

Annual Comprehensive Financial Report Year Ended June 30, 2025

Town of Kernersville, North Carolina



Dawn H. Morgan, Mayor

Chris Thompson, Mayor Pro-Tem

Bill Apple

John Barrow

J.R. Gorham

Joe L. Pinnix, Jr.

Curtis L. Swisher

Town Manager

Franz Ader

Finance Director

Mandy Cartrette

Accounting Operations Manager

“Prepared by the Finance Department”

Town of Kernersville, North Carolina
Table of Contents
June 30, 2025

<u>Exhibit</u>		<u>Page(s)</u>
Financial Section:		
	List of Principal Officials	i
	Organizational Chart	ii
	Letter of Transmittal	iii-vi
	GFOA Certificate of Achievement	vii
Financial Section:		
	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4-14
Basic Financial Statements:		
	Government-wide Financial Statements:	
1	Statement of Net Position	15-16
2	Statement of Activities	17
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	18
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
4a	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21-22
5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	23-24
6	Statement of Fund Net Position– Proprietary Funds	25
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	26
8	Statement of Cash Flows – Proprietary Funds	27-28
9	Statement of Fiduciary Net Position - Fiduciary Funds	29
10	Statement of Changes in Fiduciary Net Position - Fiduciary Funds	30
	Notes to the Financial Statements	31-64

Town of Kernersville, North Carolina
Table of Contents
June 30, 2025

<u>Exhibit</u>		<u>Page(s)</u>
Required Supplementary Information		
A-1	Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	65
A-2	Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance	66
A-3	Schedule of Changes in the Total OPEB Liability and Related Ratios	67
A-4	Proportionate Share of Net Pension Liability (Asset)- Required Supplementary Information- Local Government Employees' Retirement System	68
A-5	Contributions- Required Supplementary Information- Local Government Employees' Retirement System	69
Individual Fund Statements and Schedules:		
B-1	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund	70-74
B-1a	Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund Capital Reserve Fund	75
C-1	Balance Sheet - Non-major Governmental Funds	76
C-2	Statement of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds	77
C-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Occupancy Tax Fund - Special Revenue Fund	78
C-4	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Emergency Telephone System Fund - Special Revenue Fund	79
C-5	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Contributions Fund - Special Revenue Fund	80
C-6	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Law Enforcement Forfeitures Fund - Special Revenue Fund	82
C-7	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - American Rescue Plan - Special Revenue Fund	82
C-8	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Beeson's Fire Facility - Capital Projects Fund	83

Town of Kernersville, North Carolina
Table of Contents
June 30, 2025

<u>Exhibit</u>		<u>Page(s)</u>
C-9	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Kerner Mill Greenway - Capital Projects Fund	84
C-10	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Community Pool Capital Projects Ordinance Fund	85
C-11	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Recreation Department - Capital Projects Fund	86
D-1	Schedule of Revenues and Expenditures - Budget and Actual - Stormwater Enterprise Fund	87-88
E-1	Schedule of Revenues and Expenditures - Budget and Actual - Workers Comp Self-Insurance Fund	89
 Other Schedules		
F-1	Schedule of Ad Valorem Taxes Receivable	90
F-2	Analysis of Current Tax Levy (Town - Wide Levy)	91
 Financial Trends Information		
1	Net Position by Component	93-94
2	Changes in Net Position	95-98
3	Fund Balances, Governmental Funds	99-100
4	Changes in Fund Balances, Governmental Funds	101-102
 Revenue Capacity Information		
5	Tax Revenues by Source, Governmental Funds	105
6	Direct and Overlapping Property Tax Rates	106
7	Principal Property Taxpayers	107
8	Property Tax Levies and Collections	108
9	Assessed Value and Actual Value of Taxable Property	109-110
 Debt Capacity Information		
10	Ratios of Outstanding Debt by Type	114
11	Ratios of General Bonded Debt Outstanding	115

Town of Kernersville, North Carolina
Table of Contents
June 30, 2025

<u>Exhibit</u>		<u>Page(s)</u>
12	Direct and Overlapping Governmental Activities Debt	116
13	Legal Debt Margin Information	117-118
Demographic and Economic Information		
14	Demographic and Economic Statistics	122
15	Principal Employers for Forsyth County	123
16	Full-Time Equivalent Town Government Employees by Function/Program	124
Operating Information		
17	Operating Indicators by Function/Program	128
18	Capital Asset Statistics by Function/Program	129-130
Compliance Section:		
	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other matters based on an Audit of Financial Statements performed in accordance with <i>Governmental Auditing Standards</i>	132-133
	Report on Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance In Accordance With Applicable Sections of Uniform Guidance and the State Single Audit Implementation Act	134-136
	Schedule of Findings and Questioned Costs	137-138
	Corrective Action Plan	139
	Summary Schedule of Prior Year Audit Findings	140
	Schedule of Expenditures of Federal and State Awards	141-142

Town of Kernersville, North Carolina
Financial Statements
June 30, 2025

Mayor

Dawn H. Morgan

Board of Aldermen

Chris Thompson - Mayor Pro-Tem

John Barrow

J.R. Gorham

Joe L. Pinnix Jr.

Bill Apple

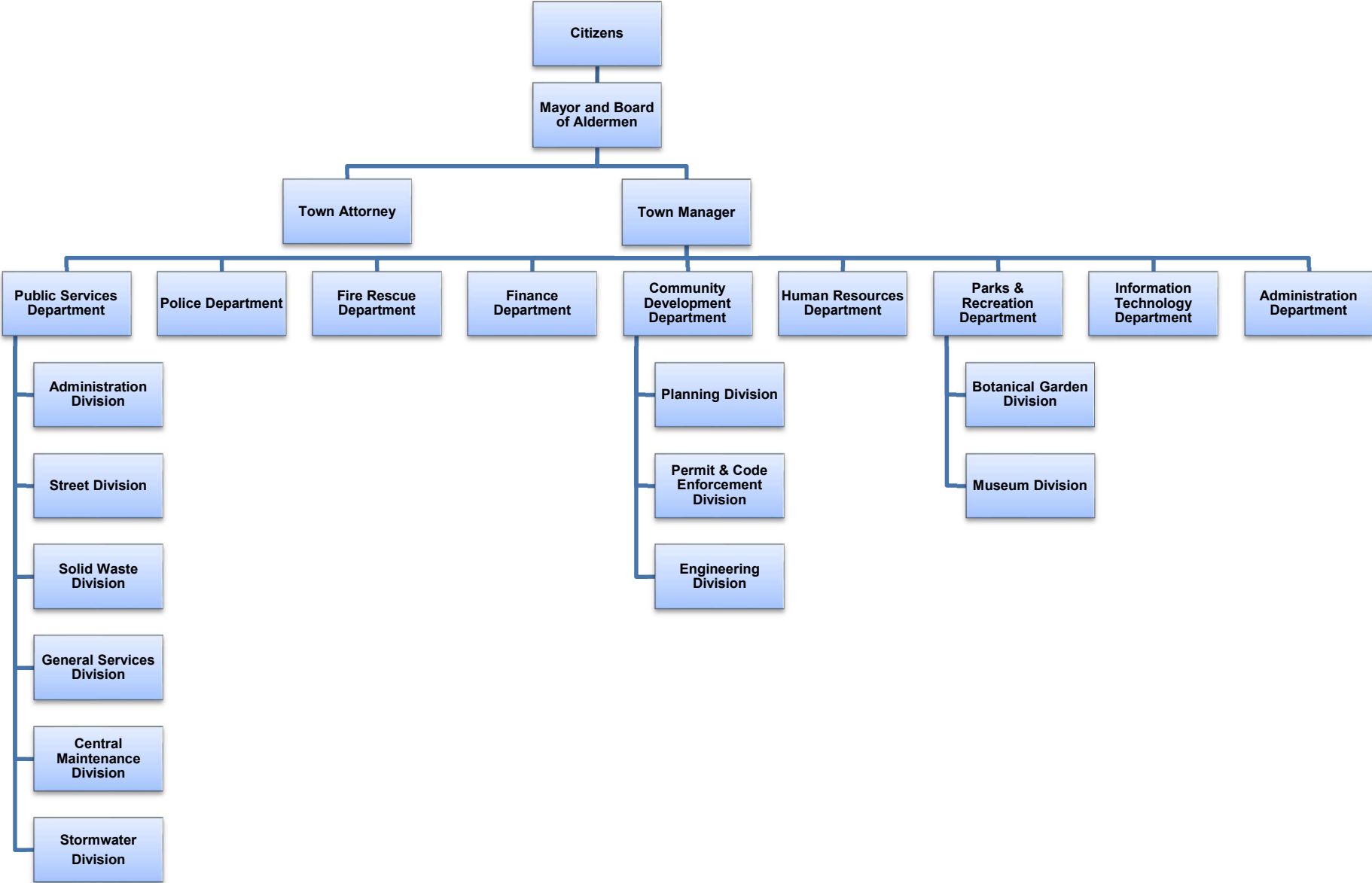
Finance Director

Franz Ader

Town Manager

Curtis L. Swisher

**Town of Kenersville, North Carolina
Organizational Chart
June 30, 2025**



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 28,349 as of July 1, 2024 and occupies a land area of 19.32 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.

Development Activity

The overall valuation of new construction for fiscal year-end (FYE25) is \$ 200,232,552 which is a \$7,161,142, or 3.7%, increase from FYE24. The Town permitted 972,282.9 square feet of new commercial space, including new commercial development John Deere Marten, Gateway Apartments, 1250 E. Mountain Street Shell, Whataburger, 1609 NC 66 Commercial Building, 1388 Union Cross Commercial Building, Smith Crossing Lots

ALDERMEN

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



4 and 5, and other commercial additions. The Town issued 298 new single-family residential permits with a large number represented in the Glennview, Welden, Caleb’s Creek, and Trail Ridge neighborhoods.

Commercial, Institutional and Industrial

- The Town issued permits for 10 new commercial projects, of which 7 were valued over \$100,000. Projects in this category include John Deere Marten (\$45,000,000), Gateway Library Apartments (\$10,500,000), NC 66 Commercial Multi-Tenant (\$3,196,712), and Whataburger (\$1,100,000).
- The Town issued 97 permits for commercial upfits, of which 42 were valued over \$100,000. Projects in this category include Target Remodel (\$3,790,044), Amazon Interior Remodel (\$2,919,729), Indo Count Upfit (\$2,058,524), and East Forsyth High School Utility Tunnel Repair (\$1,590,832).

Infrastructure

Some of the most significant infrastructure projects that are currently under construction or have been completed during FYE25 include the following:

- NCDOT has completed construction of the first phase of the Macy Grove Road extension, which now connects US-421 to East Mountain Street and North Main Street. The second phase, extending the roadway from North Main Street to Piney Grove Road, began in early 2024 and is expected to be completed during FYE26. This extension will provide a northern bypass around Town and support continued economic development in the area.
- NCDOT has finished the design for the US-421/Big Mill Farm Road interchange and the widening of Hopkins Road from Big Mill Farm Road to NC 66. NCDOT is currently finalizing land acquisition for this project, which is expected to begin construction in FYE26. Once complete, the interchange and widening will help relieve congestion around the South Main Street regional commercial center.
- The West Mountain Street sidewalk project began design in the summer of 2023 under AMT. Although originally projected for completion by summer 2025, design has been delayed due to additional drainage impacts previously identified by NCDOT. NCDOT is funding the added drainage improvements. This project includes construction of a turn lane between the Kernersville YMCA and the John Deere east entrance, along with approximately 4,000 linear feet of new sidewalk from Beaucrest Street to Asbury Drive.
- Design for the Harmon Lane sidewalk project began in summer 2025 with Kimley-Horn and is expected to be completed by summer 2026. The project includes 900 linear feet of sidewalk from Broad Street to the entrance of Town Hall, as well as two new crosswalks.
- The Ogden School Road Extension feasibility study, led by Kimley-Horn, is nearing completion. This study evaluates the continuation of Ogden School Road from the proposed endpoint at Iron Horse Drive within the Caleb’s Creek development to the intersection of Union Cross Road and Glenn Hi Road. Once finalized, this project will be added to the WSATPO prioritization list for potential scheduling and future NCDOT construction.
- The Teague Lane and Hedgecock Road roundabout and associated infrastructure has been completed and is open for traffic. This work includes a roundabout and associated medians and turn lanes, plus bike lanes.

These development activities—representing over \$200 million in new construction valuation—have a direct, positive impact on the Town’s economy, generating the revenue necessary to fund essential services. Kernersville continues to attract new business due to its financial stability and strategic central location. This appeal is further enhanced by major infrastructure improvements, including the nearly complete Macy Grove Road extension and the upcoming Big Mill Farm Road project.

The Town is experiencing robust residential and commercial growth, anchored by the expansion of major partners. Highlights include John Deere's new \$45 million "Marten" facility and Amazon's continued reinvestment in its fulfillment center. Alongside established anchors like FedEx Ground, the VA Health Clinic, and Novant Health, these industry leaders are joined by new businesses such as Indo Count. This blend of new capital investment and the expansion of legacy industries confirms Kernersville as a premier location for industrial and logistics corporations.

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 Little Theatre, Shepherd's Center of Kernersville (for seniors), Kernersville Community Appearance, Körner's Folly Foundation (historic in nature), Chamber of Commerce and the Kernersville Downtown Preservation and Development 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, 2025.

The Report

The Annual Comprehensive Financial Report (ACFR) for Fiscal Year Ended June 30, 2025 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, 2025. 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 six 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 Thompson, Price, Scott, Adams & Company P.A., 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, 2025 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 2025 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,



Franz Ader
Finance Director
November 25, 2025



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, 2024

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



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

**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

Independent Auditors' Report

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

Report on 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, as of and for the year then ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kernersville as of June 30, 2025, and the respective changes in financial position and cash flows, where applicable, 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 these standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Kernersville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement 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 *Governmental Auditing Standards* , we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kernersville'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 the Management's Discussion and Analysis on pages 4 through 14, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 68 through 69, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 65 through 66, and the Changes in Total OPEB Liability and Related Ratios page 67, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have 2

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 opinions on the financial statements that collectively comprise the Town of Kernersville's basic financial statements. The combining and individual fund statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purpose of additional analysis and are 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025 on our consideration of the Town of Kernersville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the 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 effectiveness of the Town of Kernersville's 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 Town of Kernersville's internal control over financial reporting and compliance.

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

Whiteville, NC
December 19, 2025

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, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

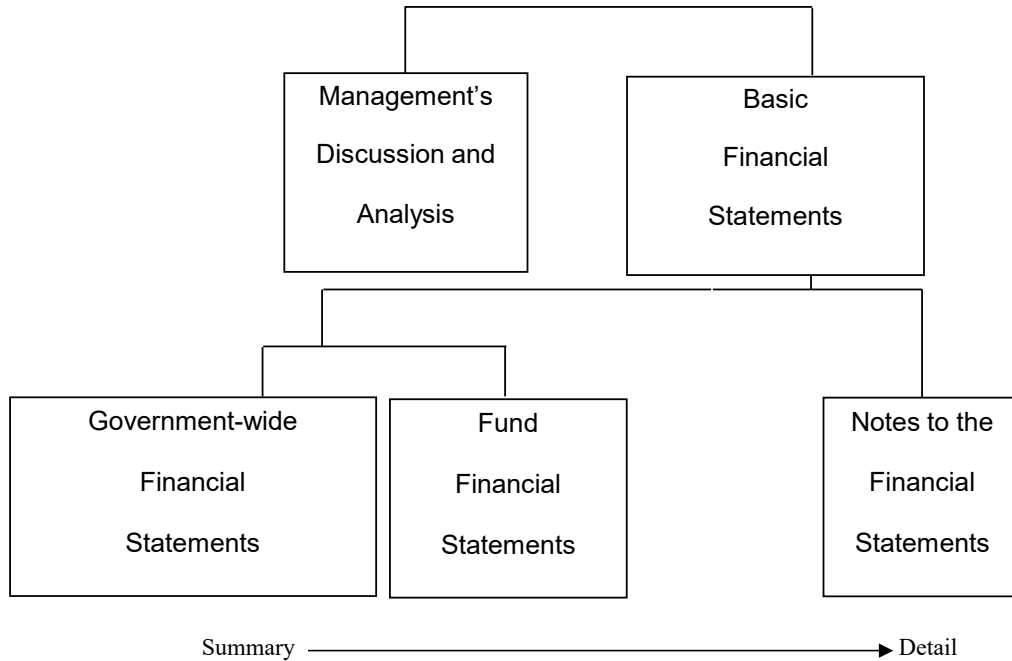
- The assets and deferred outflows of resources of the Town of Kernersville exceeded its liability and deferred inflows of resources at the close of the fiscal year by \$168,629,993 (net position).
- The government's total net position increased by \$5,543,882, due to an increase in the governmental activities net position, as well as a decrease of \$446,728 due to a change in accounting principle (see note 9).
- As of the close of the current fiscal year, the Town of Kernersville's governmental funds reported an ending fund balance of \$28,904,786, a decrease of \$2,148,614 in comparison with the prior year. Approximately 49.49% of this total amount, or \$14,306,336, is non-spendable or restricted.
- Approximately 19.2% of the total combined governmental fund balance or \$5,537,065 is committed to capital projects and about 49.5% or \$14,306,336 is non-spendable or restricted either by state statute or funding source.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,806,385, or 17.05%, of total General Fund expenditures and transfers out for the fiscal year.
- The Town of Kernersville's total debt of both governmental and business-type activities had a net decrease of \$3,129,726 during the fiscal year ended June 30, 2025. The net decrease was primarily the result of debt repayment.
- For fiscal year 2024-2025, the Town's property tax rate was \$0.5840 and supported 75.98% of governmental services to citizens and the community based on government-wide statements.

Overview of the Financial Statements

This discussion and analysis are 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. As an overview, the following chart outlines the required components of the annual financial report.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are 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 to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

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 government-wide financial statements are on Exhibits 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 government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of 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 prior 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 legal budget document. This statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Boards; 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 follow Exhibit 10 of this report.

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 and other post-employment benefits to its employees. Required supplementary information can be found following the notes to the financial statements in 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
Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets and Deferred Outflows of Resources:						
Current and other assets	\$ 34,081,010	\$ 41,581,609	\$ 2,671,091	\$ 1,798,494	\$ 36,752,101	\$ 43,380,103
Capital assets, net	201,014,713	193,108,889	790,403	899,458	201,805,116	194,008,347
Deferred outflows of resources	8,787,867	9,029,435	289,085	325,075	9,076,952	9,354,510
Total assets and deferred outflows of resources	243,883,590	243,719,933	3,750,579	3,023,027	247,634,169	246,742,960
Liabilities and Deferred Inflows of Resources:						
Current liabilities	10,224,869	15,458,558	688,946	155,626	10,913,815	15,614,184
Other liabilities	60,867,206	61,051,556	1,148,542	892,875	62,015,748	61,944,431
Deferred inflows of resources	5,887,509	5,963,520	187,104	134,714	6,074,613	6,098,234
Total liabilities and deferred inflows of resources	76,979,584	82,473,634	2,024,592	1,183,215	79,004,176	83,656,849
Net position:						
Net investment in capital assets	169,484,070	161,592,336	817,547	811,264	170,301,617	162,403,600
Restricted for:						
Stabilization for state statute	5,496,313	5,460,517	-	-	5,496,313	5,460,517
Tourism	159,003	67,599	-	-	159,003	67,599
Public Safety	381,724	475,051	-	-	381,724	475,051
Streets	344,888	344,888	-	-	344,888	344,888
Unrestricted	(8,961,992)	(6,694,092)	908,440	1,028,548	(8,053,552)	(5,665,544)
Total net position	\$ 166,904,006	\$ 161,246,299	\$ 1,725,987	\$ 1,839,812	\$ 168,629,993	\$ 163,086,111

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 \$168,629,993 at June 30, 2025. The largest portion of net position (101.2%) 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, \$6,381,928, represents resources that are subject to external restrictions on how they may be used. The remaining balance (deficit) of \$(8,053,552) is unrestricted.

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

- Current year property tax collections were \$27,720,641 representing an increase of \$2,825,655. This increase is primarily due to new development activity. This year's property tax collection rate was 99.60%.
- Sales and use tax collections increased \$300,346, an increase of 3.2% over last year's collections, to a total of \$9,609,774. Sales and use tax distributions increased due to an increase in taxable sales and purchases. Taxable sales and purchases for Forsyth County increased from \$8,525,950,987 in FYE 2024 to \$8,639,140,958 in FYE 2025.
- Investment earnings in the governmental and business-type activities decreased \$615,512 to a total of \$1,473,902. This decrease is attributed to lower balances of cash and cash equivalents and the Federal Reserve's lowering of interest rates three times in the fourth quarter of calendar year 2024.

Town of Kernersville
Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 4,305,103	\$ 3,568,444	\$ 1,740,549	\$ 1,596,471	\$ 6,045,652	\$ 5,164,915
Operating grants and contributions	5,680,639	2,352,985	-	-	5,680,639	2,352,985
Capital grants and contributions	-	2,181,587	90,000	250,000	90,000	2,431,587
General revenues:						
Property taxes	27,615,946	24,561,751	-	-	27,615,946	24,561,751
Other taxes	411,444	342,672	-	-	411,444	342,672
Unrestricted inter-governmental revenues	13,135,005	13,137,172	-	-	13,135,005	13,137,172
Investment earnings, unrestricted	1,379,305	2,005,546	94,597	83,868	1,473,902	2,089,414
Gain (loss) on sale of capital assets	-	-	-	-	-	-
Miscellaneous	200,981	460,575	2,198	-	203,179	460,575
Total revenues	52,728,423	48,610,732	1,927,344	1,930,339	54,655,767	50,541,071
Expenses:						
General government	5,644,302	6,825,901	-	-	5,644,302	6,825,901
Public safety	24,322,047	22,495,465	-	-	24,322,047	22,495,465
Public service	11,651,685	12,308,496	-	-	11,651,685	12,308,496
Cultural and recreation	3,279,309	5,361,411	-	-	3,279,309	5,361,411
Stormwater	-	-	2,335,679	1,551,704	2,335,679	1,551,704
Unallocated interest expense	1,434,327	1,212,151	-	-	1,434,327	1,212,151
Total expenses	46,331,670	48,203,424	2,335,679	1,551,704	48,667,349	49,755,128
Change in net position before transfers and special items	6,396,753	407,308	(408,335)	378,635	5,988,418	785,943
Transfers	(318,871)	210,296	321,063	297,806	2,192	508,102
Change in net position	6,077,882	617,604	(87,272)	676,441	5,990,610	1,294,045
Net Position:						
Beginning of year, as restated (see note 9)	160,826,124	160,628,695	1,813,258	1,163,371	162,639,382	161,792,066
End of year - June 30	\$ 166,904,006	\$ 161,246,299	\$ 1,725,986	\$ 1,839,812	\$ 168,629,992	\$ 163,086,111

Governmental activities. The Town's net position from governmental activities increased by \$6,077,882 for the fiscal year ended June 30, 2025. The increase in governmental activities net position is largely due to revenues exceeding expenses. The Town exceeded projected revenues in the categories of Ad Valorem taxes and in Charges for Services. Ad Valorem taxes increased due to an increase in development, and, as a result, the tax base. With both the opening of Town's recreation center and the Town's assumption of the Paul J. Ciener Botanical Gardens, the Town's culture and recreation revenue has increased. For expenditures, some of the Town's projects funded by governmental revenues were not fully completed in FYE 2025; thus, expenditures were lower than anticipated.

Business-type activities: The Town's net position from business-type activities decreased by \$87,272 during the year. This net increase is primarily the result of an increase in both current and long-term liabilities. Liabilities increased primarily because the Town entered into an installment financing agreement for the purchase of a street sweeper for the Stormwater Fund.

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 of Kernersville'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 \$24,772,289, of which \$13,490,213 was restricted or non-spendable and \$11,282,076 was either committed, assigned, or unassigned. \$5,475,994 was restricted by state statute. Committed fund balance amounted to \$2,220,691 and is set aside for capital projects. \$8,806,385 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 \$8,806,385 represents 16.7% of total General Fund expenditures, while the total General Fund - fund balance of \$24,772,289 represents 47.1% of that same amount.

The Town had nine 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, Kerner Mill Greenway Capital Projects Ordinance Fund, Beeson's Fire Facility Capital Projects Ordinance Fund, Community Pool Capital Projects Ordinance Fund, and the Recreation Department Capital Projects Ordinance Fund. These funds had a total fund balance of \$4,132,497 at the fiscal year end. Of this amount, \$816,123 was restricted by state statute or other uses.

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

The Occupancy Tax Fund had an increase in fund balance of 118.6% or \$97,283 primarily due to a decrease in cultural and recreational expenditures.

The Emergency Telephone System Fund saw an increase in fund balance of 2.4% or \$1,003 due to public safety expenditures exceeding revenue.

The Contributions Fund had a decrease in fund balance of 5.9% or \$4,949 primarily due to a decrease in contributions and donations.

The Law Enforcement Forfeiture Fund had a decrease in fund balance of 25.6% or \$89,381 due primarily to an increase in Capital Outlay expenditures.

The American Rescue Plan Act Special Revenue Fund had an increase in fund balance of 4.7% or \$4,228 due 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 a decrease in fund balance of 48.8% or \$152,744 due to the capital project nearing completion. The Kerner Mill Greenway Capital Projects Ordinance had an increase of 9.3%, or \$204,925 due to a reimbursement from Winston-Salem/Forsyth County Utility Commission. The Community Pool Capital Projects Ordinance had an increase of 100%, or \$716,500 due to the establishment of the Fund, and a transfer from the General Fund. The Recreation Department Capital Projects Fund had a decrease of 95.5% or \$4,120,402 due to construction costs. The Fund downgraded from Major to Non-Major as a result.

At June 30, 2025, the total of the General Fund and all other governmental funds of the Town reported a combined fund balance of \$28,904,786 with a decrease of \$2,148,614 or 6.9% over the previous year. The decrease is primarily due to the Recreation Department's aforementioned decrease in fund balance as construction on this project was completed.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

There were nine (9) budget amendments during the fiscal year that resulted in a total net increase of \$11,806,378 in budgeted General Fund expenditures. The net increase includes a combination of both carry-over purchases and projects, and construction improvements. Notable budgetary increases include the following: Land expansion for the Ivey Redmon Sports Complex (\$1,539,350), Roadway Construction of the Piedmont Commerce Center Extension (\$643,449) and the Northpoint Water Extension (\$710,985), an additional garbage truck (\$395,000), an increase in Fire Department overtime (\$415,371), and a greenhouse construction project at Paul J. Ciener Botanical Gardens (\$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: Ad Valorem Taxes, Unrestricted Intergovernmental Revenues, Restricted Intergovernmental Revenues, & Contributions and Donations Revenues.

The largest revenue budgetary variance occurred in the Restricted Intergovernmental Revenues with a total increase of \$858,502 or 19.8% primarily due to a variance in NC Department of Commerce grants in the amount of \$1,873,722 or 333.9% as a result of projects that did not occur in the prior year that were done by fiscal year-end. This was offset by a decrease in NC Department of Transportation grants by \$(629,736) or (50.5%) as a result of projects that did not occur or were not completed by fiscal year-end. Also, variances of \$(358,222) or (23.4%) contributed to the total category variance due to timing of CCUC reimbursements.

Ad Valorem Tax Revenue had the second largest revenue budgetary variance with actual revenue collected of \$713,624 above the budgeted amount or 2.7% primarily due to a minor variance in current year tax collections of \$703,338, or 2.6%.

The total net budget variance in the Town's general fund revenue excluding transfers in or out was \$1,286,458 or 2.5%.

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: Culture and Recreational, Public Service, and Public Safety. The Public Safety category had the largest positive budget variance of \$2,339,847 or 8.3% with the Police department having the largest. The Police Department had the largest positive budget variance of \$1,839,131 or 12.2%, primarily for a positive budget variance in the capital outlay account of \$1,660,175, or 48.0% due to projects that were not completed during the fiscal year. The Police Department operating and maintenance account had a positive variance of \$291,451, or 14.5% due to lower than expected operating and maintenance expenses during the fiscal year.

The Public Service category had the second largest positive budget variance of \$1,495,146 or 12.6% with the Engineering Department experiencing the greatest variance of \$504,702 or 24.1% primarily due to operating and maintenance expense being lower than expected. Operating and maintenance expense was under budget in the Public Service category, and represents \$1,311,872, or 87.7% of the budget variance.

The Cultural and Recreational category had the third largest positive budget variance totaling \$850,812 or 17.6%. The two departments within the category were the Recreation Department and Paul J. Ciener Botanical Gardens. The Recreation Department had the largest budget variance of \$812,916 or 11.4% primarily due to lower than budgeted capital outlay expense. The Paul J. Ciener Botanical Garden had a budget variance of \$37,896 or 6.0% primarily due to minor variances in operating expenditures.

The total expenditure variance for all categories and departments within the General Fund including debt service (excluding transfers in or out) was \$5,513,580 or 9.5%. Including transfers and other financing sources, there was a total increase in fund balance of \$666,074, compared to the budgeted amount of \$6,515,585 to be appropriated from fund balance.

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 \$(87,272) or (4.8%) during the year to \$1,725,987. This net decrease is primarily the result of an increase in personnel services and other current charges.

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 \$209,096 or 17.7% to a total of \$1,391,276 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 decreased by \$1,049 during the fiscal year to \$3,286. The funds released were transferred to the Kerner Mill Greenway Capital Project Fund to expend on greenway related amenities per the court mandate.

Capital Asset and Debt Administration

Capital Assets. The Town of Kernersville's investment in capital assets for its governmental and business-type activities as of June 30, 2025 totals \$200,407,322 (net of accumulated depreciation and amortization). These assets include buildings, land, improvements, infrastructure, equipment, water capacity, leases, subscriptions, and construction in progress. The Town of Kernersville's capital assets in the business-type activities or the Stormwater Fund totaled \$790,403.

For the fiscal year ended June 30, 2025, major capital asset transactions for governmental activities include the following:

- Land, rights-of-ways, and construction in progress decreased in the amount of \$18,812,745.
- Buildings and improvements increased in the amount of \$25,606,956.
- Land improvements increased in the amount of \$101,100.
- Infrastructure saw a decrease in the amount of \$2,044,803.
- Equipment and heavy equipment increased in the amount of \$967,611.
- Vehicles for various departments increased in the amount of \$595,033.
- Right-to-use assets for leases decreased in the amount of \$77,091.
- Right-to-use assets for subscriptions increased in the amount of \$171,969.

For the fiscal year ended June 30, 2025, major capital asset transactions for the business-type activities (Stormwater Fund) include the following:

- Construction in progress decreased in the amount of \$9,480.
- Buildings and improvements decreased in the amount of \$1,011.
- Land improvements decreased in the amount of \$9,172.
- Infrastructure saw a decrease in the amount of \$3,430.
- Equipment and heavy equipment decreased in the amount of \$112,003.
- Vehicles increased in the amount of \$26,041

Additional information on the Town's capital assets can be found in Note 3.A.6 in the Notes to the Financial Statements.

**Town of Kernersville
Capital Assets (Net of depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 96,139,427	\$ 94,337,201	\$ -	\$ -	\$ 96,139,427	\$ 94,337,201
Construction in progress	84,372	20,699,343	-	9,480	84,372	20,708,823
Buildings and improvements	45,451,391	19,844,435	41,196	42,207	45,492,587	19,886,642
Land improvements	4,728,720	4,627,620	54,267	63,439	4,782,987	4,691,059
Infrastructure	43,514,175	45,558,978	75,166	78,596	43,589,341	45,637,574
Equipment and heavy equipment	5,968,675	5,001,064	556,899	668,902	6,525,574	5,669,966
Vehicles	2,556,942	1,961,909	62,875	36,834	2,619,817	1,998,743
Right to use assets, leases	100,074	177,165	-	-	100,074	177,165
Right to use assets, subscriptions	1,073,143	901,174	-	-	1,073,143	901,174
Total	<u>\$ 199,616,919</u>	<u>\$ 193,108,889</u>	<u>\$ 790,403</u>	<u>\$ 899,458</u>	<u>\$ 200,407,322</u>	<u>\$ 194,008,347</u>

Additional information on the Town's capital assets can be found in the notes of the financial statements.

Long-term Debt. As of June 30, 2025, the Town of Kernersville had total direct borrowing installment purchases outstanding of \$37,384,957, all of which is secured by assets of the Town.

**Town of Kernersville
Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Refunding bond	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revolving loan payable	-	400,000	-	-	-	400,000
Direct borrowing installment purchases	37,032,250	39,941,924	352,707	88,194	37,384,957	40,030,118
Lease liabilities	100,371	184,936	-	-	100,371	184,936
Subscription liabilities	841,460	847,600	-	-	-	-
Total	\$ 37,132,621	\$ 40,526,860	\$ 352,707	\$ 88,194	\$ 37,485,328	\$ 40,615,054

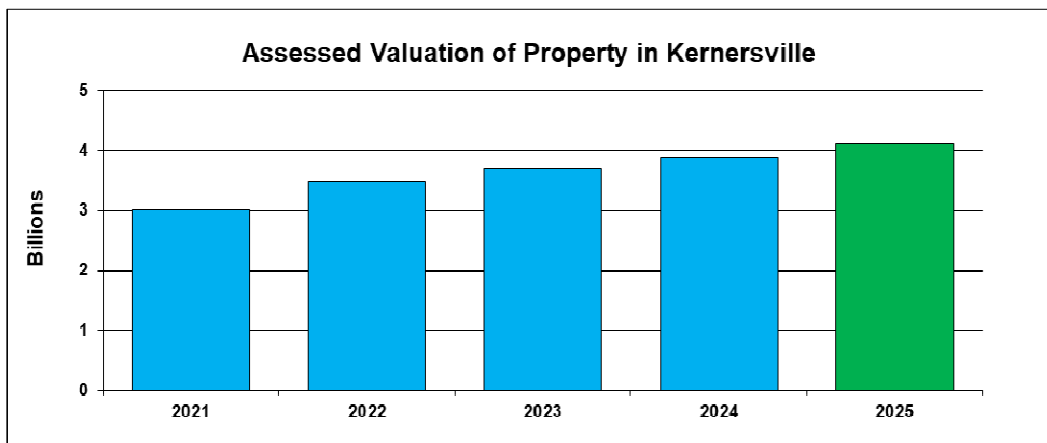
The Town of Kernersville’s total debt of both governmental and business-type activities had a net increase of \$3,129,726 or 7.7% for the fiscal year ended June 30, 2025. The net increase was primarily the result of new installment purchase obligations being issued in excess of principal payments in the current year. Total debt currently stands at \$37,485,328.

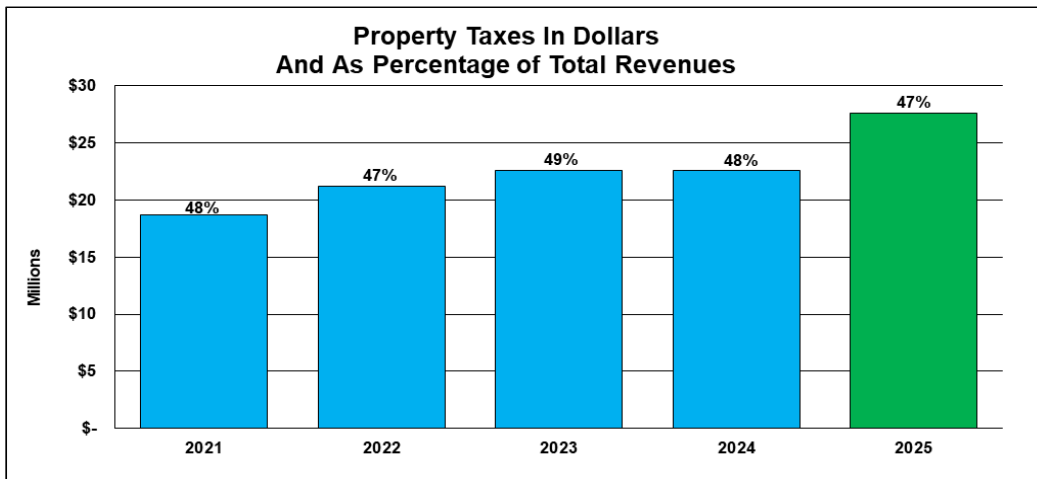
North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government’s boundaries or \$5,173,391,284. The total debt outstanding at the close of this fiscal year was \$38,326,788 for governmental and business-type activities, resulting in a legal debt margin for the Town of Kernersville of \$413,871,303. Hence, the total debt for the Town of Kernersville is 9.3% of the total legal debt limit. The Town has no authorized but unissued debt at June 30, 2025.

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

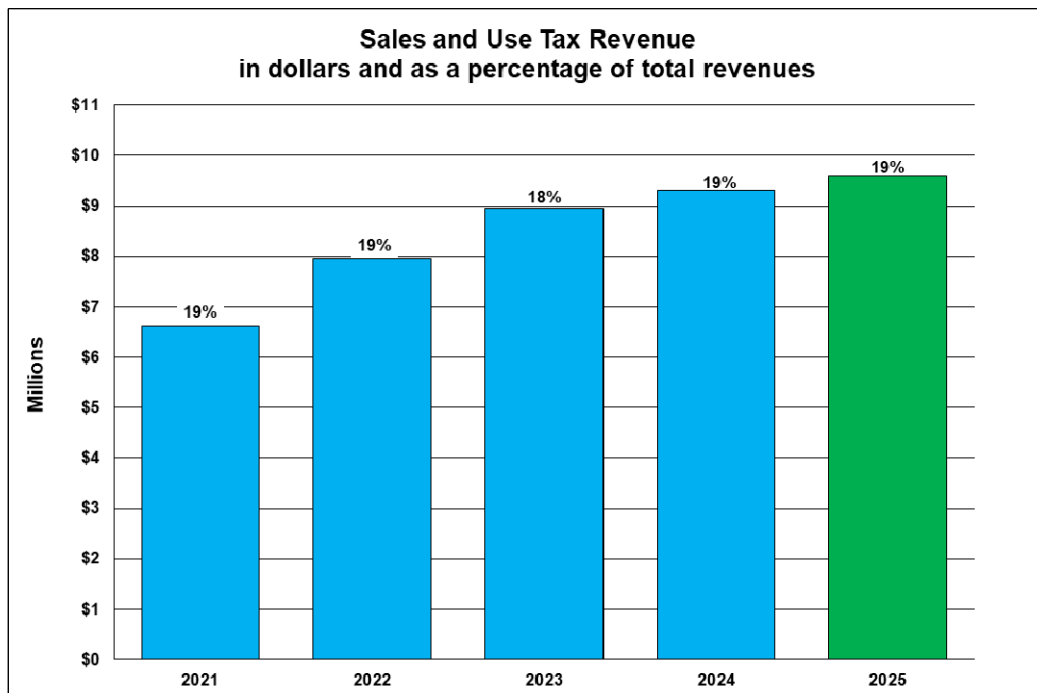
Economic Factors and Next Year's Budgets and Rates

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

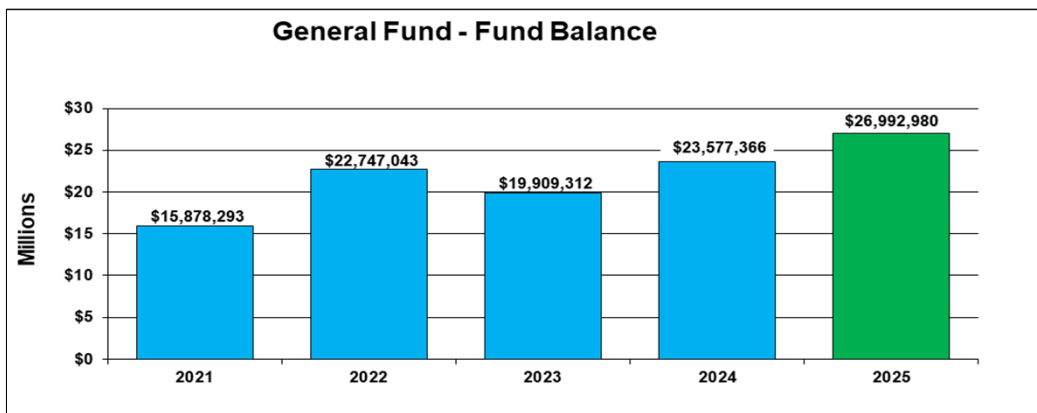




The preceding graphs show that the Town’s largest source of revenue, property taxes, increased steadily from 2021 to 2025.



Growth in the Town’s second largest revenue source (sales and use tax) has increased steadily from 2021 to 2025. A 4.0% increase or \$356,551 collection increase was observed in 2024, followed by a 3.2% increase or \$300,346 collection increase in 2025.



As indicated earlier, fund balance can be a good indicator of the General Fund's liquidity. The Town's General Fund - Fund Balance decrease of (0.2)% or \$(24,919) in 2020-21 was due to decreased revenues in response to the pandemic. The General Fund - Fund Balance increased 43.3% or \$6,868,750 in 2021-22 due to revenues exceeding expenditures. The decrease of (12.5%) or \$(2,837,731) in 2022-23 was primarily due to expenditures exceeding revenues relating to large capital asset purchases such as real estate for future park development. The increase of 18.4%, or \$3,668,054, in 2023-24 was primarily due to revenues exceeding expenditures relating to additional ad valorem tax proceeds and capital grant revenue. The increase of 14.5%, or \$3,415,614, in 2024-25 was primarily due to revenues exceeding expenditures, driven largely by higher property tax collections and the carryforward of unspent loan proceeds related to capital projects.

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, 2025, the unemployment rate for Forsyth County was 4.2% and Guilford County was 4.6%, compared to the State seasonally adjusted rate of 4.0% 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, 2026

Governmental funds: The General Fund budget for fiscal year 2025-26 was approved at \$56,879,164. Property Taxes, the Town's largest source of revenue, are projected to increase by approximately 8.4%, or \$2,023,359, compared to actual collections in fiscal year 2024-25. This expected increase is primarily attributable to the Forsyth County property revaluation, which expanded the tax base. With the new property revaluation in 2025-26, the Town decreased the General Fund tax rate from 58.4 cents to 50.9 cents per \$100 of assessed valuation

The unrestricted intergovernmental revenue categories budgeted in 2025-26 at \$13,677,852 are expected to modestly increase by 4.1% compared to the amounts collected in fiscal year 2024-25, primarily due to an expected increase in the collections of sales and use tax distributions.

The restricted intergovernmental revenue categories budgeted in 2025-26 at \$6,367,048 are an increase of 10.7% compared to the amounts collected in fiscal year 2024-25, primarily due to an increase in budgeted loan proceeds for 2025-26. The restricted intergovernmental revenue categories budgeted in 2025-26 allocates \$ 5,055,600 in budgeted loans in the General Fund that will finance several capital outlay items including equipment and improvements to Town properties.

Other non-major governmental fund services and expenditures in 2025-26 are comparable to those in the prior year.

Enterprise fund: The budget for the Stormwater Enterprise Fund for 2025-26 was approved at \$2,394,763 or about a 6.9% decrease from 2024-25 due to the majority of completion of a stream restoration project in 2024-25 that was not budgeted in 2025-26. Budgeted loan proceeds for \$300,000 for 2025-26 will cover the purchase of new capital equipment.

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, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

This page left blank intentionally.

BASIC FINANCIAL STATEMENTS

Town of Kernersville, North Carolina
Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 19,177,010	\$ 1,252,843	\$ 20,429,853
Prepaid assets	5,145	172	5,317
Receivables			
Taxes receivable, net	211,184	-	211,184
Accrued interest receivable on taxes	31,486	-	31,486
Accounts receivable, net	1,780,164	500,776	2,280,940
Due from other governments	3,553,573	-	3,553,573
Leases receivable	178,143	-	178,143
Stormwater receivable	-	44,925	44,925
Internal balances	(43,676)	43,676	-
Restricted cash and cash equivalents	9,187,981	828,699	10,016,680
Total current assets	<u>34,081,010</u>	<u>2,671,091</u>	<u>36,752,101</u>
Non-Current assets:			
Lease receivable, less current portion	1,397,794	-	1,397,794
Capital assets:			
Capital assets not depreciated or amortized	96,223,799	-	96,223,799
Other capital assets, net of depreciation and amortization	103,393,120	790,403	104,183,523
Total non-current assets	<u>201,014,713</u>	<u>790,403</u>	<u>201,805,116</u>
Total assets	<u>235,095,723</u>	<u>3,461,494</u>	<u>238,557,217</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	7,176,105	243,294	7,419,399
OPEB deferrals	1,611,762	45,791	1,657,553
Total deferred outflows of resources	<u>8,787,867</u>	<u>289,085</u>	<u>9,076,952</u>

Town of Kernersville, North Carolina
Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	2,769,772	126,222	2,895,994
Performance bonds	337,855	34,595	372,450
Claims and judgements	72,821	-	72,821
Accrued interest payable	253,744	5,332	259,076
Unearned revenues	-	410,000	410,000
Current portion of total pension liability - LEO	107,804	-	107,804
Current portion of total OPEB liability	445,075	-	445,075
Current portion of long-term liabilities	6,237,798	112,797	6,350,595
Total current liabilities	10,224,869	688,946	10,913,815
Long-term liabilities:			
Due in more than one year	60,867,206	1,148,542	62,015,748
Total long-term liabilities	60,867,206	1,148,542	62,015,748
Total liabilities	71,092,075	1,837,488	72,929,563
DEFERRED INFLOWS OF RESOURCES			
Leases	1,430,249	-	1,430,249
Stormwater fees reserve	-	44,925	44,925
Prepaid taxes	1,157	-	1,157
Pension deferrals	734,866	10,135	745,001
OPEB deferrals	3,721,237	132,044	3,853,281
Total deferred inflows of resources	5,887,509	187,104	6,074,613
NET POSITION			
Net investment in capital assets	169,484,070	817,547	170,301,617
Restricted for:			
Stabilization by state statute	5,496,313	-	5,496,313
Tourism	159,003	-	159,003
Public safety	381,724	-	381,724
Streets	344,888	-	344,888
Unrestricted	(8,961,992)	908,440	(8,053,552)
Total net position	\$ 166,904,006	\$ 1,725,987	\$ 168,629,993

Town of Kernersville, North Carolina
Statement of Activities
For the Year Ended June 30, 2025

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs							
Primary government:							
Governmental Activities:							
General government	\$ 5,644,302	\$ 636,125	\$ 155,627	\$ -	\$ (4,852,550)	\$ -	\$ (4,852,550)
Public safety	24,322,047	2,210,651	82,227	-	(22,029,169)	-	(22,029,169)
Public service	11,651,685	735,094	4,685,972	-	(6,230,619)	-	(6,230,619)
Cultural and recreational	3,279,309	723,233	756,813	-	(1,799,263)	-	(1,799,263)
Interest on long-term debt	1,434,327	-	-	-	(1,434,327)	-	(1,434,327)
Total governmental activities	<u>46,331,670</u>	<u>4,305,103</u>	<u>5,680,639</u>	<u>-</u>	<u>(36,345,928)</u>	<u>-</u>	<u>(36,345,928)</u>
Business-Type Activities:							
Stormwater	2,335,679	1,740,549	-	90,000	-	(505,130)	(505,130)
Total business-type activities	<u>2,335,679</u>	<u>1,740,549</u>	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>(505,130)</u>	<u>(505,130)</u>
Total primary government	<u>\$ 48,667,349</u>	<u>\$ 6,045,652</u>	<u>\$ 5,680,639</u>	<u>\$ 90,000</u>	<u>(36,345,928)</u>	<u>(505,130)</u>	<u>(36,851,058)</u>
General Revenues:							
Taxes							
Property taxes, levied for general purposes					27,615,946	-	27,615,946
Other taxes					411,444	-	411,444
Unrestricted intergovernmental revenues					13,135,005	-	13,135,005
Unrestricted investment earnings					1,379,305	94,597	1,473,902
Miscellaneous					200,981	2,198	203,179
Total general revenues not including transfers					<u>42,742,681</u>	<u>96,795</u>	<u>42,839,476</u>
Net Transfers					(318,871)	321,063	2,192
Total general revenues, special items, and transfers					<u>42,423,810</u>	<u>417,858</u>	<u>42,841,668</u>
Change in net position					6,077,882	(87,272)	5,990,610
Net Position:							
Beginning of year - July 1 (restated, see Note 9)					160,826,124	1,813,259	162,639,383
End of year - June 30					<u>\$ 166,904,006</u>	<u>\$ 1,725,987</u>	<u>\$ 168,629,993</u>

Town of Kernersville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2025

	<u>Major Funds</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
ASSETS			
Cash and cash equivalents	\$ 13,748,972	\$ 3,963,941	\$ 17,712,913
Restricted cash and cash equivalents	8,865,247	322,734	9,187,981
Prepaid assets	5,145	-	5,145
Taxes receivable, net	211,184	-	211,184
Accounts receivable, net	1,780,164	-	1,780,164
Due from other governments	3,533,254	20,319	3,553,573
Due from other funds	162,576	-	162,576
Leases receivable	1,575,937	-	1,575,937
Total assets	<u>\$ 29,882,479</u>	<u>\$ 4,306,994</u>	<u>\$ 34,189,473</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 2,757,851	\$ 11,921	\$ 2,769,772
Due to other funds	43,676	162,576	206,252
Performance bonds	337,855	-	337,855
Total liabilities	<u>3,139,382</u>	<u>174,497</u>	<u>3,313,879</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	211,184	-	211,184
Unavailable revenue	328,218	-	328,218
Prepaid taxes	1,157	-	1,157
Leases	1,430,249	-	1,430,249
Total deferred inflows of resources	<u>1,970,808</u>	<u>-</u>	<u>1,970,808</u>
FUND BALANCES:			
Nonspendable, not in spendable form:			
Leases	145,688	-	145,688
Prepays	5,145	-	5,145
Restricted:			
Stabilization by State Statute	5,475,994	20,319	5,496,313
Capital equipment	3,115,149	-	3,115,149
Capital projects	4,403,349	255,077	4,658,426
Tourism	-	159,003	159,003
Public safety	-	381,724	381,724
Streets	344,888	-	344,888
Committed			
Capital projects	2,220,691	3,316,374	5,537,065
Assigned	255,000	-	255,000
Unassigned	8,806,385	-	8,806,385
Total fund balances	<u>24,772,289</u>	<u>4,132,497</u>	<u>28,904,786</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 29,882,479</u>	<u>\$ 4,306,994</u>	

(continued)

**Town of Kernersville, North Carolina
Balance Sheet
Governmental Funds
June 30, 2025**

	<u>Total Governmental Funds</u>
<p>Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:</p>	
Total fund balances, governmental funds	\$ 28,904,786
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	198,443,702
Right to use leased and subscription assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,173,217
Deferred outflows of resources related to pensions are not reported in the funds	7,176,105
Deferred outflows of resources related to OPEB are not reported in the funds	1,611,762
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.	31,486
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.	1,391,276
Earned revenues considered deferred inflows of resources in fund statements	539,402
Net pension liability - LGERS	(12,517,936)
Total pension liability - LEO	(3,878,035)
Total OPEB liability	(10,366,163)
Deferred inflows of resources related to pensions are not reported in the funds	(734,866)
Deferred inflows of resources related to OPEB are not reported in the funds	(3,721,237)
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>(41,149,493)</u>
Net position of governmental activities per Exhibit A	<u><u>\$ 166,904,006</u></u>

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

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	Major Funds	Non-major Funds	
	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 27,584,867	\$ -	\$ 27,584,867
Other taxes and licenses	143,522	267,922	411,444
Unrestricted intergovernmental	13,135,005	-	13,135,005
Restricted intergovernmental	5,201,568	339,147	5,540,715
Penalties and interest	1,121,435	257,870	1,379,305
Contributions and donations	1,406,124	19,999	1,426,123
Other general revenues	210,391	-	210,391
Functionally related revenues	3,440,810	-	3,440,810
Total revenues	<u>52,243,722</u>	<u>884,938</u>	<u>53,128,660</u>
EXPENDITURES			
Current:			
General government	7,670,165	1	7,670,166
Public safety	23,516,926	300,587	23,817,513
Public service	9,565,849	-	9,565,849
Cultural and recreation	6,277,528	3,115,183	9,392,711
Debt service:			
Principal retirement	4,985,972	1,077,330	6,063,302
Interest and other charges	594,463	890,142	1,484,605
Total expenditures	<u>52,610,903</u>	<u>5,383,243</u>	<u>57,994,146</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	572,704	1,282,489	1,855,193
Transfers to other funds	(2,046,343)	(127,721)	(2,174,064)
Installment purchase obligations issued	2,275,400	-	2,275,400
Lease liabilities issued	3,628	-	3,628
Subscription liabilities issued	383,995	-	383,995
Sale of capital assets	372,720	-	372,720
Total other financing sources (uses)	<u>1,562,104</u>	<u>1,154,768</u>	<u>2,716,872</u>
Net Change in fund balance	1,194,923	(3,343,537)	(2,148,614)
FUND BALANCES:			
Fund balances, beginning	<u>23,577,366</u>	<u>7,476,034</u>	<u>31,053,400</u>
Fund balances, ending	<u>\$ 24,772,289</u>	<u>\$ 4,132,497</u>	<u>\$ 28,904,786</u>

Town of Kernersville, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

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 government funds		\$ (2,148,614)
--	--	----------------

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	12,007,794	
Depreciation and amortization expense for governmental assets	<u>(5,117,632)</u>	6,890,162

Cost of capital asset disposed of during the year, not recognized on modified accrual basis.

Loss on sale of fixed assets recognized under full accrual basis	<u>(382,132)</u>	(382,132)
--	------------------	-----------

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		2,506,564
---	--	-----------

Benefit payments paid and administrative expense for the Law Enforcement Officers Separation Allowance are not included on the Statement of Activities		107,804
--	--	---------

OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		445,075
--	--	---------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue, property tax receivable	9,140	
Change in unavailable revenue, grant revenues	(421,904)	
Change in accrued interest receivable on property taxes	<u>21,939</u>	(390,825)

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 obligation issued	(2,275,400)	
Lease liabilities issued	(3,628)	
Subscription liabilities issued	(383,995)	
Principal payments on long-term debt	6,063,302	
Change in accrued interest payable	<u>50,278</u>	\$ 3,450,557

Town of Kernersville, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

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	\$ (534,184)	
OPEB Plan income (expense)	63,470	
Pension expense	<u>(4,139,091)</u>	\$ (4,609,805)
Change in net position of internal service funds determined to be governmental-type.		209,096
Change in net position in governmental activities per Exhibit 2		<u><u>\$ 6,077,882</u></u>

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual
General Fund
For the Year Ended June 30, 2025

	General Fund			
	Budgeted Amounts			Variance with Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ 26,871,243	\$ 26,871,243	\$ 27,584,867	\$ 713,624
Other taxes and licenses	112,800	130,270	143,522	13,252
Unrestricted intergovernmental	13,691,045	13,703,045	13,135,005	(568,040)
Restricted intergovernmental	1,116,221	4,343,066	5,201,568	858,502
Penalties and interest	395,000	1,020,566	1,050,194	29,628
Contributions and donations	1,253,500	1,257,715	1,406,124	148,409
Other general services	94,531	177,554	210,391	32,837
Functionally related revenues	2,271,981	3,382,564	3,440,810	58,246
Total revenues	<u>45,806,321</u>	<u>50,886,023</u>	<u>52,172,481</u>	<u>1,286,458</u>
Expenditures:				
Current:				
General government	7,942,940	9,790,288	8,962,513	827,775
Public safety	25,390,335	28,269,685	25,929,838	2,339,847
Public service	8,309,969	11,861,102	10,365,956	1,495,146
Cultural and recreational	4,842,434	7,793,728	6,942,916	850,812
Debt service:				
Principal retirement	400,000	400,000	400,000	-
Interest and other charges	9,680	9,680	9,680	-
Total expenditures	<u>46,895,358</u>	<u>58,124,483</u>	<u>52,610,903</u>	<u>5,513,580</u>
Revenues over (under) expenditures	<u>(1,089,037)</u>	<u>(7,238,460)</u>	<u>(438,422)</u>	<u>6,800,038</u>
Other Financing Sources (Uses):				
Transfers from other funds	210,350	49,998	49,998	-
Transfers to other funds	(1,546,713)	(1,975,243)	(1,981,245)	(6,002)
Installment purchase obligations issued	2,275,400	2,275,400	2,275,400	-
Lease liabilities issued	-	-	3,628	3,628
Subscription liabilities issued	-	-	383,995	383,995
Sale of capital assets	150,000	372,720	372,720	-
Fund balance appropriated	-	6,515,585	-	(6,515,585)
Total other financing sources (uses)	<u>1,089,037</u>	<u>7,238,460</u>	<u>1,104,496</u>	<u>(6,133,964)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 666,074</u>	<u>\$ 666,074</u>

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual
General Fund
For the Year Ended June 30, 2025

Fund Balance:

Beginning of year - July 1	<u>\$ 21,885,524</u>
End of year - June 30	<u>22,551,598</u>

A legally budgeted capital reserve fund
is consolidated into the General
Fund for reporting purposes.

Fund balance, beginning	1,691,842
Investment earnings	71,241
Net transfer from other funds	<u>457,608</u>
Fund balance, ending (Exhibit 4)	<u><u>\$ 24,772,289</u></u>

Town of Kernersville, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2025

	Major Funds	
	Stormwater Fund	Internal Services Fund
Assets:		
Current assets:		
Cash and cash equivalents	\$ 1,252,843	\$ 1,464,097
Restricted cash	828,699	-
Due from other fund	43,676	-
Stormwater Fees receivable	44,925	-
Other receivables	500,776	-
Prepaid expenses	172	-
Total current assets	2,671,091	1,464,097
Non-current assets:		
Capital assets:		
Depreciable capital assets, net	790,403	-
Capital assets (net)	790,403	-
Total noncurrent assets	790,403	-
Total assets	3,461,494	1,464,097
Deferred Outflows of Resources:		
Pension deferrals	243,294	-
OPEB deferrals	45,791	-
Total Deferred Outflows of Resources	289,085	-
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	126,222	-
Claims and judgements	-	72,821
Accrued interest payable	5,332	-
Performance bonds	34,595	-
Unspent Grant Proceeds	410,000	-
Current portion of long-term debt	112,797	-
Total current liabilities	688,946	72,821
Non-current liabilities:		
Net pension liability	474,362	-
OPEB liability	363,439	-
Noncurrent portion of long-term debt	310,741	-
Total non-current liabilities	1,148,542	-
Total liabilities	1,837,488	72,821
Deferred Inflows of Resources:		
Pension deferrals	10,135	-
OPEB deferrals	132,044	-
Stormwater fees reserve	44,925	-
Total Deferred Inflows of Resources	187,104	-
Net Position:		
Net Investment in capital assets	817,547	-
Unrestricted	908,440	1,391,276
Total net position	\$ 1,725,987	\$ 1,391,276

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

Town of Kernersville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	<u>Major Fund</u> <u>Stormwater</u> <u>Fund</u>	<u>Internal Services</u> <u>Fund</u>
Operating Revenues:		
Charges for services	\$ 1,740,549	\$ 401,400
Total operating revenues	<u>1,740,549</u>	<u>401,400</u>
Operating Expenses:		
Personnel services	1,003,602	-
Other current charges	1,077,733	-
Claims incurred	-	109,840
Stop-loss coverage	-	127,029
Administration	-	11,500
Depreciation	241,802	-
Total operating expenses	<u>2,323,137</u>	<u>248,369</u>
Operating income (loss)	<u>(582,588)</u>	<u>153,031</u>
Non-Operating Revenues (Expenses)		
Investment earnings	94,597	56,065
Interest and other charges	(12,542)	-
Insurance reimbursement	2,198	-
Grant proceeds	90,000	-
Total nonoperating revenues (expenses)	<u>174,253</u>	<u>56,065</u>
Income before transfers and contributions	(408,335)	209,096
Capital Contributions and Transfers		
Transfers from other funds	321,063	-
Total contributions and transfers	<u>321,063</u>	<u>-</u>
Change in net position	(87,272)	209,096
Net Position:		
Beginning of year - July 1 (restated, see Note 9)	<u>1,813,259</u>	<u>1,182,180</u>
End of year - June 30	<u>\$ 1,725,987</u>	<u>\$ 1,391,276</u>

Town of Kernersville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Major Funds	
	Stormwater Fund	Internal Services Fund
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,477,984	\$ -
Cash paid for goods and services	(1,005,453)	(127,029)
Cash paid to or on behalf of employees for services	(954,123)	-
Receipt from other funds	-	401,400
Payment of claims	-	(61,024)
Payment of fee to administrator	-	(11,500)
Net cash provided (used) by operating activities	(481,592)	201,847
Cash Flows from Non-Capital Financing Activities:		
Grant proceeds	500,000	-
Transfers from other funds	321,063	-
Net cash provided (used) by non-capital financing activities	821,063	-
Cash Flows from Capital and Related Financing		
Acquisition and construction of capital assets	(132,748)	-
Proceeds from installment debt	325,000	-
Insurance reimbursement	2,198	-
Principal paid on installment debt	(60,487)	-
Interest paid on installment debt	(7,488)	-
Net cash provided (used) by capital and related financing activities	126,475	-
Cash Flows from Investing Activities:		
Investment earnings	94,597	56,065
Net cash provided (used) by investing activities	94,597	56,065
Cash and Cash Equivalents:		
Beginning of year, July 1	1,516,607	1,206,185
End of year, June 30	\$ 2,077,150	\$ 1,464,097

Town of Kernersville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Major Funds		Internal Services
	Stormwater		Fund
	Fund		Fund
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (582,588)	\$	153,031
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	241,802		-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(250,777)		-
(Increase) decrease in due from other funds	(11,788)		-
(Increase) decrease in prepaid expenses	(171)		-
Increase (decrease) in accrued compensated absences	891		-
Increase (decrease) in accounts payable and accrued liabilities	72,451		-
Increase (decrease) in claims and judgements	-		48,816
Increase (decrease) in net pension liability	28,005		-
(Increase) decrease in deferred outflows of resources for pensions	34,531		-
Increase (decrease) in deferred inflows of resources for pensions	(2,912)		-
Increase (decrease) total OPEB liability	(22,872)		-
(Increase) decrease in deferred outflows for OPEB	1,459		-
Increase (decrease) in deferred inflows for OPEB	10,377		-
Total changes in assets and liabilities	(140,806)		48,816
Net cash provided (used) by operating activities	\$ (481,592)	\$	201,847

Town of Kernersville, North Carolina
Statement of Fiduciary Net Position
Kernersville Sewer Settlement Residual Fund
June 30, 2025

	Custodial Fund
	Kernersville Sewer Settlement Residual Fund
Assets:	
Cash and cash equivalents	\$ 53,286
Total assets	53,286
Liabilities:	
Accounts payable and other liabilities	50,000
Net Position:	
Restricted for:	
Settlement payments	3,286
Total net position	\$ 3,286

Town of Kernersville, North Carolina
Statement of Changes in Fiduciary Net Position
Kernersville Sewer Settlement Residual Fund
For the Year Ended June 30, 2025

	Custodial Fund
	Kernersville
	Sewer
	Settlement
	Residual Fund
Additions:	
Investment income	\$ 1,143
Deductions:	
Transfers to other funds	2,192
Change in fiduciary net position	(1,049)
Net Position:	
Beginning of year - July 1	4,335
End of year - June 30	\$ 3,286

Town of Kernersville, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2025

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Kernersville, North Carolina, (the "Town") 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

Governmental Funds

The Town reports the following major governmental fund:

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 Town reports the following nonmajor 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 Funds account 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 four non-major Capital Project funds. 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 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 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 Community Pool CPO Capital Projects Ordinance Fund accounts for the financial resources and uses for the acquisition or construction of assets and improvement related to the Community Pool.

Proprietary Funds

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 proprietary fund:

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.

The Town reports the following fund types:

Custodial Fund. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment funds, or private purpose trust funds. The custodial fund is used to account for assets the Town holds on behalf of others that meet certain criteria. The Town maintains one custodial fund: The Kernersville Sewer Settlement Residual Fund, which 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. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a 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.

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 Fund Equity

1.) Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by state law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States; or obligations fully guaranteed, both as to principal and interest, by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain 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 \$337,855 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 \$7,841,232 on the Governmental Funds balance sheet and \$379,851 on the Proprietary type activities of unexpended debt proceeds that are restricted to capital improvements for which the debt was issued. The Town received loan funds in the amount of \$1,000,000 on January 10, 2024 that are unexpended as of June 30, 2025. These funds were borrowed to widen Shields Road and put in a turn lane. The Town holds Flex Spending Accounts on behalf of its employees, the total of which was \$8,894 for Governmental Funds, and \$4,253 for Proprietary Funds. On the Proprietary type Statement of Fund Net Position, \$410,000 in unspent grant proceeds is restricted, for the purposes of the grant agreement.

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, 2024. 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 that were 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 period and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items 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.

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

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

9.) Right to Use Assets

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 with the Town is the lessee) are agreements where the Town 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 amounts 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

10.) 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 a future period and so will not be recognized as an expense or expenditure until then. The Town has several items that meets these criteria - pension deferrals and other post-employment benefit plan deferrals. In addition to liabilities, the Statement of Net 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 period and so will not be recognized as revenues until then. The Town has several items that meet these criteria - property taxes receivable, clean-up fees receivable, prepaid taxes, unavailable revenue, pension deferrals and other post-employment benefit plan deferrals.

11.) Long-Term Obligations

In the government-wide financial statements, and in 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, business type activities, or proprietary fund type Statement of Net Position.

12.) 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. All sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists. However, a liability for the estimated value of sick leave the employees will use as time off is included in the liability for compensated absences.

The Town utilized the practical expedient method with a five year lookback period to determine the liability for sick leave compensated absences.

13.) Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund 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, 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.

Prepays - portion of fund balance that are not available for appropriation because they represent resources that are not in spendable form. At June 30, the nonspendable fund balance of the General Fund includes prepaid expenditures, which consist of payments made in the current fiscal year for goods or services that will benefit periods beyond year-end.

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

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

Restricted for Capital Projects - portion of fund balance that is restricted due to unexpended installment purchases for the building and acquisition of capital projects.

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.

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of unexpended Powell Bill funds.

Restricted fund balance at June 30, 2025 is as follows:

<u>Purpose</u>	Other Governmental		Total
	General Fund	Funds	
Restricted, all other:			
Stabilization by state statute	\$ 5,475,994	\$ 20,319	\$ 5,496,313
Capital Expenditures	7,518,498	255,077	7,773,575
Tourism	-	159,003	159,003
Public safety	-	381,724	381,724
Streets	344,888	-	344,888
Total	<u>\$ 13,339,380</u>	<u>\$ 816,123</u>	<u>\$ 14,155,503</u>

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.

Committed fund balance at June 30, 2025 is as follows:

<u>Purpose</u>	Other Governmental		Total
	General Fund	Funds	
Committed:			
Capital Projects	\$ 2,220,691	\$ 3,316,374	\$ 5,537,065
Total	<u>\$ 2,220,691</u>	<u>\$ 3,316,374</u>	<u>\$ 5,537,065</u>

Assigned Fund Balance. Portion of fund balance that the Town of Kernersville intends to use for specific purposes.

Fund balance appropriated - Portions of fund balance that have been appropriated in the subsequent year’s budget ordinance are classified as Assigned Fund Balance because their use is constrained by the government’s intent to use resources for a specific purpose.

Assigned fund balance at June 30, 2025 is as follows:

<u>Purpose</u>	<u>General Fund</u>
Assigned:	
Fund balance appropriated	\$ 255,000
Total	<u>\$ 255,000</u>

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

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.

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

Total fund balance - General Fund	\$ 24,772,289
Less:	
Stabilization by state statute	5,475,994
Leases	145,688
Prepays	5,145
Total available fund balance	<u><u>\$ 19,145,462</u></u>

F. Defined Benefit Cost Sharing Plans

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.

G. Revenues, Expenditures, and Expenses

Accounting Estimates

The preparation of financial statements, in accordance with accounting principles generally accepted in the United States of America, requires estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

The Town adopted the following new accounting pronouncements in the current fiscal year:

GASB 101, *Compensated Absences*, to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

GASB 102, *Certain Risk Disclosures*, to better provide users with disclosures containing timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

Note 2. Stewardship, Compliance, and Accountability

Management is responsible for maintaining adequate accounting controls to ensure compliance with applicable laws, regulations, and budgetary requirements. For the fiscal year ended June 30, 2025, no material violations of finance-related legal or contractual provisions were identified, and there were no instances requiring disclosure under this section.

Note 3. 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 under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2025, the Town's deposits had a carrying amount of \$12,077,660 and a bank balance of \$10,886,645. Of the bank balance, \$824,230 was covered by Federal Depository Insurance. The remaining \$10,062,415 was covered by collateral held under the pooling method.

At June 30, 2025, the Town’s petty cash fund totaled \$8,562.

2.) Investments

At June 30, 2025, the Town’s investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at June 30, 2025</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 18,422,159	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 or a group of assets.

Level of Fair Value Hierarchy

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

3.) Due from Other Governments

Amounts due from other governments consist of the following:

General Fund	
Sales and use tax distribution	\$ 2,541,092
Sales tax refunds	454,453
Utilities franchise, video programming, solid waste, and telecommunications tax	532,020
Grant receivable	690
North Carolina Vehicle Tax System remittances	<u>4,999</u>
Total General Fund	<u>3,533,254</u>
Other Governmental Funds	
Occupancy tax reimbursement	<u>20,319</u>
Total Other Governmental Funds	<u>20,319</u>
	<u>\$ 3,553,573</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, 2025 are net of the following allowances for doubtful accounts:

	<u>Allowance Amount</u>
Governmental Activities:	
Taxes Receivable	<u>\$ (60,000)</u>
Total	<u>\$ (60,000)</u>

5.) Lease 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 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, 2025, are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$ 178,143	\$ 50,271	\$ 228,414
2027	190,501	44,438	234,939
2028	157,376	38,625	196,001
2029	133,575	34,229	167,804
2030	143,006	29,832	172,838
2031-2035	750,300	72,361	822,661
2036	23,036	112	23,148
Total	<u>\$ 1,575,937</u>	<u>\$ 269,868</u>	<u>\$ 1,845,805</u>

The Town reported lease revenue of \$201,375 and interest revenue of \$55,442 during the year ended June 30, 2025. Deferred inflows of resources related to the leases receivable amounted to \$1,430,249 as of June 30, 2025.

6. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2025 was as follows:

	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 94,337,201	\$ 1,987,081	\$ 184,855	\$ 96,139,427
Construction in Progress	20,699,343	1,346,444	21,961,415	84,372
Total capital assets not being depreciated	<u>115,036,544</u>	<u>3,333,525</u>	<u>22,146,270</u>	<u>96,223,799</u>
Capital assets being depreciated:				
Buildings and improvements	28,839,519	26,858,726	264,295	55,433,950
Land improvements	7,965,122	416,855	2,972	8,379,005
Infrastructure	107,803,632	49,351	-	107,852,983
Equipment and heavy equipment	17,743,017	1,775,457	287,939	19,230,535
Vehicles	6,769,719	1,215,856	244,733	7,740,842
Total capital assets being depreciated	<u>169,121,009</u>	<u>30,316,245</u>	<u>799,939</u>	<u>198,637,315</u>
Less accumulated depreciation for:				
Buildings and improvements	8,995,084	988,344	869	9,982,559
Land improvements	3,337,502	312,783	-	3,650,285
Infrastructure	62,244,654	2,094,154	-	64,338,808
Equipment and heavy equipment	12,741,953	807,846	287,939	13,261,860
Vehicles	4,807,810	505,089	128,999	5,183,900
Total accumulated depreciation	<u>92,127,003</u>	<u>4,708,216</u>	<u>417,807</u>	<u>96,417,412</u>
Total capital assets being depreciated, net	<u>76,994,006</u>			<u>102,219,903</u>
Other Capital assets being amortized:				
Leased equipment	291,278	3,628	84,001	210,905
Leased vehicles	77,428	-	77,428	-
Leased buildings	345,856	-	245,392	100,464
Subscriptions	1,218,954	500,666	156,132	1,563,488
Total other capital assets being amortized	<u>1,933,516</u>	<u>504,294</u>	<u>562,953</u>	<u>1,874,857</u>
Less accumulated amortized for:				
Leased equipment	181,088	47,232	84,001	144,319
Leased vehicles	77,428	-	77,428	-
Leased buildings	278,881	33,487	245,392	66,976
Subscriptions	317,780	328,697	156,132	490,345
Total accumulated amortization	<u>855,177</u>	<u>\$ 409,416</u>	<u>\$ 562,953</u>	<u>701,640</u>
Total capital assets being amortized, net	<u>1,078,339</u>			<u>1,173,217</u>
Governmental activities capital assets, net	<u><u>\$193,108,889</u></u>			<u><u>\$ 199,616,919</u></u>

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

Governmental activities:	
General government	\$ 433,232
Public safety	1,655,410
Transportation and physical development	2,480,339
Cultural and recreational	548,651
	<u>\$ 5,117,632</u>

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2025 are as follows:

Business-type activities:

	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
Stormwater Fund				
Capital assets not being depreciated:				
Construction in progress	\$ 9,480	\$ -	\$ 9,480	\$ -
Total capital assets not being depreciated	<u>9,480</u>	<u>-</u>	<u>9,480</u>	<u>-</u>
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	2,184,303	33,255	-	2,217,558
Vehicles	317,739	108,973	-	426,712
Total capital assets being depreciated	<u>2,827,225</u>	<u>142,228</u>	<u>-</u>	<u>2,969,453</u>
Less accumulated depreciation for:				
Buildings and improvements	8,341	1,011	-	9,352
Land improvements	74,011	9,172	-	83,183
Infrastructure	58,589	3,430	-	62,019
Equipment and heavy equipment	1,515,401	145,258	-	1,660,659
Vehicles	280,905	82,932	-	363,837
Total accumulated depreciation	<u>1,937,247</u>	<u>\$ 241,803</u>	<u>\$ -</u>	<u>2,179,050</u>
Total capital assets being depreciated, net	<u>889,978</u>			<u>790,403</u>
Stormwater fund capital assets, net	<u>\$ 899,458</u>			<u>\$ 790,403</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2025 is composed of the following elements:

	Governmental activities	Business-type Activities	Total
Capital assets and right to use assets	\$ 199,616,919	\$ 790,403	\$ 200,407,322
Less:			-
Installment Purchases	(37,032,250)	(352,707)	(37,384,957)
Lease Liabilities	(100,371)	-	(100,371)
Subscription Liabilities	(841,460)	-	(841,460)
Add:			
Unspent debt proceeds	7,841,232	379,851	8,221,083
Net investment in capital assets	<u>\$ 169,484,070</u>	<u>\$ 817,547</u>	<u>\$ 170,301,617</u>

B. Liabilities

1.) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2025:

	Governmental Activities	Business-type Activities	Total
Payable to vendors and others	\$ 1,211,788	\$ 76,900	\$ 1,288,688
Accrued payroll and related liabilities	1,557,984	49,322	1,607,306
Total accounts payable & accrued liabilities	<u>\$ 2,769,772</u>	<u>\$ 126,222</u>	<u>\$ 2,895,994</u>

2.) Pension Plan 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, 2025 was 15.04% of compensation for law enforcement officers and 13.60% 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 \$2,601,549 for the year ended June 30, 2025.

Refunds of Contributions. Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions, or any other benefit provided by LGERS.

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

At June 30, 2025, the Town reported a liability of \$12,992,298 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024, utilizing update procedures incorporating the actuarial assumptions.

The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024, the Town’s proportion was 0.19272%, which was an increase of 0.00813% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of \$3,690,541. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual experience	\$ 2,276,743	\$ 15,308
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,766,295	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	18,982	262,267
Town contributions subsequent to the measurement date	2,601,549	-
Total	\$ 6,663,569	\$ 277,575

\$2,601,549 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, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows in the years ending June 30:

Year ended June 30:	
2026	\$ 1,139,868
2027	2,455,462
2028	388,833
2029	(199,718)
2030	-
Thereafter	-
Total	\$ 3,784,445

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 a 3.25% 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, 2024 valuation, with the exception of the discount rate, 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, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 23,022,732	\$ 12,992,298	\$ 4,740,886

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 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 .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 law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2023, 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>66</u>
Total	<u><u>80</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 following criteria which are outlined in GASB 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor per annum
Discount rate	4.28 percent per annum, compounded annually

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates are based on the Pub-2010 amount-weighted mortality tables with adjustments for generational improvements based on Scale MP-2019.

Change in actuarial assumptions. On the prior Measurement Date (December 31, 2023), the Municipal Bond Index Rate, on which the discount rate is based, was 4.00%. Since the Prior Measurement Date, the Municipal Bond Index Rate has increased to 4.28% as of the Measurement Date (December 31, 2024).

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 \$229,146 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, 2025, the Town reported a total pension liability of \$3,878,035. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was rolled forward to December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$392,369.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 420,111	\$ 68,045
Changes of assumptions	227,915	399,381
Benefit payments and plan administrative expense made subsequent to the measurement date	107,804	-
Total	\$ 755,830	\$ 467,426

The \$107,804 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, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

Year ended June 30:	Amount
2026	\$ 106,182
2027	(39,760)
2028	1,415
2029	68,996
2030	43,767
Thereafter	-
Total	\$ 180,600

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 4.28 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.28 percent) or 1-percentage point higher (5.28 percent) than the current rate:

	1% Decrease (3.28%)	Discount Rate (4.28%)	1% Increase (5.28%)
Total pension liability	\$ 4,201,381	\$ 3,878,035	\$ 3,584,942

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

	2025
Beginning balance	\$ 3,444,779
Service Cost	143,527
Interest on the total pension liability	133,208
Differences between expected and actual experience in the measurement of the total pension liability	473,052
Changes of assumptions or other inputs	(87,385)
Benefit payments	(229,146)
Other changes	-
Ending balance of the total pension liability	<u>\$ 3,878,035</u>

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System 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:

	LGERS	LEOSSA	Total
Pension Expense	\$ 2,601,549	\$ -	\$ 2,601,549
Pension Liability	12,992,298	3,878,035	16,870,333
Proportionate share of the net pension liability	0.1927%	n/a	-
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 2,276,743	\$ 420,111	\$ -
Changes of assumptions	-	227,915	227,915
Net difference between projected and actual earnings on plan investments	1,766,295	-	1,766,295
Changes in proportion and differences between Town contributions and proportionate share of contributions	18,982	-	18,982
Benefit payments and administrative costs paid subsequent to the measurement date	2,601,549	107,804	2,709,353
Total deferred outflows of resources	<u>\$ 6,663,569</u>	<u>\$ 755,830</u>	<u>\$ 4,722,545</u>

	LGERS	LEOSSA	Total
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 15,308	\$ 68,045	\$ 83,353
Changes of assumptions	-	399,381	399,381
Changes in proportion and differences between Town contributions and proportionate share of contributions	262,267	-	262,267
Total deferred inflows of resources	<u>\$ 277,575</u>	<u>\$ 467,426</u>	<u>\$ 745,001</u>

d.) Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town of Kernersville makes contributions to the Supplemental Retirement Income Plan (the “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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The State’s Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% 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, 2025 totaled \$456,861, of which \$227,430 were contributed by the Town and \$229,431 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, 2025. General employees may also make voluntary contributions to the plan. Contributions for the year ending June 30, 2025 totaled \$1,077,423, of which \$562,092 were contributed by the Town and \$515,331 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 Other Insurance Plan consisted of the following at June 30, 2024, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	33	14
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	207	66
Total	240	80

ii.) Total OPEB Liability

The Town’s total OPEB liability of \$10,733,994 was measured as of June 30, 2025 and was determined by an actuarial valuation as of July 1, 2024.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.00 percent
Discount rate	3.50 percent
Healthcare cost trend rates	Medical and prescription - 5.50% 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.

iii.) Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2024	\$ 11,273,269
Changes for the year:	
Service Cost	430,733
Interest	455,325
Differences between expected and actual experience	52,528
Changes in assumptions or other inputs	(829,775)
Benefit payment	(648,086)
Net changes	(539,275)
Balance at June 30, 2025	\$ 10,733,994

Changes in assumptions and other inputs reflect a change in the discount rate from 4.00% to 4.81%.

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. Pub-2010G 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 (3.81 percent) or 1-percentage-point higher (5.81 percent) than the current discount rate:

	1% Decrease (3.81%)	Discount Rate (4.81%)	1% Increase (5.81%)
Total OPEB Liability	\$ 11,878,655	\$ 10,733,994	\$ 9,719,058

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 healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 9,473,639	\$ 10,733,994	\$ 12,237,414

iv.) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the Town recognized OPEB expense of \$587,359. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,962	\$ 1,423,520
Changes of assumptions	1,162,124	2,429,761
Benefit payments and plan administrative expense made subsequent to the measurement date	449,468	-
Total	<u>\$ 1,657,554</u>	<u>\$ 3,853,281</u>

\$449,468 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2026	\$ (298,699)
2027	(298,699)
2028	(298,699)
2029	(298,694)
2030	(356,688)
Thereafter	<u>(1,093,716)</u>
Total	<u>\$ (2,645,195)</u>

3. Other Employment Benefits

a.) Death Benefit Plan

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within one hundred eighty (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 payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

4.) Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions, OPEB - difference between expected and actual experience:		
LGERS	\$ 2,276,742	\$ 15,308
LEOSSA	420,111	68,045
OPEB	45,962	1,423,520
Changes of assumptions		
LEOSSA	227,915	399,381
OPEB	1,162,124	2,429,761
Pensions, OPEB - difference between projected and actual investment earnings		
LGERS	1,766,295	-
Pensions, OPEB - change in proportion and difference between employer contributions and proportionate share of contributions		
LGERS	18,982	262,267
Contributions to pension plan subsequent to measurement date		
LGERS	2,601,549	-
LEOSSA	107,804	-
Benefit payments for the OPEB plan paid subsequent to measurement date	449,468	-
Stormwater Fees reserve	-	44,925
Prepaid taxes	-	1,157
Leases (General)	-	1,430,249
Total Government-wide statements	<u>\$ 9,076,952</u>	<u>\$ 6,074,613</u>

Following are the deferred inflows and outflows that are reported in the governmental fund financial statements at June 30, 2025:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Leases	\$ -	\$ 1,430,249
Taxes receivable, net (General Fund balance sheet)	-	211,184
Unavailable revenue (Governmental Funds balance sheet)	-	328,218
Prepaid taxes (General Fund balance sheet)	-	1,157
Total	<u>\$ -</u>	<u>\$ 1,970,808</u>

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.

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,	
	2025	2024
Unpaid claims, beginning of fiscal year	\$ 24,005	\$ 362,457
Incurred claims (including IBNR)	117,345	55,400
Claim payments	<u>(68,529)</u>	<u>(393,852)</u>
Unpaid claims, end of fiscal year	<u>\$ 72,821</u>	<u>\$ 24,005</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 \$1,000,000 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 Judgements

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, 2025 are as follows:

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. \$ 162,467

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. 382,300

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. 2,223,000

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. 477,750

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.

63,982

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.

3,335,000

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.

328,832

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.

90,000

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.

630,500

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.

223,416

<p>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.</p>	345,815
<p>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.</p>	552,500
<p>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 semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on November 1, 2031.</p>	177,798
<p>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 semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on June 1, 2032.</p>	1,330,700
<p>Direct borrowing installment purchase note payable in the original amount of \$777,900 for the purchase of vehicles and equipment. 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 semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on August 16, 2027.</p>	311,160
<p>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 semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on October 1, 2032.</p>	1,125,000

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 semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on October 1, 2042.

14,218,750

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 semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on February 1, 2038.

3,921,665

Direct borrowing installment purchase note payable in the original amount of \$1,548,000, of which the General Fund has been allocated \$1,498,000 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 \$154,800, including interest at 4.31%. Payments are due beginning June 1, 2024, and semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on December 1, 2028.

1,048,600

Direct borrowing installment purchase note payable in the original amount of \$1,200,000 for the purchase of heavy equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 semi-annual variable payments with a fixed principal component of \$60,000, including interest at 4.43%. Payments are due beginning June 1, 2024, and semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on December 1, 2033.

1,020,000

Direct borrowing installment purchase note payable in the original amount of \$1,233,435 for the purchase of real property. 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 \$123,343.50, including interest at 5.41%. Payments are due beginning April 1, 2024, and semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on October 1, 2028.

863,405

Direct borrowing installment purchase note payable in the original amount of \$2,500,000 for the purchase of various improvements. The underlying assets are held as collateral against this note. The agreement requires a total of 20 semi-annual variable payments with a fixed principal component of \$125,000, including interest at 4.16%. Payments are due beginning April 1, 2024, and semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on October 1, 2033.

2,125,000

Direct borrowing installment purchase note payable in the original amount of \$2,065,400 for the purchase of 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 \$206,540, including interest at 3.95%. Payments are due beginning January 21, 2025, and semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on July 21, 2029.

1,566,360

Direct borrowing installment purchase note payable in the original amount of \$535,000 for the purchase of general improvements. The underlying assets are held as collateral against this note. The agreement requires a total of 20 semi-annual variable payments with a fixed principal component of \$26,750, including interest at 4.31%. Payments are due beginning March 21, 2025, and semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on September 21, 2034.

508,250

Total:

\$ 37,032,250

Serviced by the Stormwater Fund:

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,

\$ 25,207

Direct borrowing installment purchase note payable in the original amount of \$1,548,000, of which the Stormwater Fund has been allocated \$50,000 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 \$154,800, including interest at 4.31%. Payments are due beginning June 1, 2024, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on December 1, 2028.

35,000

Direct borrowing installment purchase note payable in the original amount of \$2,065,400 for the purchase of equipment, of which the Stormwater Fund has been allocated \$325,000. 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 \$206,540, including interest at 3.95%. Payments are due beginning January 21, 2025, and semiannually thereafter, with a final payment of all outstanding principal and unpaid interest due on July 21, 2029.

292,500

Total:

\$ 352,707

Annual debt service payments of the direct borrowing installment purchases as of June 30, 2025 are as follows:

Year Ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2026	\$ 5,063,986	\$ 1,250,428	\$ 91,795	\$ 12,476
2027	4,783,988	1,089,521	83,412	9,347
2028	4,010,026	937,791	75,000	6,316
2029	3,542,950	798,623	70,000	3,317
2030	3,047,267	684,575	32,500	642
2031-2035	9,585,283	2,158,961	-	-
2036-2040	4,967,500	902,031	-	-
Thereafter	2,031,250	121,418	-	-
Total	\$ 37,032,250	\$ 7,943,348	\$ 352,707	\$ 32,098

b.) General Obligation Indebtedness

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, 2025, is as follows:

Assessed value for taxation	\$ 5,173,391,284
Legal debt margin (8%)	<u>413,871,303</u>
Debt applicable to limitation:	
Installment purchases	37,384,957
Other debt	<u>941,831</u>
Total net debt applicable to limit	<u>38,326,788</u>
Remaining legal debt margin	<u><u>\$ 375,544,515</u></u>

c.) 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 dates of inception of the leases. As of June 30, 2025, Town of Kernersville, NC had 4 active leases. The leases have receipts that range from \$10,920 to \$103,348 and interest rates that range from 1.9100% to 3.9000%.

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 78,503	\$ 710	\$ 79,213
2027	21,868	-	21,868
	<u>\$ 100,371</u>	<u>\$ 710</u>	<u>\$ 101,081</u>

The Town is committed to make future payments under various subscription-based information technology arrangements (SBITAs). As of June 30, 2025, Town of Kernersville, NC had 15 active subscriptions. The subscriptions have payments that range from \$1,719 to \$81,054 and interest rates that range from 2.1843% to 3.3050%. As of June 30, 2025, the total combined value of the subscription liability is \$841,460, and the total combined value of the short-term subscription liability is \$364,892. The combined value of the right to use asset, as of June 30, 2025 of \$1,563,486 with accumulated amortization of \$490,344 is included within the Subscription Class activities table found below.

The future minimum subscription obligations and the net present value of these minimum payments for subscription-based information technology arrangements as of June 30, 2025 were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 364,892	\$ 21,239	\$ 386,131
2027	290,014	12,031	302,045
2028	169,763	4,724	174,487
2029	16,791	437	17,228
	<u>\$ 841,460</u>	<u>\$ 38,431</u>	<u>\$ 879,891</u>

d.) Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2025:

	Balance July 1, 2024 (Restated)	Increases	Decreases	Balance June 30, 2025	Current Portion of Balance
Governmental activities:					
Revolving loan payable	\$ 400,000	\$ -	\$ 400,000	\$ -	\$ -
Direct borrowing installment purchases	39,941,824	2,275,400	5,184,974	37,032,250	5,063,986
Lease liabilities	184,936	3,628	88,193	100,371	78,503
Subscription liabilities	847,600	383,995	390,135	841,460	364,892
Compensated absences	2,387,484	534,184	-	2,921,668	730,417
Total pension liability (LGERS)	11,779,464	738,472	-	12,517,936	-
Total pension liability (LEO)	3,444,779	433,256	-	3,878,035	107,804
Total OPEB obligation	10,886,958	-	520,795	10,366,163	445,075
Total Governmental	<u>\$ 69,873,045</u>	<u>\$ 4,368,935</u>	<u>\$ 6,584,097</u>	<u>\$ 67,657,883</u>	<u>\$ 6,790,677</u>

	Balance July 1, 2024 (Restated)	Increases	Decreases	Balance June 30, 2025	Current Portion of Balance
Business-type activities:					
Stormwater Fund					
Direct borrowing installment purchases	\$ 88,194	\$ 325,000	\$ 60,487	\$ 352,707	\$ 91,795
Compensated absences	65,548	891	-	66,439	16,610
Total pension liability (LGERS)	446,357	28,005	-	474,362	-
Total OPEB obligation	386,311	-	18,480	367,831	4,392
Total Stormwater Fund	<u>986,410</u>	<u>353,896</u>	<u>78,967</u>	<u>1,261,339</u>	<u>112,797</u>
Total Business-type	<u>\$ 986,410</u>	<u>\$ 353,896</u>	<u>\$ 78,967</u>	<u>\$ 1,261,339</u>	<u>\$ 112,797</u>

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

C.) Interfund Balances and Activity

Balance due to/from other funds for the year ended June 30, 2025 consist of the following:

Due from the General Fund to the Stormwater Fund, from the invoicing of past Stormwater fines	\$ 43,676
Due from the Beeson's Fire Facility Capital Projects Ordinance Fund to the General Fund, to cover negative unrestricted cash (cash balance in Beeson's Fire Facility Capital Projects Ordinance Fund is restricted for unspent debt	<u>162,576</u>
Total:	<u>\$ 206,252</u>

Transfers to/from other funds for the year ended June 30, 2025 consist of the following:

From the General Fund to the Capital Reserve Fund for future recreation projects.	\$ 27,890
From the General Fund to the Emergency Telephone System Fund to fund expenses that exceed reimbursement from Forsyth County.	54,547
From the General Fund to the Capital Reserve Fund for future Recreation Projects.	85,411
From the General Fund to the Stormwater Fund for stormwater fees.	321,063
From the General Fund to the Capital Projects Fund to provide for Caleb's Creek expenses.	409,405
From the General Fund to Beeson's Fire Station Capital Projects Fund for debt payments on installment financing for Beeson's Fire project.	509,250
From the General Fund to the Community Pool Fund for capital project expenses.	716,500
From the Capital Reserve Fund to the General Fund for investment interest received.	65,098
From the Occupancy Tax Fund to the General Fund for cultural and recreational expenditures that support tourism.	49,998
From the Kernersville Sewer Settlement Residual Fund to the Kerner Mill Greenway Capital Project Fund for greenway amenities.	2,192
From the Beeson's Fire Station Capital Projects Fund to the General Fund for close-out of remaining project construction funds.	77,723
Total:	<u><u>\$ 2,319,077</u></u>

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:

<i>General Fund - Unrestricted Fund Balance</i>	
Fund Balance classification	
Committed	\$ 2,220,691
Assigned	255,000
Unassigned	<u>8,806,385</u>
Total	<u>11,282,076</u>
Less: Minimum working capital requirement per fund balance policy	<u>(8,718,672)</u>
Excess fund balance per policy	<u><u>\$ 2,563,404</u></u>

Note 4. Reconciliation of GAAP to 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:

	Exhibit 4	Increase (Decrease)		Exhibit 5
General government	\$ 7,670,165	\$ 1,292,348	(1)	\$ 8,962,513
Public safety	23,516,926	2,412,912	(1)	25,929,838
Public service	9,565,849	800,107	(1)	10,365,956
Culture and recreation	6,277,528	665,388	(1)	6,942,916
Debt service	-	409,680	(1)	409,680
Principal retirement	4,985,972	(4,985,972)	(1)	-
Interest and fiscal charges	594,463	(594,463)	(1)	-
	<u>\$ 52,610,903</u>	<u>\$ -</u>		<u>\$ 52,610,903</u>

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

Note 5. Jointly Governed Organization

The Town is a participating member of the Piedmont Triad Regional Council (PTRC), which is a voluntary association of local governments serving 78 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 78 participating governments appoint one member to the PTRC’s Board of Delegates. The Town paid membership fees of \$5,755 to the PTRC during the fiscal year ended June 30, 2025.

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 \$844,451 during the fiscal year ended June 30, 2025. 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.

Note 6. 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, 2025, the Rate Differential Account amounted to \$8,142,226. Under the terms of the most recent modification agreement in July 2016, the contract was extended in perpetuity.

Note 7. 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 general-purpose financial statements for the refund of grant monies.

Note 8. Subsequent Events

The Town has evaluated subsequent events through December 19, 2025, the date on which the financial statements were available to be issued.

Note 9. Restatement - Change in Accounting Principles

During the current year, the Town implemented GASB Statement No. 101, Compensated Absences. In addition to the value of unused vacation time owed to employees upon separation of employment, the Town now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The effects of the change in accounting principle are summarized below in the “Restatement - GASB 101 implementation” column in the table below.

	Net Position June 30, 2024 as <u>previously reported</u>	Restatement - GASB 101 <u>Implementation</u>	Net Position June 30, 2024 as <u>restated</u>
Government-wide:			
Governmental activities	\$ 161,246,299	\$ (420,175)	\$ 160,826,124
Business-type activities	<u>1,839,812</u>	<u>(26,554)</u>	<u>1,813,258</u>
Total Government Wide	<u>\$ 163,086,111</u>	<u>\$ (446,729)</u>	<u>\$ 162,639,382</u>
Proprietary Funds:			
Stormwater Fund	<u>\$ 1,839,812</u>	<u>\$ (26,554)</u>	<u>\$ 1,813,258</u>
Total Proprietary Funds	<u>\$ 1,839,812</u>	<u>\$ (26,554)</u>	<u>\$ 1,813,258</u>

This page left blank intentionally.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of the Local Government Commission in North Carolina.

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance

Schedule of Changes in the Total OPEB Liability and Related Ratios

Schedule of Proportionate Share of the Net Pension Asset - Local Government Employee's Retirement System

Schedule of Contributions - Local Government Employees' Retirement System

Town of Kernersville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Nine Fiscal Years*

	2025	2024	2023	2022	2021
Beginning balance	\$ 3,444,779	\$ 3,400,877	\$ 3,931,493	\$ 3,950,303	\$ 2,978,861
Service Cost	143,527	125,161	180,806	180,675	117,857
Interest on the total pension liability	133,208	141,668	86,119	74,211	94,531
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	473,052	(77,757)	37,151	42,711	(102,306)
Changes of assumptions or other inputs	(87,385)	82,653	(626,697)	(106,097)	1,019,622
Benefit payments	(229,146)	(227,823)	(207,995)	(210,310)	(158,262)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 3,878,035</u>	<u>\$ 3,444,779</u>	<u>\$ 3,400,877</u>	<u>\$ 3,931,493</u>	<u>\$ 3,950,303</u>

	2020	2019	2018	2017
Beginning balance	\$ 2,864,831	\$ 2,775,271	\$ 2,539,929	\$ 2,546,410
Service Cost	105,525	114,611	95,531	101,702
Interest on the total pension liability	101,460	84,927	94,784	88,460
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(27,274)	177,543	53,053	-
Changes of assumptions or other inputs	89,241	(112,125)	160,733	(59,575)
Benefit payments	(154,922)	(175,396)	(168,759)	(137,068)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 2,978,861</u>	<u>\$ 2,864,831</u>	<u>\$ 2,775,271</u>	<u>\$ 2,539,929</u>

*The amounts presented for each fiscal year were determined as of the prior year ending December 31.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 3,878,035	\$ 3,444,779	\$ 3,400,877	\$ 3,931,493	\$ 3,950,303
Covered Payroll	4,246,663	4,038,552	3,893,751	3,728,949	3,782,774
Total pension liability as a percentage of covered payroll	91.32%	85.30%	87.34%	105.43%	104.43%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Total pension liability	\$ 2,978,861	\$ 2,864,831	\$ 2,775,271	\$ 2,539,929	
Covered Payroll	3,683,897	3,765,492	3,628,855	3,661,815	
Total pension liability as a percentage of covered payroll	80.86%	76.08%	76.48%	69.36%	

Notes to the schedules:

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.

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

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

Total OPEB Liability	2025	2024	2023	2022
Service cost	\$ 430,733	\$ 418,188	\$ 624,664	\$ 606,470
Interest	455,325	435,109	416,750	250,447
Differences between expected and actual experience	52,528	-	(204,107)	-
Changes of assumptions	(829,775)	(146,510)	(196,311)	(2,176,581)
Benefit payments	(648,086)	(512,029)	(459,618)	(439,618)
Net change in total OPEB liability	(539,275)	194,758	181,378	(1,759,282)
Total OPEB liability - beginning	11,273,269	11,078,511	10,897,133	12,656,415
Total OPEB liability - ending	\$ 10,733,994	\$ 11,273,269	\$ 11,078,511	\$ 10,897,133
Covered payroll	\$ 18,666,814	\$ 17,050,631	\$ 14,918,819	\$ 13,000,000
Total OPEB liability as a percentage of covered payroll	57.50%	66.12%	74.26%	83.82%
Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 515,371	\$ 500,360	\$ 432,433	\$ 419,838
Interest	341,189	390,374	408,347	389,376
Differences between expected and actual experience	(2,185,848)	-	-	-
Changes of assumptions	819,398	994,756	637,928	-
Benefit payments	(485,939)	(406,709)	(303,576)	(291,974)
Net change in total OPEB liability	(995,829)	1,478,781	1,175,132	517,240
Total OPEB liability - beginning	13,652,244	12,173,463	10,998,331	10,481,091
Total OPEB liability - ending	\$ 12,656,415	\$ 13,652,244	\$ 12,173,463	\$ 10,998,331
Covered payroll	\$ 13,431,808	\$ 13,169,338	\$ 12,676,690	\$ 11,811,467
Total OPEB liability as a percentage of covered payroll	94.23%	103.67%	96.03%	93.12%

Notes to Schedule

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

Fiscal year	Rate
2025	4.81%
2024	4.00%
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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

Town of Kernersville, North Carolina
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years

Local Government Employees' Retirement System

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Kernersville's proportion of the net liability (asset) (%)	0.19272%	0.18459%	0.19033%	0.18813%	0.20283%
Kernersville's proportion of the net pension liability (asset) (\$)	\$ 12,992,298	\$ 12,225,821	\$ 10,737,330	\$ 2,876,321	\$ 7,247,980
Kernersville's covered payroll	\$ 16,971,730	\$ 14,898,644	\$ 12,669,610	\$ 13,318,910	\$ 13,155,641
Kernersville's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	76.55%	82.06%	84.75%	21.60%	55.09%
Plan fiduciary net position as a percentage of the total pension liability**	83.30%	82.49%	84.14%	95.51%	88.61%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Kernersville's proportion of the net liability (asset) (%)	0.20569%	0.21355%	0.21295%	0.21646%	0.22629%
Kernersville's proportion of the net pension liability (asset) (\$)	\$ 5,617,233	\$ 5,066,136	\$ 3,253,286	\$ 4,594,006	\$ 1,015,579
Kernersville's covered payroll	\$ 12,773,228	\$ 12,442,787	\$ 12,498,522	\$ 11,935,898	\$ 11,129,175
Kernersville's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	43.98%	40.72%	26.03%	38.49%	9.13%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%

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

** This will be the same percentage for all participant employers in the LGERS plan.

**Town of Kernersville, North Carolina
Town of Kernersville's Contributions
Required Supplementary Information
Last Ten Fiscal Years**

Local Government Employees' Retirement System

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 2,601,549	\$ 2,230,744	\$ 1,840,373	\$ 1,461,684	\$ 1,377,852
Contributions in relation to the contractually required contribution	<u>2,601,549</u>	<u>2,230,744</u>	<u>1,840,373</u>	<u>1,461,684</u>	<u>1,377,852</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Kernersville's covered payroll	\$ 18,652,720	\$ 16,971,730	\$ 14,898,644	\$ 12,669,610	\$ 13,318,910
Contributions as a percentage of covered payroll	13.95%	13.14%	12.35%	11.54%	10.35%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,205,305	\$ 1,016,821	\$ 960,028	\$ 899,448	\$ 812,578
Contributions in relation to the contractually required contribution	<u>1,205,305</u>	<u>1,016,821</u>	<u>960,028</u>	<u>899,448</u>	<u>812,578</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Kernersville's covered payroll	\$ 13,155,641	\$ 12,773,228	\$ 12,442,787	\$ 12,498,522	\$ 11,935,898
Contributions as a percentage of covered payroll	9.16%	7.96%	7.72%	7.20%	6.81%

This page left blank intentionally.

SUPPLEMENTARY STATEMENTS
AND SCHEDULES

This section contains additional information required by the
Local Government Commission in North Carolina

Town of Kernersville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Annual Budget and Actual
For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes			
Current	\$ 26,846,243	\$ 27,549,581	\$ 703,338
Prior	25,000	35,286	10,286
Total	<u>26,871,243</u>	<u>27,584,867</u>	<u>713,624</u>
Other taxes and licenses			
Local vehicle taxes and fees	130,270	143,522	13,252
Total	<u>130,270</u>	<u>143,522</u>	<u>13,252</u>
Unrestricted intergovernmental			
Solid waste disposal tax	21,000	21,459	459
Utility sales tax	2,325,034	2,201,261	(123,773)
Telecommunications sales tax	90,225	89,364	(861)
Alcoholic beverage tax	1,073,338	955,630	(117,708)
Local option sales and use tax	9,930,790	9,609,774	(321,016)
Rental vehicle fees	79,658	81,406	1,748
Video programming	183,000	176,111	(6,889)
Total	<u>13,703,045</u>	<u>13,135,005</u>	<u>(568,040)</u>
Restricted intergovernmental			
NC Department of Transportation grants	1,247,736	618,000	(629,736)
Powell bill allocation	923,945	923,945	-
State transportation grants	36,558	29,421	(7,137)
CCUC reimbursements	1,528,642	1,170,420	(358,222)
Governor's Highway Safety grants	24,000	8,643	(15,357)
Federal Department of Justice grants	21,008	16,240	(4,768)
NC Department of Commerce grants	561,177	2,434,899	1,873,722
Total	<u>4,343,066</u>	<u>5,201,568</u>	<u>858,502</u>
Penalties and interest			
Penalties and interest	75,000	68,137	(6,863)
Penalties	123,666	123,666	-
Investment earnings	821,900	858,391	36,491
Total	<u>1,020,566</u>	<u>1,050,194</u>	<u>29,628</u>
Contributions and donations			
Contributions and donations	1,257,715	1,406,124	148,409
Total	<u>1,257,715</u>	<u>1,406,124</u>	<u>148,409</u>
Other general revenues			
Other	177,554	210,391	32,837
Total general revenues	<u>47,503,459</u>	<u>48,731,671</u>	<u>1,228,212</u>

Town of Kernersville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Annual Budget and Actual
For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Functionally related revenues			
Use and rental fees			
Recreation revenue	507,439	515,460	8,021
Lease revenue	-	256,816	256,816
Court facility fees	9,000	6,453	(2,547)
Rent to own property	374,997	133,127	(241,870)
Building inspections	1,234,500	1,263,031	28,531
Zoning fees	171,740	161,454	(10,286)
Recycling revenue	409,450	410,673	1,223
Yard waste cart fees and sales	23,310	23,040	(270)
Other functionally related fees	652,128	670,756	18,628
Total	3,382,564	3,440,810	58,246
Total revenues:	50,886,023	52,172,481	1,286,458
Expenditures:			
General Government:			
Governing Body			
Personnel services	41,984	41,984	-
Operating and maintenance	418,551	407,200	11,351
Other improvements	613,559	613,559	-
Special appropriations	370,335	370,134	201
Installment purchase agreement payments	246,000	245,811	189
Total	1,690,429	1,678,688	11,741
Administration			
Personnel services	476,236	467,638	8,598
Operating and maintenance	42,542	37,672	4,870
Total	518,778	505,310	13,468
Finance			
Personnel services	796,551	775,695	20,856
Operating and maintenance	694,327	634,890	59,437
Capital outlay	-	5,850	(5,850)
Lease and subscriptions agreement payments	1,300	46,352	(45,052)
Total	1,492,178	1,462,787	29,391
Information technology			
Personnel services	694,207	711,139	(16,932)
Operating and maintenance	533,795	400,197	133,598
Capital outlay	126,000	142,860	(16,860)
Lease and subscriptions agreement payments	139,500	50,989	88,511
Installment purchase agreement payments	241,443	241,174	269
Total	1,734,945	1,546,359	188,586

Town of Kernersville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Annual Budget and Actual
For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Planning and zoning			
Personnel services	580,559	567,918	12,641
Operating and maintenance	211,566	79,023	132,543
Installment purchase agreement payments	11,605	1,299	10,306
Total	<u>803,730</u>	<u>648,240</u>	<u>155,490</u>
Human resources			
Personnel services	595,678	598,511	(2,833)
Operating and maintenance	521,907	487,536	34,371
Lease and subscription agreement payments	-	31,546	(31,546)
Installment purchase agreement payments	460	452	8
Total	<u>1,118,045</u>	<u>1,118,045</u>	<u>-</u>
General services			
Personnel services	466,082	460,987	5,095
Operating and maintenance	665,823	609,753	56,070
Installment purchase agreement payments	675,430	674,725	705
Capital outlay	624,848	257,619	367,229
Total	<u>2,432,183</u>	<u>2,003,084</u>	<u>429,099</u>
Total general government	<u>9,790,288</u>	<u>8,962,513</u>	<u>827,775</u>
Public Safety:			
Police department			
Personnel services	8,763,314	8,736,943	26,371
Operating and maintenance	2,003,556	1,712,105	291,451
Special appropriations	10,500	10,617	(117)
Capital outlay	3,459,063	1,798,888	1,660,175
Lease and subscriptions agreement payments	131,460	270,210	(138,750)
Installment purchase agreement payments	710,883	710,882	1
Total	<u>15,078,776</u>	<u>13,239,645</u>	<u>1,839,131</u>
Fire department			
Personnel services	8,939,944	8,755,385	184,559
Operating and maintenance	1,933,181	1,759,898	173,283
Capital outlay	18,529	46,754	(28,225)
Lease and subscriptions agreement payments	-	12,209	(12,209)
Installment purchase agreement payments	1,419,611	1,419,611	-
Total	<u>12,311,265</u>	<u>11,993,857</u>	<u>317,408</u>
Inspections			
Personnel services	755,628	604,458	151,170
Operating and maintenance	124,016	91,878	32,138
Total	<u>879,644</u>	<u>696,336</u>	<u>183,308</u>
Total public safety	<u>28,269,685</u>	<u>25,929,838</u>	<u>2,339,847</u>

Town of Kernersville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Annual Budget and Actual
For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Public Service			
Engineering department			
Personnel services	14,462	6,423	8,039
Operating and maintenance	1,946,128	1,554,636	391,492
Capital outlay	130,671	25,500	105,171
Total	<u>2,091,261</u>	<u>1,586,559</u>	<u>504,702</u>
Street department			
Personnel services	1,166,979	1,146,828	20,151
Operating and maintenance	1,745,353	1,307,889	437,464
Capital outlay	460,114	449,627	10,487
Installment purchase agreement payments	615,250	614,826	424
Total	<u>3,987,696</u>	<u>3,519,170</u>	<u>468,526</u>
Sanitation department			
Personnel services	1,162,795	1,108,920	53,875
Operating and maintenance	1,091,397	706,206	385,191
Capital outlay	792,031	819,053	(27,022)
Installment purchase agreement payments	184,802	184,801	1
Total	<u>3,231,025</u>	<u>2,818,980</u>	<u>412,045</u>
Public works administration			
Personnel services	476,365	467,490	8,875
Operating and maintenance	38,711	33,632	5,079
Total transportation and physical development	<u>515,076</u>	<u>501,122</u>	<u>13,954</u>
Central maintenance			
Personnel services	823,011	819,778	3,233
Operating and maintenance	1,212,533	1,119,867	92,666
Installment purchase agreement payments	500	480	20
Total	<u>2,036,044</u>	<u>1,940,125</u>	<u>95,919</u>
Total public service	<u>11,861,102</u>	<u>10,365,956</u>	<u>1,495,146</u>
Cultural and Recreation:			
Recreation department			
Personnel services	2,017,359	1,892,768	124,591
Operating and maintenance	3,486,061	3,216,083	269,978
Capital outlay	1,012,323	573,544	438,779
Lease and subscription agreement payments	29,435	58,892	(29,457)
Installment purchase agreement payments	615,521	606,496	9,025
Total	<u>7,160,699</u>	<u>6,347,783</u>	<u>812,916</u>

Town of Kernersville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Annual Budget and Actual
For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Paul J. Ciener Botanical Gardens			
Personnel services	386,351	385,746	605
Operating expenditures	246,678	209,387	37,291
Total	633,029	595,133	37,896
Total cultural and recreation:	7,793,728	6,942,916	850,812
Debt service:			
Principal retirement	400,000	400,000	-
Interest and fiscal charges	9,680	9,680	-
Total debt service	409,680	409,680	-
Total expenditures	58,124,483	52,610,903	5,513,580
Revenues over (under) expenditures	(7,238,460)	(438,422)	(6,800,038)
Other financing sources (uses):			
Transfers from (to) other funds:			
Occupancy Tax fund	49,998	49,998	-
Capital Reserve fund	(42,201)	(48,203)	6,002
Emergency Telephone fund	(54,547)	(54,547)	-
Stormwater fund	(1,037,563)	(1,037,563)	-
Beeson's Fire Facility Capital Project Ordinance Fund	(431,527)	(431,527)	-
Caleb's Creek	(409,405)	(409,405)	-
Recreation Department Capital Projects Ordinance Fu	-	-	-
Total net transfers	(1,925,245)	(1,931,247)	6,002
Installment purchase obligations issued	2,275,400	2,275,400	-
Lease liabilities issued	-	3,628	(3,628)
Subscriptions liabilities issued	-	383,995	(383,995)
Sale of capital assets	372,720	372,720	-
Fund balance appropriated	6,515,585	-	6,515,585
Total other financing sources (uses)	7,238,460	1,104,496	6,133,964
Net change in fund balance	\$ -	666,074	\$ 666,074
Fund balance, beginning		21,885,524	
Fund balance, ending		\$ 22,551,598	

Town of Kernersville, North Carolina
Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Annual Budget and Actual
For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 71,100	\$ 71,241	\$ 141
Total revenues	<u>71,100</u>	<u>71,241</u>	<u>141</u>
Expenditures			
Capital Reserve Expenditures	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	71,100	71,241	141
Other financing sources (uses):			
Transfers in			
General Fund	522,708	522,706	(2)
Transfers to			
General Fund	(71,100)	(65,098)	6,002
Reserved for future expenditures	(2,185,477)	-	2,185,477
Fund balance appropriated	1,662,769	-	(1,662,769)
Total other financing sources (uses)	<u>(71,100)</u>	<u>457,608</u>	<u>528,708</u>
Net change in fund balance	<u>\$ -</u>	528,849	<u>\$ 528,849</u>
Fund balance, beginning		<u>1,691,842</u>	
Fund balance, ending		<u>\$ 2,220,691</u>	

This page left blank intentionally.

SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds

Town of Kernersville, North Carolina
Non-Major Funds
Combining Balance Sheet
June 30, 2025

	Non-Major Special Revenue					Non-Major Capital Projects				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	Beeson's Fire Facility Capital Projects Ordinance Fund	Kerner Mill Greenway Capital Projects Ordinance Fund	Community Pool Capital Projects Ordinance Fund	Recreation Department - Capital Projects Ordinance Fund **	
ASSETS										
Cash and cash equivalents	\$ 159,003	\$ 42,300	\$ 81,156	\$ 260,085	\$ 94,919	\$ -	\$ 2,404,431	\$ 716,500	\$ 205,547	\$ 3,963,941
Restricted cash	-	-	-	-	-	322,734	-	-	-	322,734
Accounts receivable, net	-	-	-	-	-	-	-	-	-	-
Due from other governments	20,319	-	-	-	-	-	-	-	-	20,319
Total Assets	\$ 179,322	\$ 42,300	\$ 81,156	\$ 260,085	\$ 94,919	\$ 322,734	\$ 2,404,431	\$ 716,500	\$ 205,547	\$ 4,306,994
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts Payable and accrued liabilities	\$ -	\$ -	\$ 1,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,104	\$ 11,921
Due to other funds	-	-	-	-	-	162,576	-	-	-	162,576
Total Liabilities	-	-	1,817	-	-	162,576	-	-	10,104	174,497
Fund balances:										
Restricted:										
Stabilization by state statute	20,319	-	-	-	-	-	-	-	-	20,319
Tourism	159,003	-	-	-	-	-	-	-	-	159,003
Public Safety	-	42,300	79,339	260,085	-	-	-	-	-	381,724
Capital projects	-	-	-	-	94,919	160,158	-	-	-	255,077
Committed										
Capital projects	-	-	-	-	-	-	2,404,431	716,500	195,443	3,316,374
Subsequent year's expenditures	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	179,322	42,300	79,339	260,085	94,919	160,158	2,404,431	716,500	195,443	4,132,497
Total liabilities and fund balances	\$ 179,322	\$ 42,300	\$ 81,156	\$ 260,085	\$ 94,919	\$ 322,734	\$ 2,404,431	\$ 716,500	\$ 205,547	\$ 4,306,994

** This fund was previously reported as a major fund

Town of Kernersville, North Carolina
Non-Major Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2025

	Non-Major Special Revenue					Non-Major Capital Projects				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	Beeson's Fire Facility Capital Projects Ordinance Fund	Kerner Mill Greenway Capital Projects Ordinance Fund	Community Pool Capital Projects Ordinance Fund	Recreation Department - Capital Projects Ordinance Fund **	
REVENUES										
Other taxes and licenses	\$ 267,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267,922
Restricted intergovernmental	-	15,976	-	73,049	-	-	250,122	-	-	339,147
Investment earnings	6,859	690	2,670	4,615	4,229	28,014	80,827	-	129,966	257,870
Contributions and donations	-	-	7,499	-	-	-	-	-	12,500	19,999
Total revenues	<u>274,781</u>	<u>16,666</u>	<u>10,169</u>	<u>77,664</u>	<u>4,229</u>	<u>28,014</u>	<u>330,949</u>	<u>-</u>	<u>142,466</u>	<u>884,938</u>
EXPENDITURES										
General government	-	-	-	-	1	-	-	-	-	1
Public safety	-	70,210	15,118	112,108	-	103,151	-	-	-	300,587
Cultural and recreational	127,500	-	-	-	-	-	128,216	-	2,859,467	3,115,183
Debt service:										
Principal	-	-	-	53,996	-	210,834	-	-	812,500	1,077,330
Interest and other charges	-	-	-	941	-	298,300	-	-	590,901	890,142
Total expenditures	<u>127,500</u>	<u>70,210</u>	<u>15,118</u>	<u>167,045</u>	<u>1</u>	<u>612,285</u>	<u>128,216</u>	<u>-</u>	<u>4,262,868</u>	<u>5,383,243</u>
Excess (deficiency) of revenues over expenditures	<u>147,281</u>	<u>(53,544)</u>	<u>(4,949)</u>	<u>(89,381)</u>	<u>4,228</u>	<u>(584,271)</u>	<u>202,733</u>	<u>-</u>	<u>(4,120,402)</u>	<u>(4,498,305)</u>
OTHER FINANCING SOURCES (USES)										
Transfers in										
General Fund	-	54,547	-	-	-	509,250	2,192	716,500	-	1,282,489
Transfers to										
General Fund	(49,998)	-	-	-	-	(77,723)	-	-	-	(127,721)
Installment purchase obligations issued	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(49,998)</u>	<u>54,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>431,527</u>	<u>2,192</u>	<u>716,500</u>	<u>-</u>	<u>1,154,768</u>
Net Change in fund balance	97,283	1,003	(4,949)	(89,381)	4,228	(152,744)	204,925	716,500	(4,120,402)	(3,343,537)
Fund balances, beginning	82,039	41,297	84,288	349,466	90,691	312,902	2,199,506	-	4,315,845	7,476,034
Fund balances, ending	<u>\$ 179,322</u>	<u>\$ 42,300</u>	<u>\$ 79,339</u>	<u>\$ 260,085</u>	<u>\$ 94,919</u>	<u>\$ 160,158</u>	<u>\$ 2,404,431</u>	<u>\$ 716,500</u>	<u>\$ 195,443</u>	<u>\$ 4,132,497</u>

** This fund was previously reported as a major fund

Town of Kernersville, North Carolina
Occupancy Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Annual Budget and Actual
For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues			
Occupancy tax proceeds	\$ 171,850	\$ 267,922	\$ 96,072
Investment earnings	5,648	6,859	1,211
Total revenues	<u>177,498</u>	<u>274,781</u>	<u>97,283</u>
Expenditures			
Cultural and recreational	127,500	127,500	-
Total expenditures	<u>127,500</u>	<u>127,500</u>	<u>-</u>
Revenues over (under) expenditures	49,998	147,281	97,283
Other financing sources (uses):			
Transfers to			
General Fund	(49,998)	(49,998)	-
Total other financing sources (uses)	<u>(49,998)</u>	<u>(49,998)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	97,283	<u>\$ 97,283</u>
Fund balance, beginning		<u>82,039</u>	
Fund balance, ending		<u>\$ 179,322</u>	

Town of Kernersville, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Annual Budget and Actual
For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental	\$ 16,809	\$ 15,976	\$ (833)
Investment earnings	25	690	665
Total revenues	<u>16,834</u>	<u>16,666</u>	<u>(168)</u>
Expenditures			
Public Safety	84,417	70,210	14,207
Total expenditures	<u>84,417</u>	<u>70,210</u>	<u>14,207</u>
Revenues over (under) expenditures	(67,583)	(53,544)	14,039
Other financing sources (uses):			
Transfers in			
General Fund	54,547	54,547	-
Fund balance appropriated	13,036	-	(13,036)
Total other financing sources (uses)	<u>67,583</u>	<u>54,547</u>	<u>(13,036)</u>
Net change in fund balance	<u>\$ -</u>	1,003	<u>\$ 1,003</u>
Fund balance, beginning		<u>41,297</u>	
Fund balance, ending		<u>\$ 42,300</u>	

Town of Kernersville, North Carolina
Contributions Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Annual Budget and Actual
For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 25	\$ 2,670	\$ 2,645
Contributions and donations	24,725	7,499	(17,226)
Total revenues	<u>24,750</u>	<u>10,169</u>	<u>(14,581)</u>
Expenditures			
Public Safety			
Other	25,894	15,118	10,776
Total expenditures	<u>25,894</u>	<u>15,118</u>	<u>10,776</u>
Revenues over (under) expenditures	(1,144)	(4,949)	(3,805)
Other financing sources (uses):			
Appropriated fund balance	1,144	-	(1,144)
Total other financing sources (uses)	<u>1,144</u>	<u>-</u>	<u>(1,144)</u>
Net change in fund balance	<u>\$ -</u>	(4,949)	<u>\$ (4,949)</u>
Fund balance, beginning		<u>84,288</u>	
Fund balance, ending		<u>\$ 79,339</u>	

Town of Kernersville, North Carolina
Law Enforcement Forfeitures Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Annual Budget and Actual
For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental	\$ 61,451	\$ 73,049	\$ 11,598
Investment earnings	75	4,615	4,540
Total revenues	<u>61,526</u>	<u>77,664</u>	<u>16,138</u>
Expenditures			
Public Safety			
Other	78,125	43,007	35,118
Capital outlay	86,550	69,101	17,449
Debt service			
Principal retirement	53,996	53,996	-
Interest and other charges	964	941	23
Total expenditures	<u>219,635</u>	<u>167,045</u>	<u>52,590</u>
Revenues over (under) expenditures	(158,109)	(89,381)	68,728
Other financing sources (uses):			
Appropriated fund balance	158,109	-	(158,109)
Total other financing sources (uses)	<u>158,109</u>	<u>-</u>	<u>(158,109)</u>
Net change in fund balance	<u>\$ -</u>	<u>(89,381)</u>	<u>\$ (89,381)</u>
Fund balance, beginning		<u>349,466</u>	
Fund balance, ending		<u>\$ 260,085</u>	

Town of Kernersville, North Carolina
American Rescue Plan - Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Project Authorization and Actual
From Inception and for the Year Ended June 30, 2025

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Restricted intergovernmental					
Grant revenue	\$ 7,859,078	\$ 7,859,078	\$ -	\$ 7,859,078	\$ -
Investment earnings	420	91,106	4,229	95,335	94,915
Total revenues	<u>7,859,498</u>	<u>7,950,184</u>	<u>4,229</u>	<u>7,954,413</u>	<u>94,915</u>
Expenditures					
General Government	918,977	918,972	1	918,973	4
Public safety	5,601,319	5,601,319	-	5,601,319	-
Public service	939,202	939,202	-	939,202	-
Cultural and recreational	400,000	400,000	-	400,000	-
Total expenditures	<u>7,859,498</u>	<u>7,859,493</u>	<u>1</u>	<u>7,859,494</u>	<u>4</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 90,691</u>	4,228	<u>\$ 94,919</u>	<u>\$ 94,919</u>
Fund balance, beginning			<u>90,691</u>		
Fund balance, ending			<u>\$ 94,919</u>		

Town of Kernersville, North Carolina
Beeson's Fire Facility - Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Project Authorization and Actual
From Inception and for the Year Ended June 30, 2025

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Investment earnings	\$ 191,701	\$ 167,127	\$ 28,014	\$ 195,141	\$ 3,440
Total revenues	191,701	167,127	28,014	195,141	3,440
Expenditures					
Public safety					
Construction	4,924,768	4,782,862	62,671	4,845,533	79,235
Furnishings	300,000	258,998	27,744	286,742	13,258
Operating and Maintenance	-	-	12,736	12,736	(12,736)
Debt service					
Principal retirement	542,501	331,667	210,834	542,501	-
Interest and other charges	474,849	99,588	298,300	397,888	76,961
Total expenditures	6,242,118	5,473,115	612,285	6,085,400	156,718
Revenues over (under) expenditures	(6,050,417)	(5,305,988)	(584,271)	(5,890,259)	160,158
Other financing sources (uses)					
Transfers in					
General Fund	1,303,140	793,890	509,250	1,303,140	-
Transfers (out)					
General Fund	(77,723)	-	(77,723)	(77,723)	-
Installment purchase obligations issued	4,825,000	4,825,000	-	4,825,000	-
Total other financing sources (uses)	6,050,417	5,618,890	431,527	6,050,417	-
Net change in fund balance	\$ -	\$ 312,902	(152,744)	\$ 160,158	\$ 160,158
Fund balance, beginning			312,902		
Fund balance, ending			\$ 160,158		

Town of Kernersville, North Carolina
Kerner Mill Greenway - Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Project Authorization and Actual
From Inception and for the Year Ended June 30, 2025

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Restricted intergovernmental					
Grant revenue	\$ 1,715,063	\$ 1,880,873	\$ -	\$ 1,880,873	\$ 165,810
CCUC Reimbursement	666,000	-	250,122	250,122	(415,878)
Investment earnings	-	123,103	80,827	203,930	203,930
Total revenues	<u>2,381,063</u>	<u>2,003,976</u>	<u>330,949</u>	<u>2,334,925</u>	<u>(46,138)</u>
Expenditures					
Cultural and recreation					
Professional services	1,505,912	861,790	128,216	990,006	515,906
Construction	2,380,675	2,214,035	-	2,214,035	166,640
Total expenditures	<u>3,886,587</u>	<u>3,075,825</u>	<u>128,216</u>	<u>3,204,041</u>	<u>682,546</u>
Revenues over (under) expenditures	<u>(1,505,524)</u>	<u>(1,071,849)</u>	<u>202,733</u>	<u>(869,116)</u>	<u>636,408</u>
Other financing sources (uses)					
Transfers in					
General Fund	3,377,547	3,375,355	2,192	3,377,547	-
Transfers (out)					
General Fund	(1,989,063)	(104,000)	-	(104,000)	1,885,063
Fund balance appropriated	117,040	-	-	-	(117,040)
Total other financing sources (uses)	<u>1,505,524</u>	<u>3,271,355</u>	<u>2,192</u>	<u>3,273,547</u>	<u>1,768,023</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,199,506</u>	<u>204,925</u>	<u>\$ 2,404,431</u>	<u>\$ 2,404,431</u>
Fund balance, beginning			<u>2,199,506</u>		
Fund balance, ending			<u>\$ 2,404,431</u>		

Town of Kernersville, North Carolina
Community Pool Capital Projects Ordinance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Project Authorization and Actual
From Inception and for the Year Ended June 30, 2025

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures					
Cultural and Recreation					
Capital Outlay Land					
Improvements	10,800,000	-	-	-	10,800,000
Lease liabilities issued	716,500	-	-	-	716,500
Total expenditures	<u>11,516,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,516,500</u>
Revenues over (under) expenditures	<u>(11,516,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,516,500</u>
Other financing sources (uses)					
Transfers in					
General Fund	716,500	-	716,500	716,500	-
Installment purchase					
obligations issued	<u>10,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,800,000)</u>
Total other financing	<u>11,516,500</u>	<u>-</u>	<u>716,500</u>	<u>716,500</u>	<u>(10,800,000)</u>
sources (uses)					
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>716,500</u>	<u>\$ 716,500</u>	<u>\$ 716,500</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 716,500</u>		

Town of Kernersville, North Carolina
Recreation Department - Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Project Authorization and Actual
From Inception and for the Year Ended June 30, 2025

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Contributions and Grants	\$ 12,500	\$ -	\$ 12,500	\$ 12,500	\$ -
Investment earnings	1,316,922	1,193,140	129,966	1,323,106	6,184
Total revenues	1,329,422	1,193,140	142,466	1,335,606	6,184
Expenditures					
Cultural and recreational					
Professional services	1,473,089	1,352,353	88,582	1,440,935	32,154
Construction	20,733,806	16,597,869	2,460,488	19,058,357	1,675,449
Supplies	310,398	-	310,397	310,397	1
Debt Service					
Principal	2,031,250	1,218,750	812,500	2,031,250	-
Interest and other charges	2,003,081	706,023	590,901	1,296,924	706,157
Total expenditures	26,551,624	19,874,995	4,262,868	24,137,863	2,413,761
Revenues over (under) expenditures	(25,222,202)	(18,681,855)	(4,120,402)	(22,802,257)	2,419,945
Other financing sources (uses)					
Transfers in					
General fund	5,273,861	5,273,861	-	5,273,861	-
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	-
Fund balance appropriated	2,224,502	-	-	-	(2,224,502)
Total other financing sources (uses)	25,222,202	22,997,700	-	22,997,700	(2,224,502)
Net change in fund balance	\$ -	\$ 4,315,845	(4,120,402)	\$ 195,443	\$ 195,443
Fund balance, beginning			4,315,845		
Fund balance, ending			\$ 195,443		

Town of Kernersville, North Carolina
Stormwater Enterprise Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues			
Charges for services	\$ 1,470,164	\$ 1,721,639	\$ 251,475
Penalties and interest	3,000	18,910	15,910
Contributions	500,000	90,000	(410,000)
Total operating revenues	1,973,164	1,830,549	(142,615)
Non-operating revenues:			
Investment earnings	-	94,597	94,597
Miscellaneous- Insurance Claims Received	-	2,198	2,198
Total non-operating revenues	-	96,795	96,795
Total revenues	1,973,164	1,927,344	(45,820)
Expenditures:			
Operations			
Personnel services	996,814	949,731	47,083
Operating and maintenance	1,180,415	1,077,733	102,682
Capital Outlay	557,520	132,748	424,772
Debt Service			
Principal retirement	60,487	60,487	-
Interest and other charges	24,833	7,488	17,345
Total operations	2,820,069	2,228,187	591,882
Total expenditures	2,820,069	2,228,187	591,882
Revenue over (under) expenditures	(846,905)	(300,843)	546,062
Other financing sources (uses):			
Transfers in (out)			
General Fund	321,063	321,063	-
Installment purchase obligations issued	325,000	325,000	-
Appropriated fund balance	200,842	-	(200,842)
Total other financing sources (uses)	846,905	646,063	(200,842)
Revenues over expenditures and other financing sources (uses)	\$ -	345,220	\$ 345,220

(continued)

Town of Kernersville, North Carolina
Stormwater Enterprise Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2025

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

Revenues and other sources over expenditures and other uses	345,220
Reconciling items:	
Capital outlay	132,748
Principal retirement	60,487
Installation purchase obligations issued	(325,000)
Depreciation	(241,802)
Change in accrued interest payable	(5,054)
Change in compensated absences	(891)
Change in OPEB liability	18,480
Change in deferred outflows of resources - OPEB	(1,459)
Change in deferred inflows of resources - OPEB	(10,377)
Change in net pension liability	(28,005)
Change in deferred outflows - pension	(34,531)
Change in deferred inflows - pension	2,912
Total reconciling items	<u>(432,492)</u>
Change in Net Position	<u><u>\$ (87,272)</u></u>

Town of Kernersville, North Carolina
Workers Comp Self-Insurance Fund
Schedule of Revenues and Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating Revenues			
Charges for service	\$ 401,400	\$ 401,400	\$ -
Total operating revenues	<u>401,400</u>	<u>401,400</u>	<u>-</u>
Non-operating revenues:			
Investment earnings	100	56,065	55,965
Total non-operating revenues	<u>100</u>	<u>56,065</u>	<u>55,965</u>
Total revenues	<u>401,500</u>	<u>457,465</u>	<u>55,965</u>
Expenditures:			
Claims paid	250,000	61,024	188,976
Stop-loss coverage	140,000	127,029	12,971
Administration	11,500	11,500	-
Total expenditures	<u>401,500</u>	<u>199,553</u>	<u>201,947</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>257,912</u>	<u>\$ 257,912</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		257,912	
Reconciling items:			
Decrease in claims reserve		<u>(48,816)</u>	
Total reconciling items		<u>(48,816)</u>	
Change in Net Position		<u>\$ 209,096</u>	

This page left blank intentionally.

OTHER SCHEDULES

This section contains additional information required
on property taxes.

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

Town of Kernersville, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2025

Fiscal Year	Uncollected Balance July 1, 2024	Additions	Collections and Credits	Uncollected Balance June 30, 2025
2025	\$ -	\$ 27,832,643	\$ 27,720,640	\$ 112,003
2024	101,644	-	67,228	34,416
2023	40,370	-	6,931	33,439
2022	19,650	-	1,828	17,822
2021	26,395	-	9,819	16,576
2020	16,404	-	2,060	14,344
2019	20,954	-	3,029	17,925
2018	9,052	-	1,710	7,342
2017	12,219	-	1,313	10,906
2016	7,511	-	1,100	6,411
2015	7,845	-	7,845	-
	<u>\$ 262,044</u>	<u>\$ 27,832,643</u>	<u>\$ 27,823,503</u>	<u>\$ 271,184</u>
Less allowance for uncollectible ad valorem taxes receivable:				(60,000)
Ad valorem taxes receivable, net				<u>\$ 211,184</u>
Reconciliation with Revenues:				
Ad valorem taxes:				27,549,581
Local vehicle taxes and fees				143,522
Recycling revenue - General fund				410,673
General Fund				
Refunds				26,380
Releases and other adjustments				(314,498)
Amounts written off for tax year 2014-2015 per Statute of Limitations				<u>7,845</u>
Total adjustments				<u>(280,273)</u>
				<u>\$ 27,823,503</u>

Town of Kernersville, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
June 30, 2025

	Town-Wide Levy			Total Levy	
	Property	Rate	Total Levy	Property	Registered
	Valuation			excluding Registered Motor Vehicles	Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 4,519,121,233	0.5840	\$ 26,391,668	\$ 24,124,569	\$ 2,267,099
Property taxed at current year's rate - Colfax Fire District	654,270,052	0.1359	889,153	787,621	101,532
Recycling fees	-	-	409,242	409,242	-
Vehicle tag fees	-	-	142,580	-	142,581
Total Property Valuation	<u>\$ 5,173,391,284</u>				
Less: Releases and deductions			-	-	-
Net levy			27,832,643	25,321,432	2,511,212
Uncollected taxes at June 30, 2025 (Town only)			112,003	112,003	-
Current year's taxes collected (includes penalty)			<u>\$ 27,720,640</u>	<u>\$ 25,209,429</u>	<u>\$ 2,511,212</u>
Current levy collection percentage			<u>99.60%</u>	<u>99.56%</u>	<u>100.00%</u>

Supplementary Information

Statistical Section

This part of the Town of Kernersville's annual comprehensive 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.	92
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.	104
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.	113
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.	121
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.	127

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

This page left blank intentionally.

Financial Trends Information

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

Table 1
(2 pages)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities:				
Net investment in capital assets	\$ 128,965,379	\$ 133,480,840	\$ 135,141,225	\$ 132,300,481
Restricted	3,831,336	2,915,828	2,974,849	3,562,507
Unrestricted	<u>(3,576,780)</u>	<u>(3,941,027)</u>	<u>(8,037,105)</u>	<u>(5,847,148)</u>
Total governmental activities net position	<u>129,219,935</u>	<u>132,455,641</u>	<u>130,078,969</u>	<u>130,015,840</u>
Business-type activities:				
Net investment in capital assets	1,097,645	778,429	733,649	935,507
Unrestricted	<u>862,544</u>	<u>1,452,468</u>	<u>1,226,959</u>	<u>514,782</u>
Total business-type activities net position	<u>1,960,189</u>	<u>2,230,897</u>	<u>1,960,608</u>	<u>1,450,289</u>
Primary government:				
Net investment in capital assets	130,063,024	134,259,269	135,874,874	133,235,988
Restricted	3,831,336	2,915,828	2,974,849	3,562,507
Unrestricted	<u>(2,714,236)</u>	<u>(2,488,559)</u>	<u>(6,810,146)</u>	<u>(5,332,366)</u>
Total primary government net position	<u>\$ 131,180,124</u>	<u>\$ 134,686,538</u>	<u>\$ 132,039,577</u>	<u>\$ 131,466,129</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
(2 pages)

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 135,216,032	\$ 135,303,304	\$ 141,685,568	\$ 160,034,151	\$ 161,592,336	\$ 169,484,070
3,101,750	5,734,079	4,484,657	6,456,862	6,348,055	6,381,928
<u>(7,193,357)</u>	<u>(8,463,987)</u>	<u>989,922</u>	<u>(6,186,528)</u>	<u>(6,694,092)</u>	<u>(8,961,992)</u>
<u>131,124,425</u>	<u>132,573,396</u>	<u>147,160,147</u>	<u>160,304,485</u>	<u>161,246,299</u>	<u>166,904,006</u>
871,027	1,112,649	905,066	978,120	811,264	817,547
<u>799,807</u>	<u>446,398</u>	<u>878,739</u>	<u>185,251</u>	<u>1,028,548</u>	<u>908,440</u>
<u>1,670,834</u>	<u>1,559,047</u>	<u>1,783,805</u>	<u>1,163,371</u>	<u>1,839,812</u>	<u>1,725,987</u>
136,087,059	136,415,953	142,590,634	161,012,271	162,403,600	170,301,617
3,101,750	5,734,079	4,484,657	6,456,862	6,348,055	6,381,928
<u>(6,393,550)</u>	<u>(8,017,589)</u>	<u>1,868,661</u>	<u>(6,001,277)</u>	<u>(5,665,544)</u>	<u>(8,053,552)</u>
<u>\$ 132,795,259</u>	<u>\$ 134,132,443</u>	<u>\$ 148,943,952</u>	<u>\$ 161,467,856</u>	<u>\$ 163,086,111</u>	<u>\$ 168,629,993</u>

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

Table 2
(4 pages)

	Fiscal Year			
	2016	2017	2018	2019
Expenses				
Governmental activities:				
General government	\$ 4,682,077	\$ 4,630,977	\$ 4,547,895	\$ 4,394,732
Public safety	13,322,213	14,815,390	15,078,648	15,681,232
Public service	7,682,255	8,980,651	9,039,660	9,974,585
Cultural and recreation	1,935,181	2,014,319	2,061,807	2,120,218
Interest on long-term debt	210,542	205,476	497,994	626,954
Total governmental activities expenses	<u>27,832,268</u>	<u>30,646,813</u>	<u>31,226,004</u>	<u>32,797,721</u>
Business-type activities:				
Stormwater management	957,626	1,020,285	1,460,104	1,876,068
Total business-type activities expenses	<u>957,626</u>	<u>1,020,285</u>	<u>1,460,104</u>	<u>1,876,068</u>
Total primary government expenses	<u>28,789,894</u>	<u>31,667,098</u>	<u>32,686,108</u>	<u>34,673,789</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	537,176	489,370	409,277	568,974
Public safety	126,767	110,179	133,629	204,746
Public service	1,748,790	1,975,833	1,879,476	2,180,930
Cultural and recreation	381,412	363,926	383,545	357,568
Operating grants and contributions	2,262,642	2,500,775	2,026,108	2,282,677
Capital grants and contributions	10,264,508	6,653,970	996,330	277,085
Total governmental activities program revenues	<u>15,321,295</u>	<u>12,094,053</u>	<u>5,828,365</u>	<u>5,871,980</u>
Business-type activities:				
Charges for services:	1,037,037	1,056,296	1,074,193	1,115,025
Operating grants and contributions				
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>1,037,037</u>	<u>1,056,296</u>	<u>1,074,193</u>	<u>1,115,025</u>
Total primary government program revenues	<u>16,358,332</u>	<u>13,150,349</u>	<u>6,902,558</u>	<u>6,987,005</u>
Net expenses	<u><u>\$ (12,431,562)</u></u>	<u><u>\$ (18,516,749)</u></u>	<u><u>\$ (25,783,550)</u></u>	<u><u>\$ (27,686,784)</u></u>

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

Table 2
(4 pages)

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 4,646,851	\$ 6,445,203	\$ 6,530,255	\$ 6,231,649	\$ 6,825,901	\$ 5,644,302
17,581,895	18,387,376	17,127,838	18,540,239	22,495,465	24,322,047
10,507,974	8,986,468	9,115,678	10,750,804	12,308,496	11,651,685
2,500,759	2,476,422	3,121,925	4,172,066	5,361,411	3,279,309
570,962	484,285	875,440	764,776	1,212,151	1,434,327
<u>35,808,441</u>	<u>36,779,754</u>	<u>36,771,136</u>	<u>40,459,534</u>	<u>48,203,424</u>	<u>46,331,670</u>
<u>1,626,276</u>	<u>1,519,176</u>	<u>1,197,898</u>	<u>2,116,917</u>	<u>1,551,704</u>	<u>2,335,679</u>
<u>1,626,276</u>	<u>1,519,176</u>	<u>1,197,898</u>	<u>2,116,917</u>	<u>1,551,704</u>	<u>2,335,679</u>
<u>37,434,717</u>	<u>38,298,930</u>	<u>37,969,034</u>	<u>42,576,451</u>	<u>49,755,128</u>	<u>48,667,349</u>
490,029	554,013	518,809	590,558	628,289	636,125
298,469	179,565	240,261	1,319,352	1,924,584	2,210,651
1,994,100	2,213,929	1,731,755	610,357	452,602	735,094
197,246	178,498	291,139	439,400	562,969	723,233
1,957,603	2,560,738	4,117,241	8,788,221	2,352,985	5,680,639
170,205	2,078,222	588,071	5,508,257	2,181,587	-
<u>5,107,652</u>	<u>7,764,965</u>	<u>7,487,276</u>	<u>17,256,145</u>	<u>8,103,016</u>	<u>9,985,742</u>
1,162,898	1,174,893	1,206,797	1,211,232	1,596,471	1,740,549
				250,000	-
<u>442,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>
<u>1,605,822</u>	<u>1,174,893</u>	<u>1,206,797</u>	<u>1,211,232</u>	<u>1,846,471</u>	<u>1,830,549</u>
<u>6,713,474</u>	<u>8,939,858</u>	<u>8,694,073</u>	<u>18,467,377</u>	<u>9,949,487</u>	<u>11,816,291</u>
<u>\$ (30,721,243)</u>	<u>\$ (29,359,072)</u>	<u>\$ (29,274,961)</u>	<u>\$ (24,109,074)</u>	<u>\$ (39,805,641)</u>	<u>\$ (36,851,058)</u>

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

Table 2
(4 pages)

	Fiscal Year			
	2016	2017	2018	2019
General revenues and other in net position				
Governmental activities:				
Taxes				
Property taxes	\$ 14,061,544	\$ 15,371,366	\$ 16,239,699	\$ 17,124,077
Other taxes	253,740	254,325	283,587	301,782
Unrestricted intergovernmental revenue	7,095,351	7,392,058	7,977,157	8,394,820
Investments earnings, unrestricted	24,449	80,037	176,105	409,615
Transfers in (out)	(216,579)	(220,579)	(220,579)	(220,579)
Gain (loss) on disposal of capital assets	143,774	52,202	60,812	8,231
Miscellaneous	-	149,485	2,123,660	844,666
Total governmental activities	<u>21,362,279</u>	<u>23,078,894</u>	<u>26,640,441</u>	<u>26,862,612</u>
Business-type activities:				
Unrestricted intergovernmental revenue	-	8,760	-	-
Investments earnings, unrestricted	2,277	5,358	15,648	30,145
Transfers in (out)	216,579	220,579	220,579	220,579
Miscellaneous	-	-	-	-
Total business-type activities	<u>218,856</u>	<u>234,697</u>	<u>236,227</u>	<u>250,724</u>
Total primary government program revenues	<u>21,581,135</u>	<u>23,313,591</u>	<u>26,876,668</u>	<u>27,113,336</u>
Change in net position				
Governmental activities	8,851,306	4,526,134	1,242,802	(63,129)
Business activities	<u>298,267</u>	<u>270,708</u>	<u>(149,684)</u>	<u>(510,319)</u>
Total primary government change in net position	<u>\$ 9,149,573</u>	<u>\$ 4,796,842</u>	<u>\$ 1,093,118</u>	<u>\$ (573,448)</u>

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									
		2020	2021	2022	2023	2024	2025				
\$	17,650,690	\$	18,762,693	\$	21,188,484	\$	22,513,822	\$	24,561,751	\$	27,615,946
	259,708		250,804		320,083		357,730		342,672		411,444
	8,624,285		9,420,485		14,756,781		12,113,493		13,137,172		13,135,005
	263,446		38,584		104,528		1,311,375		2,005,546		1,379,305
	(231,805)		(232,305)		(213,724)		(237,937)		210,296		(318,871)
	643,210		108,625		106,337		-		-		-
	4,599,840		2,114,874		7,608,122		289,244		460,575		200,981
	<u>31,809,374</u>		<u>30,463,760</u>		<u>43,870,611</u>		<u>36,347,727</u>		<u>40,718,012</u>		<u>42,423,810</u>
	-		-		-		-		-		-
	9,194		191		2,135		47,314		83,868		94,597
	231,805		232,305		213,724		237,937		297,806		321,063
	-		-		-		-		-		2,198
	<u>240,999</u>		<u>232,496</u>		<u>215,859</u>		<u>285,251</u>		<u>381,674</u>		<u>417,858</u>
	<u>32,050,373</u>		<u>30,696,256</u>		<u>44,086,470</u>		<u>36,632,978</u>		<u>41,099,686</u>		<u>42,841,668</u>
	1,108,585		1,448,971		14,586,751		13,144,338		617,604		6,077,882
	220,545		(111,787)		224,758		(620,434)		676,441		(87,272)
\$	<u>1,329,130</u>	\$	<u>1,337,184</u>	\$	<u>14,811,509</u>	\$	<u>12,523,904</u>	\$	<u>1,294,045</u>	\$	<u>5,990,610</u>

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

Table 3
(2 pages)

	Fiscal Year			
	2016	2017	2018	2019
General Fund				
Non-spendable	\$ 5,935	\$ 261,570	\$ 2,700	\$ 6,044
Restricted	4,931,738	3,925,085	3,997,944	4,227,945
Committed	730,792	1,023,656	1,749,834	1,013,448
Assigned	527,009	-	473,110	385,994
Unassigned	6,209,156	7,571,262	7,982,176	10,990,040
Total general fund	<u>12,404,630</u>	<u>12,781,573</u>	<u>14,205,764</u>	<u>16,623,471</u>
All other governmental funds				
Restricted	363,958	386,441	451,004	470,773
Committed	562,150	3,725,147	3,708,905	371,183
Assigned	-	-	-	-
Total all other governmental funds	<u>926,108</u>	<u>4,111,588</u>	<u>4,159,909</u>	<u>841,956</u>
Total fund balance	<u>\$ 13,330,738</u>	<u>\$ 16,893,161</u>	<u>\$ 18,365,673</u>	<u>\$ 17,465,427</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
(2 pages)

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 15,127	\$ 15,397	\$ 13,888	\$ 69,666	\$ 111,715	\$ 150,833
2,855,108	5,216,321	5,974,920	10,454,889	12,581,457	13,339,380
940,174	1,123,018	1,398,888	1,688,390	1,691,842	2,220,691
500,000	560,000	-	-	-	255,000
11,592,803	8,963,557	15,359,347	7,696,367	9,192,352	8,806,385
15,903,212	15,878,293	22,747,043	19,909,312	23,577,366	24,772,289
426,021	517,758	729,941	21,893,597	3,581,864	816,123
60,255	3,784,975	6,923,261	5,071,823	3,803,479	3,316,374
-	-	500	86,072	90,691	-
486,276	4,302,733	7,653,702	27,051,492	7,476,034	4,132,497
<u>\$ 16,389,488</u>	<u>\$ 20,181,026</u>	<u>\$ 30,400,745</u>	<u>\$ 46,960,804</u>	<u>\$ 31,053,400</u>	<u>\$ 28,904,786</u>

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

Table 4
(2 pages)

	Fiscal Year			
	2016	2017	2018	2019
Revenues by source				
Ad valorem taxes	\$ 14,062,364	\$ 15,318,974	\$ 16,242,913	\$ 17,262,956
Other taxes and licenses	253,740	254,325	283,587	301,782
Unrestricted intergovernmental	7,095,351	7,392,058	7,977,157	8,394,820
Restricted intergovernmental	1,957,999	1,828,677	2,062,276	1,335,610
Penalties and interest	58,732	77,046	166,013	386,317
Contributions and donations	491,255	1,026,527	1,033,129	1,230,110
Other revenues	-	149,485	90,143	242,687
Functionally related revenues	2,793,937	2,716,432	2,732,960	3,306,260
Total revenues	<u>26,713,378</u>	<u>28,763,524</u>	<u>30,588,178</u>	<u>32,460,542</u>
Expenditures by function				
General government	4,792,965	5,383,778	4,763,809	4,364,518
Public safety	13,529,860	16,852,211	18,339,615	17,830,988
Public service	5,480,561	7,705,003	11,022,173	7,409,664
Cultural and recreation	2,636,038	2,071,640	2,103,393	2,134,585
Other operating expenses	-	-	-	-
Debt service:				
Principal retirement	2,131,846	2,249,818	2,638,191	3,608,502
Interest and fiscal charges	150,832	131,774	130,753	649,333
Bond issuance costs	-	-	-	-
Total expenditures	<u>28,722,102</u>	<u>34,394,224</u>	<u>38,997,934</u>	<u>35,997,590</u>
Excess of revenue over (under) expenditures	<u>(2,008,724)</u>	<u>(5,630,700)</u>	<u>(8,409,756)</u>	<u>(3,537,048)</u>
Other financing sources (uses)				
Proceeds from installment purchases	2,647,400	9,361,500	10,042,035	2,849,150
Lease liabilities issued	-	-	-	-
Subscription liabilities issued	-	-	-	-
Refunding bonds issued	-	-	-	-
Debt service - principal	-	-	-	-
Sale of capital assets	353,836	52,202	60,812	8,231
Transfers in	151,827	730,645	706,702	1,779,854
Transfers out	(368,406)	(951,224)	(927,281)	(2,000,433)
Total other financing sources	<u>2,784,657</u>	<u>9,193,123</u>	<u>9,882,268</u>	<u>2,636,802</u>
Net change in fund balances	<u>\$ 775,933</u>	<u>\$ 3,562,423</u>	<u>\$ 1,472,512</u>	<u>\$ (900,246)</u>
Capital outlay included in total expenditures	<u>\$ 2,439,094</u>	<u>\$ 4,615,485</u>	<u>\$ 9,823,669</u>	<u>\$ 5,029,209</u>
Debt service as a percentage of noncapital expenditures	8.7%	8.0%	9.5%	13.7%

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
(2 pages)

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 17,700,036	\$ 18,740,650	\$ 21,211,736	\$ 22,586,182	\$ 24,523,344	\$ 27,584,867
259,708	250,804	320,083	357,730	122,171	143,522
8,624,285	9,420,485	14,756,781	16,043,031	13,137,172	13,135,005
985,852	3,276,438	1,633,100	3,952,734	3,005,284	5,201,568
246,951	38,278	103,141	1,282,786	985,715	1,121,435
1,141,956	1,362,522	3,061,474	1,382,066	1,254,006	1,406,124
5,590	1,734,359	185,424	308,725	460,575	210,391
2,979,844	3,126,005	2,792,702	2,238,667	2,764,880	3,440,810
<u>31,944,222</u>	<u>37,949,541</u>	<u>44,064,441</u>	<u>48,151,921</u>	<u>46,253,147</u>	<u>52,243,722</u>
4,357,949	6,089,224	6,336,773	6,666,228	7,336,706	7,670,165
16,158,030	15,552,513	16,729,585	19,057,384	22,334,980	23,516,926
7,498,008	5,914,719	7,525,421	9,548,344	8,940,195	9,565,849
2,851,211	2,705,761	3,318,551	14,016,093	4,092,326	6,277,528
-	-	183,192	-	-	-
3,800,212	3,739,158	3,739,158	4,955,848	4,946,596	4,985,972
567,675	486,097	881,336	614,299	401,408	594,463
-	-	-	-	-	-
<u>35,233,085</u>	<u>34,487,472</u>	<u>38,714,016</u>	<u>54,858,196</u>	<u>48,052,211</u>	<u>52,610,903</u>
<u>(3,288,863)</u>	<u>3,462,069</u>	<u>5,350,425</u>	<u>(6,706,275)</u>	<u>(1,799,064)</u>	<u>(367,181)</u>
1,801,519	481,858	4,223,740	23,052,900	6,131,435	2,275,400
-	-	724,232	101,279	100,464	3,628
-	-	-	209,979	880,596	383,995
-	-	-	-	-	-
-	-	-	-	-	-
643,210	108,625	106,337	140,113	27,829	372,720
528,176	3,979,782	4,463,495	285,790	162,400	572,704
(759,981)	(4,212,087)	(4,677,219)	(523,727)	(1,835,606)	(2,046,343)
<u>2,212,924</u>	<u>358,178</u>	<u>4,840,585</u>	<u>23,266,334</u>	<u>5,467,118</u>	<u>1,562,104</u>
<u>\$ (1,075,939)</u>	<u>\$ 3,820,247</u>	<u>\$ 10,191,010</u>	<u>\$ 16,560,059</u>	<u>\$ 3,668,054</u>	<u>\$ 1,194,923</u>
<u>\$ 2,722,973</u>	<u>\$ 1,306,540</u>	<u>\$ 2,138,548</u>	<u>\$ 13,712,923</u>	<u>\$ 25,208,989</u>	<u>\$ 12,007,794</u>
13.4%	12.7%	12.6%	13.5%	23.4%	13.7%

This page left blank intentionally.

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 Sales Tax ^b	Hotel/Motel Occupancy Tax	Alcoholic Beverage Tax ^c
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
2024	24,523,344	9,309,428	2,334,679	220,501	1,009,629
2025	27,584,867	9,609,774	2,466,736	267,922	955,630
Change from 2015 to 2024	96.2%	108.7%	28.7%	94.2%	97.1%

^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 ^b	Guilford County ^{b,c}
	Basic Rate	General Obligation Streets Debt Service ^a	Total Direct		
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
2024	0.5590	-	0.5590	0.6778	0.7305
2025	0.5840	-	0.5840	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 were 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	2025			2016		
	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	\$ 115,309,901	1	2.80%	\$ 31,550,500	3	1.39%
Deere-Hitachi	106,011,332	2	2.57%	100,425,639	1	4.42%
BRI TIP LLC	51,869,202	3	1.26%	-	-	-
Duke Energy/Piedmont Natural Gas	39,276,959	4	0.95%	17,778,358	9	0.78%
Hawthorne Midway	38,289,800	5	0.93%	30,690,057	4	1.35%
Parr Investments	38,185,199	6	0.93%	-	-	-
BSC Holdings Inc	33,443,233	7	0.81%	-	-	0.00%
Grass America Inc	33,443,233	8	0.81%	21,550,437	6	0.95%
DLS Kernersville LLC	31,200,096	9	0.76%	22,065,928	7	0.97%
Walmart Inc	29,354,827	10	0.71%	25,540,265	5	1.12%
LE Pope Building Company Inc	-	-	-	40,379,967	2	1.78%
Boma North Carolina LLC	-	-	-	21,277,812	8	0.94%
Lowe's Home Center	-	-	-	16,212,555	10	0.71%
	<u>\$ 516,383,781</u>		<u>12.54%</u>	<u>\$ 327,471,518</u>		<u>14.41%</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
2016	14,288,679	14,224,114	99.55%	58,154	14,282,268	99.96%
2017	15,812,058	15,670,133	99.10%	131,019	15,801,152	99.93%
2018	16,593,014	16,474,026	99.28%	111,646	16,585,672	99.96%
2019	17,856,183	17,741,095	99.36%	97,163	17,838,258	99.90%
2020	18,191,775	18,113,931	99.57%	63,500	18,177,431	99.92%
2021	19,265,741	19,134,504	99.32%	114,662	19,249,166	99.91%
2022	21,750,739	21,624,894	99.42%	108,024	21,732,918	99.92%
2023	23,135,776	23,052,746	99.64%	-	23,052,746	99.64%
2024	24,996,630	24,894,986	99.59%	67,228	24,962,214	99.86%
2025	27,832,644	27,720,641	99.60%	-	27,720,641	99.60%

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**

**Table 9
(2 pages)**

Fiscal Year Ended June 30	Real Property	Real Property Estimated Taxable Value ¹	Personal Property ²
2016	2,060,054,427	2,097,601,494	254,299,511
2017	2,156,193,239	2,208,309,339	294,229,549
2018	2,353,165,958	2,357,881,721	288,943,065
2019	2,416,830,637	2,490,037,747	296,297,082
2020	2,464,255,616	2,670,411,374	301,022,942
2021	2,625,432,571	3,023,298,677	309,745,240
2022	3,023,736,754	3,022,225,641	374,266,442
2023	3,181,560,771	3,764,715,147	410,336,719
2024	3,291,443,993	4,697,365,482	473,906,285
2025	3,493,291,604	5,411,760,812	496,579,594

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

Note: Property in Forsyth County is reassessed every four years. Real property in Forsyth County was revalued on January 1, 2021. The next scheduled revaluation occurred on January 1, 2025, and those values will be reflected on the July 2025 property tax bills for FYE 2025-2026. Real property in Guilford County is reassessed every five years. A reappraisal for Guilford County was completed on January 1, 2022. The next scheduled

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

¹ The estimated market value for real property is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the North Carolina Department of Revenue. The ratio is based on actual property sales that took place during the year.

² Personal property is appraised each year and assessed at 100% of appraised value.

³ Public service companies valuations are provided by the North Carolina Department of Revenue. Public Service Companies assessed value as a percentage of actual value is 100%.

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

Table 9
 (2 pages)

Public Service Companies	Total Taxable Assessed Value	Estimated Actual Value	Ratio of Total Assessed Value to Total Estimated Actual Value	Total Direct Tax Rate
56,134,541	2,370,488,479	2,408,035,546	98.21%	0.5425
55,527,861	2,505,950,649	2,558,066,749	97.64%	0.5700
58,599,370	2,700,708,393	2,705,424,156	99.80%	0.5700
61,747,739	2,774,875,458	2,848,082,568	97.06%	0.5700
64,414,198	2,829,692,756	3,035,848,514	92.28%	0.5700
67,198,819	3,002,376,630	3,400,242,736	86.84%	0.5590
66,535,548	3,464,538,744	3,463,027,631	100.05%	0.5590
105,126,875	3,697,024,365	4,280,178,741	84.51%	0.5590
116,478,549	3,881,828,827	5,287,750,316	70.07%	0.5590
127,388,090	4,117,259,288	6,035,728,496	64.55%	0.5840

This page left blank intentionally.

Debt Capacity Information

This page left blank intentionally.

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			
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
2024	-	400,000	39,941,824	184,936	847,600	88,194	41,462,554	n/a	1,488
2025	-	-	37,032,250	100,371	841,460	352,707	38,326,788	n/a	1,352

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 for the prior calendar year.

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
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%	15.08
2024	-	-	0.0000%	-
2025	-	-	0.0000%	-

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, 2025

Table 12

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable ^{a & b}	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Forsyth County's General Obligation Debt	\$ 716,980,790	8.44%	\$ 60,533,264
Town of Kernersville's Direct Debt	37,974,081	100.00%	37,974,081
Total direct and overlapping debt			\$ 98,507,345

^a 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.

^b Source: Forsyth County

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

Table 13
 (2 pages)

	Fiscal Year			
	2016	2017	2018	2019
Debt limit	\$ 206,463,528	\$ 217,583,382	\$ 234,747,556	\$ 250,944,996
Total net debt applicable to limit	<u>12,749,487</u>	<u>20,250,371</u>	<u>27,032,661</u>	<u>26,469,085</u>
Legal debt margin	<u>\$ 193,714,041</u>	<u>\$ 197,333,011</u>	<u>\$ 207,714,895</u>	<u>\$ 224,475,911</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
 (2 pages)

Legal Debt Margin Calculation for Fiscal Year 2025

Assessed value	<u><u>\$ 5,173,391,284</u></u>
Debt limit (8% of assessed value)	<u><u>\$ 413,871,303</u></u>
Debt applicable to limit:	
General obligation bonds	-
Revolving loan payable	-
Installment purchases	37,384,957
Other debt	<u>941,831</u>
Total net debt applicable to limit	<u><u>38,326,788</u></u>
Legal debt margin	<u><u>\$ 375,544,515</u></u>

Fiscal Year

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 248,657,221	\$ 263,494,372	\$ 304,157,782	\$ 323,759,385	\$ 385,552,371	\$ 413,871,303
<u>24,404,269</u>	<u>21,022,576</u>	<u>21,406,100</u>	<u>40,196,379</u>	<u>41,462,554</u>	<u>38,326,788</u>
<u><u>\$ 224,252,952</u></u>	<u><u>\$ 242,471,796</u></u>	<u><u>\$ 282,751,682</u></u>	<u><u>\$ 283,563,006</u></u>	<u><u>\$ 344,089,817</u></u>	<u><u>\$ 375,544,515</u></u>

This page left blank intentionally.

Demographic and Economic Information

This page left blank intentionally.

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	Unemployment Rate ⁶
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	38,019	39.0	9,404 ⁴	4.1%
2023	27,404	23,764,061	39,468	38.7	9,068 ⁴	3.7%
2024	27,858	- ⁷	- ⁷	- ⁷	9,210 ⁵	4.2%
2025	28,349	- ⁷	- ⁷	- ⁷	9,056 ⁵	4.2%

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 Data from 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 Data from NC Department of Public Instruction.

⁶ North Carolina Department of Commerce; Unemployment rates not seasonally adjusted; Forsyth County rates were used.

⁷ Data Not Yet Available

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

Table 15

Employer	2025 ¹			2016 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	18,570	1	10.0%	12,873	1	7.4%
Novant Health ^b	11,010	2	5.9%	8,145	2	4.7%
Winston-Salem/Forsyth County School System	5,500	3	3.0%	6,860	3	4.0%
Truist ^e	4,000	4	2.2%	2,134	10	1.2%
Wells Fargo Bank	3,500	5	1.9%	2,745	6	1.6%
Reynolds American ^d	2,500	6	1.3%	3,000	4	1.7%
Hanesbrands Inc ^c	2,400	7	1.3%	2,500	7	1.4%
City of Winston-Salem	2,287	8	1.2%	2,420	8	1.4%
Wake Forest University	2,270	9	1.2%	2,784	5	1.6%
Forsyth County	2,127	10	1.1%	2,275	9	1.3%
Total	54,164		29.2%	45,736		26.3%

¹ estimates as of May 2021 ; Data is not available for FYE 2025.

² estimates as of June 2015

^a Previously Wake Forest University Baptist Medical Center

^b Previously Forsyth Medical Center and affiliates

^c Previously Sara Lee

^d Previously R.J. Reynolds Tobacco Company

^e Previously BB&T Corporation

Source: For 2025, data was provided by the Greater Winston-Salem, Inc. and Forsyth County.

For 2025 data, number of employees provided by the Greater Winston-Salem Inc., as reported by individual companies and institutions. County civilian labor force obtained from North Carolina Department of Commerce used to calculate percentage of total employment.

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

Table 16

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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	5	6	6	6	6	6	7	7	7	7
Information technology	4	4	4	4	4	5	5	6	6	7
Planning and zoning	4	4	4	4	3	5	4	3	6	6
Inspections	4	6	6	6	5	7	5	5	6	8
Personnel	4	4	4	4	4	4	5	5	5	5
General services	4	4	5	5	5	4	5	5	7	7
Police:										
Officers	68	67	67	68	69	66	66	67	64	68
Civilians	19	20	20	20	19	19	18	17	19	17
Fire:										
Firefighters and officers	71	70	70	73	74	72	72	76	88 ¹	90
Civilians	1	1	1	2	2	2	1	1	1	1
Public service:										
Engineering	2	1	1	1	1	1	1	1	-	- ²
Street	16	17	16	16	15	14	14	17	15	15
Sanitation	18	16	18	18	16	16	15	15	15	15
Transportation	-	-	-	-	-	-	-	-	-	-
Public works										
administration	4	4	4	4	4	4	4	4	4	4
Central maintenance	7	8	8	7	6	8	8	6	8	7
Stormwater:										
Stormwater enterprise	4	8	8	11	11	10	10	10	10	11
Engineering / Stormwater	-	-	-	-	-	-	-	-	1	1 ²
Cultural and recreation:										
Museum	-	-	-	-	-	-	-	-	-	1 ⁴
Paul J Ciener Botanical Garden	-	-	-	-	-	-	-	4 ³	5 ³	5
Recreation	14	15	15	15	15	14	16	16	19	19
Total	258	264	266	273	268	266	265	274	295	303

Source: Town's Payroll Department

¹ Addition of employees due to Town's Assumption of Colfax Fire Department's Services

² Engineering staff changed from General Fund to Stormwater Fund

³ Addition of employees due to acquisition of Paul J Ciener Botanical Gardens in December 2022

⁴ Addition of employees due to acquisition of Town Museum Complex

This page left blank intentionally.

Operating Information

This page left blank intentionally.

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

Table 17

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police:										
Physical arrests	792	1,698	1,973	1,908	1,566	1,450	1,368	1,627	1,751	1,366
Traffic violations	4,445	5,606	5,516	5,007	4,189	3,184	4,072	3,243	3,262	2,022
Annual police calls to which responded	48,242	72,117	51,157	43,831	56,725	50,374	59,837	54,177	54,591	54,106
Annual traffic accidents	1,503	1,575	1,463	1,524	1,346	1,303	1,390	1,414	1,541	1,352
Annual number of arrests (18 years and over)	1,188	1,698	1,973	1,761	1,385	3,030	1,371	1,377	1,517	1,223
Fire:										
Emergency responses	2,780	3,007	3,155	3,258	2,879	2,382	3,220	3,581	4,373	4,391
Fires extinguished	117	81	122	52	97	110	125	84	168	164
Inspections	678	485	1,203	1,186	945	1,964	1,563	1,292	1,715	1,107
Annual fire calls	2,780	3,007	3,155	3,266	2,879	2,382	3,220	3,581	5,473	5,536
Community Development:										
Building permits issued	243	3,191	3,594	3,875	4,086	5,693	533	384	425	473
Value of building permits issued	\$ 51,977,005	\$ 71,172,206	\$ 58,920,757	\$ 140,182,037	\$ 78,931,097	\$ 137,576,436	\$ 125,807,322	\$ 161,137,777	\$ 158,377,263	\$ 158,924,968
Sanitation:										
Refuse collected (tons per year)	13,865	14,442	14,443	15,140	14,962	14,415	10,605	7,490	6,688	6,968
Recyclables collected (tons per year)	2,248	2,394	2,411	2,517	2,446	2,378	2,078	1,599	1,347	1,311
Streets:										
Street resurfacing (miles)	-	-	3.4	4.5	2.2	0.2	1.5	8.95	4.21	1.58
Potholes repaired (square yards)	224	331	433	401	334	80	N/A	N/A	N/A	N/A
Parks and recreation:										
Athletic field permits issued	57	57	57	57	40	44	62	62	62	83

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

Table 18
(2 pages)

Function/Program	Fiscal Year			
	2016	2017	2018	2019
Police:				
Stations	1	1	1	1
Policemen and officers	68	67	67	68
Fire:				
Stations	4	4	4	4
Firemen and officers	71	70	70	73
Public services:				
Streets (miles)	95.792	97,456.000	99,530	98,400
Parks and recreation:				
Parks	9	9	9	11
Total acreage of parks	327	327	327	421
Lighted tennis courts	6	6	6	6
Recreation centers	1	1	1	1
Baseball/softball diamonds	3	3	3	3
Soccer fields:	7	7	7	7
Joint-use agreements:				
Joint Use Soccer Fields	4	4	4	4
Joint Use Ball Fields (lit)	7	7	7	7
Fishing and boating lakes:				
Owned and operated by the				
Town	2	2	2	3
Owned and operated by				
Forsyth County	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
 (2 pages)

Fiscal Year						
2020	2021	2022	2023	2024	2025	
1	1	1	1	1	1	1
69	66	66	67	64	68	
4	4	4	5	5	5	
74	72	72	76	88	90	
98,660	100,230	98,660	101.31	101.31	103.26	
13	12	12	13	13	13	
468	456	456	539	543	573	
6	6	6	8	8	8	
1	1	1	1	1	1	
10	10	10	4	4	4	
11	11	11	11	11	11	
4	4	4	7	4	4	
7	7	7	3	-	-	
3	3	3	3	3	3	
-	-	-	-	-	-	

Compliance Section



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

P.O. Box 398

1626 S Madison Street

Whiteville, NC 28472

Telephone (910) 642-2109

Fax (910) 642-5958

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

**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 Auditors' Report

To the Town Council
Town of Kernersville, North Carolina

We have audited, in accordance with the 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Kernersville, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises Town of Kernersville's basic financial statements, and have issued our report thereon dated December 19, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Kernersville's internal control over financial reporting (internal control) as a basis for designing 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 Town of Kernersville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA's Private Companies Practice Section

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

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

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
December 19, 2025



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

P.O. Box 398

1626 S Madison Street

Whiteville, NC 28472

Telephone (910) 642-2109

Fax (910) 642-5958

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

**Report On Compliance With Requirements Applicable To Each Major State
Program And Internal Control Over Compliance In Accordance With
OMB Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditors' Report

To the Town Council
Town of Kernersville, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

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

In our opinion, Town of Kernersville 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 State programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

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

We are required to be independent of Town of Kernersville 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 provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of Town of Kernersville's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA's Private Companies Practice Section

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Kernersville's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Town of Kernersville's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Kernersville'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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [2025-001] to be significant deficiencies.

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.

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

The Town of Kernersville is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Town of Kernersville's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

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

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, NC
December 19, 2025

**Town of Kernersville, North Carolina
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2025**

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified? _____ yes X no
- Significant Deficiency(s) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

State Awards

Internal control over major State programs:

- Material Weakness(es) identified? _____ yes X no
- Significant Deficiency(s) identified? X yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act X yes _____ no

Identification of major State programs:

Program Name
Regional Economic Development Reserve
Statewide Contingency - Piedmont Commerce Center
Powell Bill

Dollar threshold used to determine a State major program \$ 500,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II - Financial Statement Findings

None Reported.

**Town of Kernersville, North Carolina
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2025**

Section III - State Award Findings and Questioned Costs

N.C. Office of State Budget and Management

Program Name: Regional Economic Development Reserve

Finding: 2025-001

Funds Management

SIGNIFICANT DEFICIENCY

Cash Management

Criteria: In accordance with the grant agreement and award terms issued by the North Carolina Office of State Budget and Management (OSBM), grant activities should be accounted for in a separate fund and accounting structure within the Town's central accounting and / or grant management system.

Condition: Grant revenues and expenditures were recorded in the Town's General Fund instead of a separate fund.

Effect: Including grant activity in the General Fund can decrease clarity and separation of grant transactions, increasing the risk of noncompliance with grant and statutory requirements.

Cause: The requirement to establish a separate fund was not incorporated during budget development and initial grant setup.

Recommendation: Review grant agreements for the separate fund requirement clause, record all related revenues and expenditures accordingly, and establish a standardized process for setup and review to ensure proper grant establishment before posting transactions.

Views of responsible officials and planned corrective actions: The Town agrees with the finding. See Corrective Action Plan in the following section.



Dawn H. Morgan, Mayor
Curtis L. Swisher, Town Manager

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

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

**Corrective Action Plan
 For the Year Ended June 30, 2025**

Section II - Financial Statement Findings

None Reported.

Section III - State Award Findings and Questioned Costs

Finding 2025-001

Funds Management

Name of contact person: Franz Ader

Corrective Action: The Town historically utilizes project codes within the General Fund to track grant-related revenues and expenditures. At the time the grant was awarded and implemented, this approach was reviewed with and deemed acceptable by the Town’s external auditors. Subsequent review by the current auditors, however, determined that the grant agreement language requires the grant activity to be accounted for in a separate Grant Project Ordinance Fund rather than solely through project coding within the General Fund.

To address this finding and ensure compliance with grantor requirements going forward, Town staff will implement the following corrective actions:

- All future grant agreements will be reviewed prior to recording any financial activity to confirm fund-level accounting requirements and ensure proper fund structure is established in accordance with grant terms and OSBM guidance.
- A separate Grant Project Ordinance Fund will be established in January 2026 to account for all remaining OSBM grant revenues and expenditures associated with this award.
- Procedures will be updated to reinforce the requirement that project codes may be used for internal tracking purposes but do not replace the need for separate fund accounting when required by the grant agreement.

Proposed completion date: 1/31/2026

Town of Kernersville, North Carolina
Summary Schedule of Prior Year's Findings
For the Year Ended June 30, 2025

Finding: 2024-001

Status: Corrected

TOWN OF KERNERSVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's No.	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to subrecipients
Federal Grants:					
Cash Assistance:					
<u>U.S. Dept. of Justice</u>					
Federal Asset Forfeiture Funds	16.922	NC0-340100 SI-SE-004-15 & SI-	\$ 43,053	\$ -	\$ -
Organized Crime Drug Enforcement Task Force	16.000	NCM-0136H	9,063	-	-
Bullet Proof Vest Partnership	16.607	N/A	6,610	-	-
<u>U.S. Dept. of Homeland Security</u>					
Direct Programs:					
Homeland Security Investigations	97.005	MOU	567	-	-
Passed-through N.C. Department of Public Safety					
Disaster Grants – Public Assistance	97.036		52,759	-	-
State & Local Cybersecurity Grant	97.137	EMW-2023-CY-00066	139,232	-	-
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Governor's Highway Safety Program - DWI Grant	20.600	AL-24-02-09	8,643	-	-
Passed-through the City of Winston-Salem					
Metropolitan Planning Organization (MPO):					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.71.1.1	29,421	-	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research					
Glenn-Hi Road Extension Feasibility Study	20.505	WS-RDWY-030	54,723	-	-
Harmon Lane Sidewalk Extension	20.505	4947801	4,594	-	-
West Mountain Street Sidewalk	20.505	66006	162,339	-	-
Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research			221,656	-	-
Kerner Mill Greenway Extension	20.205	U-4741	122,104	-	-
<u>U.S. Dept. of Treasury</u>					
Passed-through Guilford County:					
Coronavirus State & Local Fiscal Recovery Funds - NC GREAT Grant	21.027	90005716	16,239	-	-
Total Assistance - Federal Programs			\$ 649,347	\$ -	\$ -
State Grants:					
Cash Assistance:					
<u>N.C. Dept of Environmental Quality</u>					
Direct Programs:					
Water Resources Development 2021S Grant		CW24462	\$ -	\$ 119,900	\$ -
<u>N.C. Land and Water Fund</u>					
North Carolina Land and Water Fund		2020-404	-	472,303	-
<u>N.C. Office of State Budget Management</u>					
State Appropriation		11112	-	12,590	-
Regional Economic Development Reserve		11117	-	1,873,722	250,000
<u>N.C. Department of Transportation:</u>					
State Economic Development Agreement - Locally Administered Project					
Statewide Contingency - Piedmont Commerce Center		49911	-	618,000	-
Powell Bill		38570	-	923,945	-
Total Assistance - State Programs			\$ -	\$ 4,020,460	\$ 250,000
Total Assistance			\$ 649,347	\$ 4,020,460	\$ 250,000

TOWN OF KERNERSVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's No.	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to subrecipients
---	--------------------------------------	---	---	-----------------------	-------------------------------------

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

Note 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, 2025. The information in this SEFSA is presented in accordance with the requirements of Title 2 US 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 of Kernersville, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Kernersville.

Note 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.

Note 3: Indirect Cost Rate

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