75	5,619	5,544
Total revenues	\$ 75	\$ 91,127	98,730	\$ 7,603
Expenditures				
Public safety:				
Other			4,926	
Capital outlay			54,082	
Debt service:				
Principal retirement			54,000	
Interest and other charges			1,769	
Total expenditures	75,855	166,911	114,777	52,134
Revenues under expenditures	(75,780)	(75,784)	(16,047)	59,737
Other financing sources (uses)				
Appropriated fund balance	75,780	75,784	-	(75,784)
Revenues and appropriated fund balance over (under) expenditures and other financing uses	\$ -	\$ -	(16,047)	\$ (16,047)
Fund balance, beginning			357,535	
Fund balance, ending			\$ 341,488	

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
Special Revenue Fund - American Rescue Plan Act
From Inception and for the Fiscal Year Ended June 30, 2023

Schedule 11

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Grant revenue	\$ 7,859,078	\$ 3,929,539	\$ 3,929,539	\$ 7,859,078	\$ -
Investment earnings	420	916	85,571	86,487	86,067
Total revenues	<u>7,859,498</u>	<u>3,930,455</u>	<u>4,015,110</u>	<u>7,945,565</u>	<u>86,067</u>
Expenditures:					
General government:	918,977	452,215	466,757	918,972	5
Public safety	5,601,319	2,850,000	2,751,319	5,601,319	-
Public service	939,202	427,740	511,462	939,202	-
Cultural and recreational	400,000	200,000	200,000	400,000	-
Total expenditures	<u>7,859,498</u>	<u>3,929,955</u>	<u>3,929,538</u>	<u>7,859,493</u>	<u>5</u>
Revenues over expenditures	<u>-</u>	<u>500</u>	<u>85,572</u>	<u>86,072</u>	<u>86,072</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 500</u>	<u>85,572</u>	<u>\$ 86,072</u>	<u>\$ 86,072</u>
Fund balance, beginning			<u>500</u>		
Fund balance, ending			<u>\$ 86,072</u>		

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Project Authorization and Actual
Beeson's Fire Facility
Capital Projects Fund
Facility Capital Projects Ordinance Fund
From Inception and for the Year Ended June 30, 2023

Schedule 12

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Investment earnings	\$ -	\$ -	\$ 13,653	\$ 13,653	\$ 13,653
Total revenues	-	-	13,653	13,653	13,653
Expenditures					
Public safety:					
Construction	4,810,790	-	290,650	290,650	4,520,140
Total expenditures	4,810,790	-	290,650	290,650	4,520,140
Revenues under expenditures	(4,810,790)	-	(276,997)	(276,997)	4,533,793
Other financing sources					
Transfers from:					
General Fund	285,790	-	285,790	285,790	-
Installment purchase obligations issued	4,525,000	-	4,525,000	4,525,000	-
Total other financing sources	4,810,790	-	4,810,790	4,810,790	-
Revenues and other financing sources over expenditures	\$ -	\$ -	4,533,793	\$ 4,533,793	\$ 4,533,793
Fund balance, beginning			-		
Fund balance, ending			\$ 4,533,793		

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Stormwater Enterprise Fund
Year Ended June 30, 2023

Schedule 13
(2 pages)

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services	\$ 1,209,541	\$ 1,211,232	\$ 1,691
Investment earnings	3,250	47,314	44,064
Contributions	250,000	-	(250,000)
Restricted intergovernmental	500,000	-	(500,000)
Total revenues	1,962,791	1,258,546	(704,245)
Expenditures			
Personnel services	810,027	786,902	23,125
Operating and maintenance	1,750,988	731,612	1,019,376
Capital outlay	193,000	189,795	3,205
Debt service:			
Principal retirement	95,110	93,502	1,608
Interest and other charges	10,000	9,147	853
Total expenditures	2,859,125	1,810,958	1,048,167
Revenues under expenditures	(896,334)	(552,412)	343,922
Other financing sources			
Transfers in:			
General Fund	237,937	237,937	-
Total other financing sources	237,937	237,937	-
Revenues and other financing sources under expenditures	(658,397)	(314,475)	343,922
Appropriated fund balance	658,397	-	(658,397)
Revenues, other financing sources under expenditures	\$ -	(314,475)	\$ (314,475)

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP)
Stormwater Enterprise Fund
Year Ended June 30, 2023

Schedule 13
(2 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		\$ 189,795	
Principal retirement		93,502	
Depreciation		(218,320)	
Decrease in accrued interest payable		448	
Increase in accrued vacation pay		(3,946)	
Increase in deferred outflows of resources - pensions		117,788	
Increase in net pension liability		(307,759)	
Decrease in deferred inflows of resources - pensions		144,809	
Decrease in deferred outflows of resources - OPEB		(397,069)	
Decrease in OPEB liability		53,657	
Decrease in deferred inflows of resources - OPEB		<u>21,136</u>	
Total reconciling items		<u>(305,959)</u>	
Change in net position		<u><u>\$ (620,434)</u></u>	

Town of Kernersville, North Carolina
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
Workers Comp Self-Insurance Fund
Year Ended June 30, 2023

Schedule 14

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues:			
Charges for services	\$ 344,900	\$ 344,900	\$ -
	344,900	344,900	-
Nonoperating revenues:			
Investment earnings	100	28,588	28,488
Total revenues	345,000	373,488	28,488
Expenditures			
Claims paid		319,083	
Stop-loss coverage		99,979	
Administration		11,500	
Total expenditures	595,000	430,562	164,438
Revenues under expenditures	(250,000)	(57,074)	192,926
Appropriated fund balance	250,000	-	(250,000)
Revenues under expenditures and appropriated fund balance	\$ -	(57,074)	\$ (57,074)
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Increase in claims receivable		268,516	
Increase in claims reserve		9,337	
Change in net position		\$ 220,779	

Supplementary Information

Other Schedules

This section contains additional information on property taxes.

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

Town of Kernersville, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2023

Schedule 15

Fiscal Year	Uncollected Balance July 1, 2022	Additions	Collections and Credits	Uncollected Balance June 30, 2023
2022 - 23	\$ -	\$ 23,135,776	\$ 23,052,746	\$ 83,030
2021 - 22	125,845	-	98,922	26,923
2020 - 21	61,265	-	33,923	27,342
2019 - 20	18,243	-	1,519	16,724
2018 - 19	22,896	-	1,538	21,358
2017 - 18	11,421	-	1,576	9,845
2016 - 17	13,559	-	767	12,792
2015 - 16	7,866	-	238	7,628
2014 - 15	8,153	-	226	7,927
2013 - 14	10,265	-	235	10,030
2012 - 13	11,444	-	11,444	-
	<u>\$ 290,957</u>	<u>\$ 23,135,776</u>	<u>\$ 23,203,134</u>	223,599
Less allowance for uncollectible accounts: General Fund				<u>(60,000)</u>
				<u>\$ 163,599</u>
Reconciliation of collections and credits with revenues:				
Ad valorem taxes - General Fund				\$ 22,586,182
Local vehicle taxes and fees - General Fund				121,510
Recycling revenue - General Fund				391,579
Refunds				56,045
Releases and other adjustments				37,818
Amounts written off for tax year 2012-2013 per statute of limitations				<u>10,000</u>
				<u>\$ 23,203,134</u>

Town of Kernersville, North Carolina
Analysis of Current Tax Levy
June 30, 2023

Schedule 16

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 4,046,992,308	\$ 0.5590	\$ 22,622,687	\$ 20,741,030	\$ 1,881,657
Recycling fees	-		391,579	391,579	-
Vehicle tag fees	-		121,510	4,430	117,080
Total property valuation	<u>\$ 4,046,992,308</u>				
Total levy			23,135,776	21,137,039	1,998,737
Less releases and deductions			-	-	-
Net levy			23,135,776	21,137,039	1,998,737
Uncollected taxes at June 30, 2023			(83,030)	(83,030)	-
Current year's taxes collected			<u>\$ 23,052,746</u>	<u>\$ 21,054,009</u>	<u>\$ 1,998,737</u>
Current levy collection percentage			<u>99.64%</u>	<u>99.61%</u>	<u>100.00%</u>

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Supplementary Information

Statistical Section

This part of the Town of Kernersville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the Town's overall financial health.

	<u>Page</u>
Financial Trends Information These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	101
Revenue Capacity Information These schedules contain information to help the reader assess the Town's most significant local revenue sources, property taxes and water and sewer charges.	113
Debt Capacity Information These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	121
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	129
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	135

Sources : *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

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Financial Trends Information

Town of Kernersville, North Carolina
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2014	2015	2016	2017
Governmental activities:				
Net investment in capital assets	\$ 120,711,678	\$ 120,138,675	\$ 128,965,379	\$ 133,480,840
Restricted	2,405,379	2,612,352	3,831,336	2,915,828
Unrestricted	<u>(2,935,846)</u>	<u>(2,382,398)</u>	<u>(3,576,780)</u>	<u>(3,941,027)</u>
Total governmental activities net position	<u>120,181,211</u>	<u>120,368,629</u>	<u>129,219,935</u>	<u>132,455,641</u>
Business-type activities:				
Net investment in capital assets	213,296	642,737	1,097,645	778,429
Unrestricted	<u>1,136,080</u>	<u>1,019,185</u>	<u>862,544</u>	<u>1,452,468</u>
Total business-type activities net position	<u>1,349,376</u>	<u>1,661,922</u>	<u>1,960,189</u>	<u>2,230,897</u>
Primary government:				
Net investment in capital assets	120,924,974	120,781,412	130,063,024	134,259,269
Restricted	2,405,379	2,612,352	3,831,336	2,915,828
Unrestricted	<u>(1,799,766)</u>	<u>(1,363,213)</u>	<u>(2,714,236)</u>	<u>(2,488,559)</u>
Total primary government net position	<u>\$ 121,530,587</u>	<u>\$ 122,030,551</u>	<u>\$ 131,180,124</u>	<u>\$ 134,686,538</u>

Source: Statement of Net Position (Exhibit 1 in Basic Financial Statements)

Town of Kernersville, North Carolina
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 1

2018	2019	2020	2021	2022	2023
\$ 135,141,225	\$ 132,300,481	\$ 135,216,032	\$ 135,303,304	\$ 141,685,568	\$ 160,034,151
2,974,849	3,562,507	3,101,750	5,734,079	4,484,657	6,456,862
(8,037,105)	(5,847,148)	(7,193,357)	(8,463,987)	989,922	(6,186,528)
130,078,969	130,015,840	131,124,425	132,573,396	147,160,147	160,304,485
733,649	935,507	871,027	1,112,649	905,066	978,120
1,226,959	514,782	799,807	446,398	878,739	185,251
1,960,608	1,450,289	1,670,834	1,559,047	1,783,805	1,163,371
135,874,874	133,235,988	136,087,059	136,415,953	142,590,634	161,012,271
2,974,849	3,562,507	3,101,750	5,734,079	4,484,657	6,456,862
(6,810,146)	(5,332,366)	(6,393,550)	(8,017,589)	1,868,661	(6,001,277)
<u>\$ 132,039,577</u>	<u>\$ 131,466,129</u>	<u>\$ 132,795,259</u>	<u>\$ 134,132,443</u>	<u>\$ 148,943,952</u>	<u>\$ 161,467,856</u>

Town of Kernersville, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
Expenses				
Governmental activities:				
General government	\$ 3,494,897	\$ 3,629,864	\$ 4,682,077	\$ 4,630,977
Public safety	13,008,107	12,661,556	13,322,213	14,815,390
Public service	8,187,772	7,656,776	7,682,255	8,980,651
Cultural and recreation	1,603,499	1,958,985	1,935,181	2,014,319
Interest on long-term debt	354,509	303,089	210,542	205,476
Total governmental activities expenses	26,648,784	26,210,270	27,832,268	30,646,813
Business-type activities:				
Stormwater management	627,722	413,440	957,626	1,020,285
Total business-type activities expenses	627,722	413,440	957,626	1,020,285
Total primary government expenses	27,276,506	26,623,710	28,789,894	31,667,098
Program revenues				
Governmental activities:				
Charges for services:				
General government	435,885	411,302	537,176	489,370
Public safety	126,997	97,262	126,767	110,179
Public service	1,526,801	1,550,923	1,748,790	1,975,833
Cultural and recreation	308,777	382,647	381,412	363,926
Operating grants and contributions	2,324,088	1,805,122	2,262,642	2,500,775
Capital grants and contributions	3,070,242	1,349,246	10,264,508	6,653,970
Total governmental activities program revenues	7,792,790	5,596,502	15,321,295	12,094,053
Business-type activities:				
Charges for services:	1,013,509	1,011,196	1,037,037	1,056,296
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	1,013,509	1,011,196	1,037,037	1,056,296
Total primary government program revenues	8,806,299	6,607,698	16,358,332	13,150,349
Net expenses	<u>\$ (18,470,207)</u>	<u>\$ (20,016,012)</u>	<u>\$ (12,431,562)</u>	<u>\$ (18,516,749)</u>

Town of Kernersville, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 2
(4 pages)

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 4,547,895	\$ 4,394,732	\$ 4,646,851	\$ 6,445,203	\$ 6,530,255	\$ 6,231,649
15,078,648	15,681,232	17,581,895	18,387,376	17,127,838	18,540,239
9,039,660	9,974,585	10,507,974	8,986,468	9,115,678	10,750,804
2,061,807	2,120,218	2,500,759	2,476,422	3,121,925	4,172,066
497,994	626,954	570,962	484,285	875,440	764,776
31,226,004	32,797,721	35,808,441	36,779,754	36,771,136	40,459,534
1,460,104	1,876,068	1,626,276	1,519,176	1,197,898	2,116,917
1,460,104	1,876,068	1,626,276	1,519,176	1,197,898	2,116,917
32,686,108	34,673,789	37,434,717	38,298,930	37,969,034	42,576,451
409,277	568,974	490,029	554,013	518,809	590,558
133,629	204,746	298,469	179,565	240,261	1,319,352
1,879,476	2,180,930	1,994,100	2,213,929	1,731,755	610,357
383,545	357,568	197,246	178,498	291,139	439,400
2,026,108	2,282,677	1,957,603	2,560,738	4,117,241	8,788,221
996,330	277,085	170,205	2,078,222	588,071	5,508,257
5,828,365	5,871,980	5,107,652	7,764,965	7,487,276	17,256,145
1,074,193	1,115,025	1,162,898	1,174,893	1,206,797	1,211,232
-	-	442,924	-	-	-
1,074,193	1,115,025	1,605,822	1,174,893	1,206,797	1,211,232
6,902,558	6,987,005	6,713,474	8,939,858	8,694,073	18,467,377
\$ (25,783,550)	\$ (27,686,784)	\$ (30,721,243)	\$ (29,359,072)	\$ (29,274,961)	\$ (24,109,074)

Town of Kernersville, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
General revenues and other in net position				
Governmental activities:				
Taxes				
Property taxes	\$ 13,097,529	\$ 13,493,647	\$ 14,061,544	\$ 15,371,366
Other taxes	218,755	238,417	253,740	254,325
Unrestricted intergovernmental revenue	6,036,044	6,606,027	7,095,351	7,392,058
Investments earnings, unrestricted	8,218	7,179	24,449	80,037
Transfers in (out)	135,102	285,331	(216,579)	(220,579)
Gain (loss) on disposal of capital assets	3,203	111,089	143,774	52,202
Miscellaneous	8,283	59,496	-	149,485
Total governmental activities	19,507,134	20,801,186	21,362,279	23,078,894
Business-type activities:				
Unrestricted intergovernmental revenue	-	-	-	8,760
Investments earnings, unrestricted	90	121	2,277	5,358
Transfers in (out)	(135,102)	(285,331)	216,579	220,579
Miscellaneous	-	-	-	-
Total business-type activities	(135,012)	(285,210)	218,856	234,697
Total primary government program revenues	19,372,122	20,515,976	21,581,135	23,313,591
Change in net position				
Governmental activities	651,140	187,418	8,851,306	4,526,134
Business activities	250,775	312,546	298,267	270,708
Total primary government change in net position	\$ 901,915	\$ 499,964	\$ 9,149,573	\$ 4,796,842

Source: Statement of Activities (Exhibit 2 in Basic Financial Statements)

Town of Kernersville, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 2
(4 pages)

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 16,239,699	\$ 17,124,077	\$ 17,650,690	\$ 18,762,693	\$ 21,188,484	\$ 22,513,822
283,587	301,782	259,708	250,804	320,083	357,730
7,977,157	8,394,820	8,624,285	9,420,485	14,756,781	12,113,493
176,105	409,615	263,446	38,584	104,528	1,311,375
(220,579)	(220,579)	(231,805)	(232,305)	(213,724)	(237,937)
60,812	8,231	643,210	108,625	106,337	-
2,123,660	844,666	4,599,840	2,114,874	7,608,122	289,244
26,640,441	26,862,612	31,809,374	30,463,760	43,870,611	36,347,727
-	-	-	-	-	-
15,648	30,145	9,194	191	2,135	47,314
220,579	220,579	231,805	232,305	213,724	237,937
-	-	-	-	-	-
236,227	250,724	240,999	232,496	215,859	285,251
26,876,668	27,113,336	32,050,373	30,696,256	44,086,470	36,632,978
1,242,802	(63,129)	1,108,585	1,448,971	14,586,751	13,144,338
(149,684)	(510,319)	220,545	(111,787)	224,758	(620,434)
\$ 1,093,118	\$ (573,448)	\$ 1,329,130	\$ 1,337,184	\$ 14,811,509	\$ 12,523,904

Town of Kernersville, North Carolina
Fund Balances
Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
General Fund				
Non-spendable	\$ 222,957	\$ 5,250	\$ 5,935	\$ 261,570
Restricted	2,043,075	2,227,084	4,931,738	3,925,085
Committed	821,040	684,526	730,792	1,023,656
Assigned	226,126	253,144	527,009	-
Unassigned	7,178,931	8,348,194	6,209,156	7,571,262
Total general fund	<u>10,492,129</u>	<u>11,518,198</u>	<u>12,404,630</u>	<u>12,781,573</u>
All other governmental funds				
Restricted	362,304	385,268	363,958	386,441
Committed	658,824	651,339	562,150	3,725,147
Assigned	-	-	-	-
Total all other governmental funds	<u>1,021,128</u>	<u>1,036,607</u>	<u>926,108</u>	<u>4,111,588</u>
Total fund balance	<u>\$ 11,513,257</u>	<u>\$ 12,554,805</u>	<u>\$ 13,330,738</u>	<u>\$ 16,893,161</u>

N/A - Not applicable prior to and subsequent to the implementation of GASB Statement No. 54.

Source: Balance Sheet - Governmental Funds (Exhibit 3 in Basic Financial Statements)

Town of Kernersville, North Carolina
Fund Balances
Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 3

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 2,700	\$ 6,044	\$ 15,127	\$ 15,397	\$ 13,888	\$ 69,666
3,997,944	4,227,945	2,855,108	5,216,321	5,974,920	10,454,889
1,749,834	1,013,448	940,174	1,123,018	1,398,888	1,688,390
473,110	385,994	500,000	560,000	-	-
7,982,176	10,990,040	11,592,803	8,963,557	15,359,347	7,696,367
14,205,764	16,623,471	15,903,212	15,878,293	22,747,043	19,909,312
451,004	470,773	426,021	517,758	729,941	21,893,597
3,708,905	371,183	60,255	3,784,975	6,923,261	5,071,823
-	-	-	-	500	86,072
4,159,909	841,956	486,276	4,302,733	7,653,702	27,051,492
\$ 18,365,673	\$ 17,465,427	\$ 16,389,488	\$ 20,181,026	\$ 30,400,745	\$ 46,960,804

Town of Kernersville, North Carolina
Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2014	2015	2016	2017
Revenues by source				
Ad valorem taxes	\$ 13,151,903	\$ 13,528,449	\$ 14,062,364	\$ 15,318,974
Other taxes and licenses	218,755	238,417	253,740	254,325
Unrestricted intergovernmental	6,036,044	6,606,027	7,095,351	7,392,058
Restricted intergovernmental	1,045,699	1,862,253	1,957,999	1,828,677
Penalties and interest	16,949	60,236	58,732	77,046
Contributions and donations	854,417	940,041	491,255	1,026,527
Other revenues	8,283	59,496	-	149,485
Functionally related revenues	2,398,460	2,442,134	2,793,937	2,716,432
Total revenues	<u>23,730,510</u>	<u>25,737,053</u>	<u>26,713,378</u>	<u>28,763,524</u>
Expenditures by function				
General government	3,824,056	4,207,196	4,792,965	5,383,778
Public safety	12,547,679	12,509,496	13,529,860	16,852,211
Public service	6,638,214	6,607,747	5,480,561	7,705,003
Cultural and recreation	1,364,430	1,799,026	2,636,038	2,071,640
Other operating expenses	-	-	-	-
Debt service:				
Principal retirement	1,753,280	1,813,855	2,131,846	2,249,818
Interest and fiscal charges	345,661	257,074	150,832	131,774
Bond issuance costs	-	65,000	-	-
Total expenditures	<u>26,473,320</u>	<u>27,259,394</u>	<u>28,722,102</u>	<u>34,394,224</u>
Excess of revenue over (under) expenditures	<u>(2,742,810)</u>	<u>(1,522,341)</u>	<u>(2,008,724)</u>	<u>(5,630,700)</u>
Other financing sources (uses)				
Proceeds from installment purchases	1,364,750	2,102,469	2,647,400	9,361,500
Lease liabilities issued	-	-	-	-
Subscription liabilities issued	-	-	-	-
Refunding bonds issued	-	4,065,000	-	-
Debt service - principal	-	(4,000,000)	-	-
Sale of capital assets	60,030	111,089	353,836	52,202
Transfers in	768,594	745,701	151,827	730,645
Transfers out	(633,492)	(460,370)	(368,406)	(951,224)
Total other financing sources	<u>1,559,882</u>	<u>2,563,889</u>	<u>2,784,657</u>	<u>9,193,123</u>
Net change in fund balances	<u>\$ (1,182,928)</u>	<u>\$ 1,041,548</u>	<u>\$ 775,933</u>	<u>\$ 3,562,423</u>
Capital outlay included in total expenditures	<u>\$ 2,768,218</u>	<u>\$ 2,172,524</u>	<u>\$ 2,439,094</u>	<u>\$ 4,615,485</u>
Debt service as a percentage of noncapital expenditures	8.9%	8.3%	8.7%	8.0%

Source: Changes in Fund Balances - Governmental Funds (Exhibit 4 in Basic Financial Statements)

Town of Kernersville, North Carolina
Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Table 4

Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 16,242,913	\$ 17,262,956	\$ 17,700,036	\$ 18,740,650	\$ 21,211,736	\$ 22,586,182
283,587	301,782	259,708	250,804	320,083	357,730
7,977,157	8,394,820	8,624,285	9,420,485	14,756,781	16,043,031
2,062,276	1,335,610	985,852	3,276,438	1,633,100	3,952,734
166,013	386,317	246,951	38,278	103,141	1,282,786
1,033,129	1,230,110	1,141,956	1,362,522	3,061,474	1,382,066
90,143	242,687	5,590	1,734,359	185,424	308,725
2,732,960	3,306,260	2,979,844	3,126,005	2,792,702	2,238,667
30,588,178	32,460,542	31,944,222	37,949,541	44,064,441	48,151,921
4,763,809	4,364,518	4,357,949	6,089,224	6,336,773	6,666,228
18,339,615	17,830,988	16,158,030	15,552,513	16,729,585	19,057,384
11,022,173	7,409,664	7,498,008	5,914,719	7,525,421	9,548,344
2,103,393	2,134,585	2,851,211	2,705,761	3,318,551	14,016,093
-	-	-	-	183,192	-
2,638,191	3,608,502	3,800,212	3,739,158	3,739,158	4,955,848
130,753	649,333	567,675	486,097	881,336	614,299
-	-	-	-	-	-
38,997,934	35,997,590	35,233,085	34,487,472	38,714,016	54,858,196
(8,409,756)	(3,537,048)	(3,288,863)	3,462,069	5,350,425	(6,706,275)
10,042,035	2,849,150	1,801,519	481,858	4,223,740	23,052,900
-	-	-	-	724,232	101,279
-	-	-	-	-	209,979
-	-	-	-	-	-
-	-	-	-	-	-
60,812	8,231	643,210	108,625	106,337	140,113
706,702	1,779,854	528,176	3,979,782	4,463,495	285,790
(927,281)	(2,000,433)	(759,981)	(4,212,087)	(4,677,219)	(523,727)
9,882,268	2,636,802	2,212,924	358,178	4,840,585	23,266,334
\$ 1,472,512	\$ (900,246)	\$ (1,075,939)	\$ 3,820,247	\$ 10,191,010	\$ 16,560,059
\$ 9,823,669	\$ 5,029,209	\$ 2,722,973	\$ 1,306,540	\$ 2,138,548	\$ 13,712,923
9.5%	13.7%	13.4%	12.7%	12.6%	13.5%

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Revenue Capacity Information

Town of Kernersville, North Carolina
Tax Revenues by Source
Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Table 5

Fiscal Year	Ad Valorem Property Tax ^a	Local Option Sales & Use Tax	Utilities Franchise and Sales Tax ^b	Hotel/Motel Occupancy Tax	Alcoholic Beverage Tax ^c
2014	\$ 13,151,903	\$ 3,751,318	\$ 1,479,625	\$ 106,656	\$ 398,872
2015	13,528,449	4,239,410	1,830,850	113,742	452,601
2016	14,062,364	4,605,164	1,916,865	137,964	484,780
2017	15,318,974	4,833,178	1,883,992	143,670	586,746
2018	16,242,913	5,330,872	1,947,550	161,720	603,277
2019	17,262,956	5,640,887	2,004,783	173,887	684,102
2020	17,700,036	5,911,981	1,931,504	134,578	714,795
2021	18,740,650	6,620,460	1,910,212	124,427	817,669
2022	21,211,736	7,944,112	1,953,798	202,209	834,765
2023	22,586,182	8,952,877	2,106,161	236,220	957,881
Change from 2014 to 2023	71.7%	138.7%	42.3%	121.5%	140.1%

^a Ad valorem property taxes are the Town's most significant source of revenues. All other taxes and revenues are either comparatively insignificant or levied by a governmental entity other than the Town of Kernersville. Property tax increase is due to continued real property value growth and continued diligence in the collection of property taxes. This year's collection rate was 99.64%.

^b Includes taxes on piped natural gas, electricity, telecommunication services and video programming.

^c The Alcoholic Beverage Tax includes distributions from both the State and Forsyth County.

Town of Kernersville, North Carolina
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of Assessed Value)

Table 6

Fiscal Year	Town Direct Rates			Forsyth County ^d	Guilford County ^{d c}
	Basic Rate	General Obligation Streets Debt Service ^a	Total Direct		
2014	0.4775	0.05	0.5275	0.6787	0.7700
2015	0.4925	0.05	0.5425	0.7168	0.7700
2016	0.4925	0.05	0.5425	0.7310	0.7600
2017	0.5200	0.05	0.5700	0.7310	0.7550
2018	0.5045	0.05	0.5545	0.7235	0.7305
2019	0.5200	0.05	0.5700	0.7535	0.7305
2020	0.5200	0.05	0.5700	0.7535	0.7305
2021	0.5200	0.05	0.5700	0.7535	0.7305
2022	0.5090	0.05	0.5590	0.6778	0.7305
2023	0.5090	0.05	0.5590	0.6778	0.7305

Source: Forsyth County Tax Office and Guilford County Tax Office

Note: As approved by the citizens of Kernersville in the Bond Referendum held in the November General Election of 1998, the Town has established a special assessment equal to five cents on the tax rate in order to retire the debt generated by the sale of long-term street bonds sold on May 4, 2004. These street bonds were subsequently refunded on July 29, 2014, upon issuance of the new general obligation bond funding.

The Town's basic property tax rate may be increased only by a majority vote of the Town's Board of Aldermen.

Note: Rates for debt service are set based on each year's requirements.

^a *A separate debt service fund has not been established, but revenues equal to five cents on the tax rate are used each year to pay the annual bond debt.*

^b *Overlapping rates are those of local and county governments that apply to property owners within the Town of Kernersville.*

^c *In 2009, the Town expanded into Guilford County under an annexation agreement.*

Town of Kernersville, North Carolina
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 7

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Winston-Salem Healthcare Development	\$ 126,637,002	1	3.74%	\$ -	N/A	-
Deere-Hitachi	84,778,568	2	2.50%	58,369,770	1	2.29%
Dogwood Propco I LP	56,964,411	3	1.68%	-	N/A	-
Hawthorne Midway	42,051,077	4	1.24%	-	N/A	-
Grass Amercia Inc	41,522,358	5	1.22%	21,388,970	4	0.84%
Reserve at Smith Crossing LLC	39,360,409	6	1.16%	-	N/A	-
Duke Energy/Piedmont Natural Gas	39,147,731	7	1.15%	16,032,640	9	0.63%
DLS Kernersville LLC	34,202,943	8	1.01%	21,567,260	3	0.85%
Verizon Wireless	33,009,413	9	0.97%	-	N/A	-
Walmart Inc	30,426,927	10	0.90%	20,674,100	6	0.81%
	<u>\$ 528,100,837</u>		<u>15.58%</u>	<u>\$ 138,032,740</u>		<u>5.42%</u>

Source: Forsyth County Tax Office

Town of Kernersville, North Carolina
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 8

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 13,538,090	\$ 13,369,800	98.76%	\$ 158,262	\$ 13,528,062	99.93%
2015	13,820,404	13,730,922	99.35%	81,555	13,812,477	99.94%
2016	14,288,679	14,224,114	99.55%	56,937	14,281,051	99.95%
2017	15,812,058	15,670,133	99.10%	129,133	15,799,266	99.92%
2018	16,593,014	16,474,026	99.28%	109,143	16,583,169	99.94%
2019	17,856,183	17,741,095	99.36%	93,730	17,834,825	99.88%
2020	18,191,775	18,113,931	99.57%	61,120	18,175,051	99.91%
2021	19,265,741	19,134,504	99.32%	103,895	19,238,399	99.86%
2022	21,750,739	21,624,894	99.42%	98,922	21,723,816	99.88%
2023	23,135,776	23,052,746	99.64%	-	23,052,746	99.64%

Sources: Forsyth County and Guilford County Tax Offices

Town of Kernersville, North Carolina
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Public Service Companies Property
2014	\$ 1,245,558,247	\$ 542,639,948	\$ 83,699,860	\$ 38,060,695
2015	1,551,270,046	522,712,586	149,963,590	53,157,539
2016	1,541,668,384	530,690,186	185,919,060	56,134,541
2017	1,245,436,246	905,417,895	122,502,253	55,527,861
2018	1,239,326,123	1,122,178,626	134,256,608	58,599,370
2019	1,294,603,558	1,170,998,567	133,318,580	61,747,739
2020	1,316,305,365	1,193,200,024	140,238,276	64,414,198
2021	1,379,751,475	1,202,120,224	232,182,652	67,198,819
2022	1,697,130,455	1,316,507,603	247,214,068	66,535,548
2023	1,673,043,780	1,338,935,854	295,831,468	105,126,875

Source: Forsyth County Tax Assessor's Office TR-1 Report. & Guilford County Tax Assessor's TR-1 Report

Note: Property in Forsyth County is reassessed once every four years. Property in Guilford County is reassessed once every eight years.

Total Taxable Assessed Value includes: all residential, commercial and industrial real property, public service company property less tax-exempt property (no vehicles or personal property included).

Actual Taxable Value includes: all Total Taxable Assessed Value plus registered motor vehicles, personal property and discoveries, net of releases.

Town of Kernersville, North Carolina
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Table 9

Less: Tax-Exempt Property		Total Taxable Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$	32,354,749	\$ 1,877,604,001	0.5275	2,550,261,901	73.62%
	44,872,741	2,232,231,020	0.5425	2,501,712,811	89.23%
	42,332,096	2,272,080,075	0.5425	2,580,794,101	88.04%
	45,517,724	2,283,366,531	0.5700	2,719,792,281	83.95%
	49,358,741	2,505,001,986	0.5700	2,696,929,040	92.88%
	47,129,882	2,613,538,562	0.5700	2,774,875,458	94.19%
	23,890,843	2,690,267,020	0.5700	2,829,692,756	95.07%
	23,517,870	2,857,735,300	0.5590	3,002,376,630	95.18%
	25,713,656	3,301,674,018	0.5590	3,464,538,744	95.30%
	23,294,968	3,389,643,009	0.5590	3,697,024,365	91.69%

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Debt Capacity Information

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Town of Kernersville, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 10

Fiscal Year	Governmental Activities					Business-Type Activities	Total Primary Government	Percentage of County Personal Income	Per Capita ^a
	General Obligation Bonds	State Revolving Loan	Installment Purchases	Lease Liabilities	Subscription Liabilities	Installment Purchases			
2014	\$ 4,000,000	\$ 4,400,000	\$ 3,440,214	\$ -	\$ -	\$ -	\$ 11,840,214	n/a	\$ 494
2015	3,660,000	4,000,000	4,533,828	-	-	178,938	12,372,766	n/a	512
2016	3,255,000	3,600,000	5,894,487	-	-	134,988	12,884,475	n/a	532
2017	2,850,000	3,200,000	13,811,170	-	-	389,201	20,250,371	n/a	819
2018	2,445,000	2,800,000	21,512,884	-	-	274,777	27,032,661	n/a	1,074
2019	2,040,000	2,400,000	21,558,532	-	-	470,553	26,469,085	n/a	1,014
2020	1,635,000	2,000,000	20,391,264	-	-	378,005	24,404,269	n/a	927
2021	1,230,000	1,600,000	17,975,821	621,631	-	216,755	21,644,207	n/a	793
2022	825,000	1,200,000	19,189,768	355,171	128,379	183,253	21,881,571	n/a	805
2023	420,000	800,000	38,492,216	259,612	134,800	89,751	40,196,379	n/a	1,467

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

^a See Table 14 for personal income for Forsyth County and population data for the Town of Kernersville. These ratios are calculated using population

Town of Kernersville, North Carolina
 Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years

Table 11

Fiscal Year	General Obligation Bonds	Total	Percentage of G.O. Debt to Actual Taxable Value of Property ^a	Per Capita ^b
2014	\$ 4,000,000	\$ 4,000,000	0.1568%	166.49
2015	3,660,000	3,660,000	0.1463%	151.38
2016	3,255,000	3,255,000	0.1261%	134.30
2017	2,850,000	2,850,000	0.1048%	115.24
2018	2,445,000	2,445,000	0.0833%	97.16
2019	2,040,000	2,040,000	0.0650%	78.18
2020	1,635,000	1,635,000	0.0526%	62.14
2021	1,230,000	1,230,000	0.0373%	46.42
2022	825,000	825,000	0.0250%	31.02
2023	420,000	420,000	0.0128%	15.33

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

^a See Table 5 for property value data.

^b See Table 14 for population data.

Town of Kernersville, North Carolina
Direct and Overlapping Governmental Activities Debt
June 30, 2023

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable^{a & b}	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Forsyth County's general obligation debt	\$ 641,135,000	7.443%	\$ 47,720,804
Town of Kernersville's direct debt			<u>40,196,379</u>
Total direct and overlapping debt			<u><u>\$ 87,917,183</u></u>

^a Source: Forsyth County

^b For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value which is within the County's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for the Town of Kernersville's other debt.

Town of Kernersville, North Carolina
Legal Debt Margin Information
Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2014	2015	2016	2017
Debt limit	\$ 204,020,952	\$ 200,137,025	\$ 206,463,528	\$ 217,583,382
Total net debt applicable to limit	<u>11,840,214</u>	<u>12,372,766</u>	<u>12,749,487</u>	<u>20,250,371</u>
Legal debt margin	<u>\$ 192,180,738</u>	<u>\$ 187,764,259</u>	<u>\$ 193,714,041</u>	<u>\$ 197,333,011</u>

Note: Under state finance law, the Town's outstanding general obligation debt should not exceed 8% of total assessed property value.

Town of Kernersville, North Carolina
Legal Debt Margin Information
Governmental Funds
Last Ten Fiscal Years

Table 13

Legal Debt Margin Calculation for Fiscal Year 2023					
Assessed value				\$ 4,046,992,308	
Debt limit (8% of assessed value)				\$ 323,759,385	
Debt applicable to limit:					
General obligation bonds				420,000	
Revolving loan payable				800,000	
Installment purchases				38,581,967	
Other debt				394,412	
Total net debt applicable to limit				40,196,379	
Legal debt margin				\$ 283,563,006	
Fiscal Year					
2018	2019	2020	2021	2022	2023
\$ 234,747,556	\$ 250,944,996	\$ 248,657,221	\$ 263,494,372	\$ 304,157,782	\$ 323,759,385
27,032,661	26,469,085	24,404,269	21,022,576	21,406,100	40,196,379
\$ 207,714,895	\$ 224,475,911	\$ 224,252,952	\$ 242,471,796	\$ 282,751,682	\$ 283,563,006

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Demographic and Economic Information

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Town of Kernersville, North Carolina
Demographic and Economic Statistics
Last Ten Calendar Years

Table 14

Calendar Year	Population ¹	Forsyth County Personal Income ²	Per Capita Personal Income ³	Median Age ³	School Enrollment ⁴	Unemployment Rate ⁵
2014	24,025	\$ 15,489,599	\$ 25,608	37.8	7,578	7.5%
2015	24,177	16,177,491	25,920	38	10,697 ⁴	5.5%
2016	24,237	16,523,347	26,779	38.3	10,202 ⁴	4.9%
2017	24,730	17,384,955	28,123	38.4	9,939 ⁴	4.5%
2018	25,164	17,671,702	29,456	38.6	10,225 ⁴	4.1%
2019	26,093	18,628,525	30,783	38.7	9,764 ⁴	4.4%
2020	26,312	19,796,963	31,993	38.9	9,898 ⁴	8.2%
2021	26,497	21,730,970	35,935	39.0	9,900 ⁴	5.0%
2022	26,597	22,485,752	N/A ⁶	N/A ⁶	9,404 ⁴	4.1%
2023	27,404	N/A ⁶	N/A ⁶	N/A ⁶	N/A ⁶	3.7%

Note: Personal Income, Per Capita Personal Income, Median Age and Unemployment rates are not available for the Town of Kernersville. Statistics for Forsyth County were used.

¹ NC Office of State Budget and Management. Subject to annual updates

² U.S. Department of Commerce: Bureau of Economic Analysis. Subject to annual updates.

³ U.S. Census Bureau

⁴ Winston-Salem/Forsyth County School System.

Beginning in calendar year 2015, school enrollment numbers include data from Glenn High School, Sage Elementary, and Union Cross Academy; prior to 2015, this data was previously not available.

⁵ North Carolina Department of Commerce; Unemployment rates not seasonally adjusted; Forsyth County rates were used.

⁶ Data Not Yet Available

**Town of Kernersville, North Carolina
Principal Employers for Forsyth County
Current Year and Nine Years Ago**

Table 15

Employer	2023 ¹			2014 ²		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Atrium Health Wake Forest Baptist ^a	12,519	1	6.5%	13,398	1	8.0%
Winston-Salem/Forsyth County School System	7,680	2	4.0%	7,600	3	4.6%
Toshiba America Inc	6,600	3	3.4%	-	-	-
Novant Health ^b	3,805	4	2.0%	8,145	2	4.9%
Hanesbrands Inc ^c	3,273	5	1.7%	2,230	8	1.3%
Wake Forest University	2,523	6	1.3%	2,401	7	1.4%
Forsyth County	2,249	7	1.2%	2,029	10	1.2%
Amazon	2,200	8	1.1%	-	-	-
Winston-Salem State University	1,484	9	0.8%	-	-	-
Reynolds American ^d	1,380	10	0.7%	2,500	6	1.5%
Total	43,713		22.8%	38,303		22.9%

¹ estimates as of June 2023

² estimates as of July 2014

^a Formerly Wake Forest University Baptist Medical Center

^b Formerly Forsyth Medical Center and affiliates

^c Previously Sara Lee

^d Formerly R.J. Reynolds Tobacco Company

Source: For 2023, number of employees provided by the Piedmont Triad Regional Council, as reported by DatabaseUSA.com. Data also provided by Forsyth County and Winston-Salem. For 2014 data, number of employees provided by the Greater Winston-Salem Chamber of Commerce, as reported by individual companies and institutions. County civilian labor

Town of Kernersville, North Carolina
Full-Time Equivalent Town Government Employees by Functions/Programs
Last Ten Fiscal Years

Table 16

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government:										
Governing body	6	6	6	6	6	6	6	6	6	6
Administration	3	3	3	3	3	3	3	3	3	3
Finance	7	6	5	6	6	6	6	6	7	7
Information technology	3	3	4	4	4	4	4	5	5	6
Planning and zoning	4	4	4	4	4	4	3	5	4	3
Inspections	6	5	4	6	6	6	5	7	5	5
Personnel	5	5	4	4	4	4	4	4	5	5
General services	3	3	4	4	5	5	5	4	5	5
Police:										
Officers	67	67	68	67	67	68	69	66	66	67
Civilians	20	20	19	20	20	20	19	19	18	17
Fire:										
Firefighters and officers	73	71	71	70	70	73	74	72	72	76
Civilians	1	1	1	1	1	2	2	2	1	1
Public service:										
Engineering	2	3	2	1	1	1	1	1	1	1
Street	17	21	16	17	16	16	15	14	14	17
Sanitation	22	20	18	16	18	18	16	16	15	15
Transportation	2	-	-	-	-	-	-	-	-	-
Public works										
administration	5	5	4	4	4	4	4	4	4	4
Central maintenance	9	8	7	8	8	7	6	8	8	6
Stormwater enterprise	5	3	4	8	8	11	11	10	10	10
Cultural and recreation:										
Paul J Ciener										
Botanical Garden	-	-	-	-	-	-	-	-	-	4
Recreation	9	11	14	15	15	15	15	14	16	16
Total	<u>269</u>	<u>265</u>	<u>258</u>	<u>264</u>	<u>266</u>	<u>273</u>	<u>268</u>	<u>266</u>	<u>265</u>	<u>274</u>

Source: Town's Payroll Department

¹ Addition of employees due to acquisition of Paul J Ciener Botanical Gardens in December 2022

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Operating Information

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Town of Kernersville, North Carolina
Operating Indicators by Function/Program
Last Ten Fiscal Years

Table 17

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police:										
Physical arrests	1,495	1,943	792	1,698	1,973	1,908	1,566	1,450	1,368	1,627
Parking violations	59	84	25	47	39	20	15	9	15	8
Traffic violations	3,735	7,393	4,445	5,606	5,516	5,007	4,189	3,184	4,072	3,243
Fire:										
Emergency responses	3,018	2,973	2,780	3,007	3,155	3,258	2,879	2,382	3,220	3,581
Fires extinguished	215	136	117	81	122	52	97	110	125	84
Inspections	1,225	932	678	485	1,203	1,186	945	1,964	1,563	1,292
Refuse collection:										
Refuse collected (tons per year)	13,408	13,350	13,865	14,442	14,443	15,140	14,962	14,415	10,605	7,490
Recyclables collected (tons per year)	2,123	2,131	2,248	2,394	2,411	2,517	2,446	2,378	2,078	1,599
Other public works:										
Street resurfacing (miles)	3.1	-	-	-	3.4	4.5	2.2	0.2	1.5	8.95
Potholes repaired (square yards)	1,792	1,496	224	331	433	401	334	80	N/A	N/A
Parks and recreation:										
Athletic field permits issued	32	54	57	57	57	57	40	44	62	62

Sources: Various Town departments

Note: Indicators are not available for the general government function.

Town of Kernersville, North Carolina
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2014	2015	2016	2017
Police:				
Stations	1	1	1	1
Policemen and officers	67	67	68	67
Annual police calls to which responded	36,724	44,940	48,242	72,117
Annual traffic accidents	1,345	1,311	1,503	1,575
Annual number of arrests (18 years and over)	1,170	2,320	1,188	1,698
Fire:				
Stations	4	4	4	4
Firemen and officers	73	71	71	70
Annual fire calls	3,018	2,973	2,780	3,007
Building permits issued:	256	184	243	3,191
Value of building permits issued	\$ 135,649,973	\$ 23,931,938	\$ 51,977,005	\$ 71,172,206
Public services:				
Streets (miles)	94.868	95.267	95.792	97,456.000
Streetlights	3,192	3,192	3,192	3,192
Traffic signals	33	33	34	34
Parks and recreation:				
Parks	9	9	9	9
Total acreage of parks	327	327	327	327
Lighted tennis courts	6	6	6	6
Recreation centers	1	1	1	1
Baseball/softball diamonds	3	3	3	3
Soccer fields:	7	11	7	7
Joint-use agreements:				
Joint Use Soccer Fields	-	4	4	4
Joint Use Ball Fields (lit)	-	7	7	7
Fishing and boating lakes:				
Owned and operated by the Town	2	2	2	2
Owned and operated by Forsyth County	1	1	1	1

Sources: Various Town Departments

Note: No capital asset indicators are available for the general government function.

Town of Kernersville, North Carolina
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Table 18

Fiscal Year					
2018	2019	2020	2021	2022	2023
1	1	1	1	1	1
67	68	69	66	66	67
51,157	43,831	56,725	50,374	59,837	54,177
1,463	1,524	1,346	1,303	1,390	1,414
1,973	1,761	1,385	3,030	1,371	1,377
4	4	4	4	4	5
70	73	74	72	72	76
3,155	3,266	2,879	1,461	3,220	3,581
3,594	3,875	4,086	5,693	533	384
\$ 58,920,757	\$ 140,182,037	\$ 78,931,097	\$ 137,576,436	\$ 125,807,322	\$ 161,137,777
99,530	98,400	98,660	100,230	98,660	101.31
3,281	3,281	3,281	3,705	3,705	
34	34	36	36	36	1
9	11	13	12	12	13
327	421	468	456	456	539
6	6	6	6	6	8
1	1	1	1	1	1
3	3	10	10	10	4
7	7	11	11	11	11
4	4	4	4	4	7
7	7	7	7	7	3
2	3	3	3	3	3
1	-	-	-	-	-

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Supplementary Information

Compliance Section

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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*

Independent Auditor's Report

Honorable Mayor and
Members of the Board of Aldermen
Town of Kernersville, North Carolina

We have audited 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kernersville, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Kernersville's basic financial statements, and have issued our report thereon dated December 11, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kernersville'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Kernersville's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town of Kernersville's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

FORVIS, LLP

High Point, North Carolina
December 11, 2023

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Honorable Mayor and
Members of the Board of Aldermen
Town of Kernersville, North Carolina

Report on Compliance for Major Federal Programs

Opinion on Major Federal Programs

We have audited Town of Kernersville, North Carolina's (the "Town") compliance with the types of compliance requirements as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Town's major federal programs for the year ended June 30, 2023. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

FORVIS

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

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

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

FORVIS, LLP

High Point, North Carolina
December 11, 2023

Report on Compliance for the Major State Program and on Internal Control over Compliance Required by the State Single Audit Implementation Act

Independent Auditor's Report

Honorable Mayor and
Members of the Board of Aldermen
Town of Kernersville, North Carolina

Report on Compliance for the Major State Program

Opinion on the Major State Program

We have audited Town of Kernersville, North Carolina's (the "Town") 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 its major state program for the year ended June 30, 2023. The Town of Kernersville's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major state program for the year ended June 30, 2023.

Basis for Opinion on the Major State Program

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

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

Responsibilities of Management for the Audit of Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's state programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the applicable sections of the Uniform Guidance, and the State Single Audit Implementation Act, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

FORVIS, LLP

High Point, North Carolina
December 11, 2023

Schedule of Findings and Questioned Costs

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal awards

Internal control over major federal programs:

- Are any material weaknesses identified? Yes X No
- Are any significant deficiencies identified? Yes X No
- Type of auditor's report issued on compliance for major federal programs: Unmodified
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction (Federal-Aid Highway Program)
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? Yes X No

State Awards

Internal control over major state programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to state award _____ Yes X No
- Type of auditor's report issued on compliance for major state program: Unmodified
- Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? _____ Yes X No

Identification of major state program:

Program Name

Office of State Budget and Management – Special Appropriations

2. Financial Statement Findings

Material Weakness

Criteria: The objective of effective internal controls over financial reporting is to prevent or detect and correct material misstatements (caused by error or fraud) in a timely manner and permit the timely preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Condition: During the audit for the year ended June 30, 2023, errors were identified in the balances provided for certain accounts, including receivables, accounts payable and accrued liabilities, deferred and unearned revenues, deferred inflows of resources, and lease and subscription related assets and liabilities.

Effect: Inaccurate reconciliation of certain asset and liability accounts resulted in the identification of material adjusting journal entries during the audit process to correct improperly reported balances.

Cause: The Town encountered turnover within the finance function which impacted the adequate performance of review and reconciliation processes for certain balance sheet accounts.

Recommendation: We recommend that management conduct a thorough review of all balance sheet accounts, across funds, to ensure that the trial balances provided for audit do not contain material errors.

Views of Responsible Officials: We agree with the finding and the Town is currently developing a plan to improve and more thoroughly document its financial close processes. Improved documentation should allow for more accurate and timely reconciliations should the Town encounter staff turnover in the future.

3. Federal Awards Findings and Questioned Costs

There were no findings related to federal awards for the fiscal year ended June 30, 2023.

4. State Awards Findings and Questioned Costs

There were no findings related to state awards for the fiscal year ended June 30, 2023.

Summary Schedule of Prior Audit Findings

There were no prior audit findings.

Town of Kernersville, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2023

Schedule 19
(2 pages)

<u>Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>
<i>Federal grants:</i>				
<u>U.S. Department of Justice:</u>				
Direct programs:				
Bullet-Proof Vest Partnership	16.607		\$ 6,514	\$ -
Federal Asset Forfeiture Funds	16.000	NC0-34010	42,996	-
Organized Crime Drug Enforcement Task Forces	16.000	50CD04984	7,713	-
Passed through the N.C. Department of Public Safety:				
Governor's Crime Commission:				
Protective Equipment	16.738	PROJ014680	22,361	-
Total U.S. Department of Justice			79,584	-
<u>U.S. Department of Homeland Security:</u>				
Direct programs:				
Homeland Security Investigations	97.133		672	-
<u>U.S. Department of Treasury:</u>				
Direct programs:				
Coronavirus State & Local Fiscal Recovery Funds	21.027	02-34-02	3,929,539	-
<u>U.S. Department of Transportation:</u>				
Passed through the N.C. Department of Transportation:				
Highway Safety Cluster:				
N.C. Governor's Highway Safety Program:				
DWI Grant	20.600	2000003126	25,548	-
Kerners Mill Creek Greenway	20.205	U-4741 NB	1,491,974	-
Passed through the City of Winston-Salem MPO:				
Transit Services Program Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities Program (Section 5310)	20.513	51001.71.1.1	29,050	-
Total U.S. Department of Transportation			1,546,572	-
Total assistance - federal programs			5,556,367	-

Town of Kernersville, North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2023

Schedule 19
(2 pages)

<u>Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>
State grants:				
<u>N.C. Department of Public Safety:</u>				
Direct programs:				
Division of Emergency Management:				
FEMA AFG		EMW-2021-FG-00192	-	90,093
<u>N.C. Department of Commerce:</u>				
Direct programs:				
Economic Development - N. Cherry Street		2022-072-1257-1913	-	101,122
Passed through the Industrial Development Fund -				
Utility:				
National Pipe & Plastics - Road Project		U-511	-	51,030
Total N.C. Department of Commerce			-	152,152
<u>N.C. Department of Transportation:</u>				
Direct programs:				
Powell Bill		38570	-	744,399
<u>N.C. Office of State Budget Management:</u>				
Direct programs:				
Capital Equipment - Fire		11111	-	141,354
Capital Equipment - Streets, Fire, & Police		11112	-	225,999
Land Purchase - Recreation		11113	-	1,000,000
General Improvements - Recreation		11114	-	35,496
Local Project Reserve - Information Technology		11115	-	231,367
Capital Equipment - Streets & Recreation		11116	-	193,132
Total N.C. Office of State Budget Management			-	1,827,348
Total assistance - State programs			-	2,813,992
Total assistance			<u>\$ 5,556,367</u>	<u>\$ 2,813,992</u>

Notes to Schedule of Expenditures of Federal and State Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the Town of Kernersville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

2. Summary of Significant Accounting Policies

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

3. Indirect Costs

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Loan and Loan Guarantee Balances Outstanding

The Town has no outstanding loans or loan balances.

5. Program Clusters

Federal programs with different Assistance Listing Numbers (ALN) that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. The Transit Services Programs Cluster and the Highway Safety Cluster are separately identified in the SEFSA as program clusters.

6. Sub-Recipients

The Town did not pass through any federal or State funds to sub-recipients during the year ended June 30, 2023.

7. Contingencies

Grant moneys received and disbursed by the Town are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requires for reimbursement due to disallowed expenditures. Based upon experience, the Town does not believe that such disallowance, if any, would have a material effect on the SEFSA.