

Town of North Topsail Beach

Audited Financial Statements

Year Ended June 30, 2025

Town of North Topsail Beach, North Carolina

Audited Financial Statements

Year Ended June 30, 2025

BOARD OF ALDERMEN

Joann McDermon - Mayor
Tom Leonard - Mayor Pro Tem
Connie Pletl
Richard Grant
Mike Benson
Laura Olszewski

OFFICIALS

Town Manager
Alice Derian

Finance Officer
Wayne Johannessen

Town Clerk
Alexis Stanfield

Town of North Topsail Beach, North Carolina
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June 30, 2025

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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Topsail Beach, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of North Topsail Beach, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of North Topsail Beach, North Carolina, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

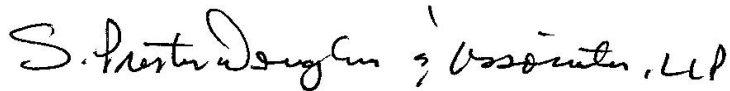
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of North Topsail Beach, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying 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 and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in, all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2025 on our consideration of the Town of North Topsail Beach'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 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 North Topsail Beach's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "S. Preston DeLong, CPA". The signature is written in a cursive, flowing style.

Ocean Isle Beach, North Carolina
November 25, 2025

Management's Discussion and Analysis

Town of North Topsail Beach, North Carolina
Management's Discussion and Analysis
June 30, 2025

Management's Discussion and Analysis

As management of the Town of North Topsail Beach, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of North Topsail Beach for the fiscal year ending 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

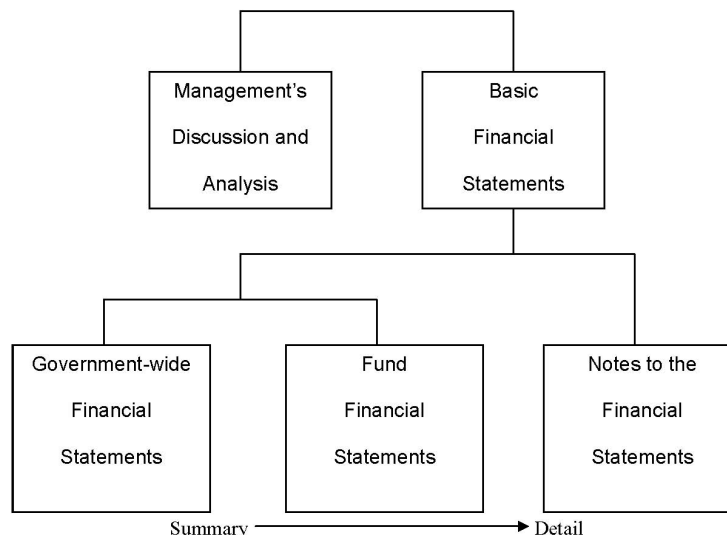
- The assets and deferred outflows of the Town of North Topsail Beach exceeded its liabilities and deferred inflows at the close of the fiscal year by \$50,288,151 (net position).
- The government's total net position increased by \$555,865.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,589,389 or 212% of total General Fund expenditures for the year.
- As of the close of the current fiscal year, the Town of North Topsail Beach's governmental funds reported combined ending fund balances of \$36,071,682 with a decrease of \$2,410,094 in fund balances.
- The Beach Maintenance Project Fund grant-funded expenditures totaled approximately \$9,370,210, which were funded by FEMA and the NC Department of Environmental Quality.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of North Topsail Beach's basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of North Topsail Beach.

Required Components of Annual Financial Report

Figure 1



Town of North Topsail Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2025

Basic Financial Statements

The first two statements 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 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 two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison 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 additional details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes can also be found in this part of the statements.

Government-Wide Financial Statements.

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, in a manner similar to the 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 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 are divided into one category: 1) governmental activities. The governmental activities include the Town's basic services such as general government, public safety, transportation, sanitation, environmental protection, community development, and debt service. Property taxes and State and federal grant funds finance most of these activities.

The government-wide financial statements are found on pages 11 and 12 of this report.

Fund Financial Statements.

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of North Topsail Beach, like all other state and local governments, 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.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 monies that are unexpended 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 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.

Town of North Topsail Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2025

The Town of North Topsail Beach adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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 can be found on page 20 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 North Topsail Beach's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 43 of this report.

Government-Wide Financial Analysis

Town of North Topsail Beach's Net Position
Figure 2

	Governmental Activities 2025	Governmental Activities 2024
Current and other assets	\$ 37,367,156	\$ 40,176,023
Capital assets	27,846,113	26,413,487
Deferred outflow resources	989,563	1,348,388
Total assets	\$ 66,202,832	\$ 67,937,898
Current liabilities	\$ 5,571,287	\$ 4,960,255
Deferred inflows of resources	299,128	155,394
Long-term liabilities	10,044,266	12,109,164
Total liabilities	\$ 15,914,681	\$ 17,224,813
Net position		
Net investment in capital assets	\$ 16,276,890	\$ 12,586,128
Restricted	16,489,307	12,489,531
Unrestricted	17,521,954	25,637,426
Total net position	\$ 50,288,151	\$ 50,713,085

Town of North Topsail Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2025

Government-Wide Financial Analysis (continued)

Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position, 32.78%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$17,526,548.

Town of North Topsail Beach's Changes in Net Position
Figure 3

	Governmental Activities 2025	Governmental Activities 2024
Revenues:		
Program revenues:		
Charges for services	\$ 804,441	\$ 3,412,171
Operating grants and contributions	42,556	360,068
Capital grants and contributions	4,979,308	12,839,340
General revenues		
Property taxes	7,342,334	7,074,243
Other taxes	4,191,594	5,982,291
Investment earnings	2,098,070	1,570,893
Total revenues	<u>19,458,303</u>	<u>31,239,006</u>
Expenses:		
General government	2,505,083	2,307,207
Public safety	3,452,380	3,411,449
Transportation	67,350	157,351
Sanitation	507,342	542,444
Environmental protection	11,742,503	8,832,927
Community development	51,572	29,340
Interest on long-term debt	576,208	173,439
Total expenses	<u>18,902,438</u>	<u>15,454,157</u>
Increase in net position	555,865	15,784,849
Net position, beginning, previously reported	50,713,085	34,928,236
Restatement	(980,799)	-
Net position, beginning, restated	<u>49,732,286</u>	<u>34,928,236</u>
Net position - ending	<u>\$ 50,288,151</u>	<u>\$ 50,713,085</u>

Town of North Topsail Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2025

Government-Wide Financial Analysis (continued)

Governmental activities. Governmental activities increased the Town's net position by \$555,865. Key elements of this increase are as follows:

- Property tax revenues increased by \$268,091.
- Investment earnings increased by \$527,177.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the principal operating fund of the Town of North Topsail Beach. At the end of the fiscal year, unassigned fund balance for the General Fund was \$12,589,389 with a total fund balance of \$12,589,389. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 212% of total General Fund expenditures.

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 from external sources, such as federal and State grants.
3. Increases in appropriations that become necessary to maintain services and obligations from prior years not completed.

Capital Assets and Debt Administration

The Town of North Topsail Beach's investments in capital assets for its governmental activities as of June 30, 2025, totals \$27,845,113 (net of accumulated depreciation). The investments in capital assets include land, construction in progress, buildings, improvements, furniture and equipment, and vehicles.

Major capital asset transactions during the year include the following:

- Fire Station #2 expenditures totaling \$2,426,618.

Town of North Topsail Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2025

Capital Assets and Debt Administration (continued)

Town of North Topsail Beach's Capital Assets
(net of depreciation)

Figure 4

	Governmental Activities	
	2025	2024
Land and construction in progress	\$ 4,051,277	\$ 1,624,659
Buildings	2,813,180	2,908,673
Equipment and furniture	193,206	213,224
Vehicles	1,076,868	1,134,978
Infrastructure	19,711,582	20,531,953
Total capital assets, net	\$ 27,846,113	\$ 26,413,487

Additional information on the Town's capital assets can be found in the notes on page 29 of this report.

Long-term debt. As of June 30, 2025, the Town of North Topsail Beach had total outstanding debt of \$14,401,036. The installment debt is backed by security interest in the property for which it was issued.

Town of North Topsail Beach's Outstanding Liabilities
Figure 5

	Governmental Activities	
	2025	2024
Installment purchases	\$ 5,926,667	\$ 6,300,000
Special obligation bonds	5,642,556	7,527,359
Compensated absences	684,217	124,884
Net pension liability (LGRS)	1,915,724	2,250,459
Total pension liability (LEO)	231,872	233,232
Total outstanding debt	\$ 14,401,036	\$ 16,435,934

Town of North Topsail Beach's Outstanding Debt

The Town of North Topsail Beach's total debt decreased by \$2,034,898.

**Town of North Topsail Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2025**

Economic Factors and Next Year's Budgets and Rates

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

Population growth: The Town's permanent population continues to slowly increase as more secondary homeowners become permanent residents. While our seasonal population continues to increase annually, we conservatively anticipated our Accommodation Tax revenues to increase to \$2 million this year.

The Town will continue monitoring the balances of each fund and make every effort to stay within the realm of the adopted Budget, with appropriate amendments approved by the Governing Body as necessary. The Town is continuing to move forward with ongoing Shoreline and Beach related projects, construction of Fire Station No. 2, and two storm water projects that are all in progress.

Budget Highlights for the Fiscal Year Ending June 30, 2026

Governmental Activities:

The Town's largest source of revenue comes from ad valorem property taxes, which remained at \$0.43 per \$100 valuation this fiscal year. The total assessed value shows a 2.27% increase from the previous year at \$1,721,800,000 (including motor vehicles) provided by Onslow County Tax Department. This makes the estimated revenue at \$7,403,740. The revenues generated will allow the Town to continue to provide and expand necessary services, as well as plan for upcoming improvements and purchases. The budget includes funding to replace the roof at Public Works, once confirmed by a structural assessment, Town Hall erosion improvements, (2) F150's with upfit for Police with the understanding only (1) will be purchased, JCB Backhoe, John Deer mower attachment, Wet/Dry vacuum truck, (8) crosswalks – construction and restriping, jet ski and trailer for the Fire Department, as well as additional funding for snowflakes in recreation.

Request 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 following:

**Finance Officer
Town of North Topsail Beach
2008 Loggerhead Court
North Topsail Beach, NC, 28460**

Basic Financial Statements

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

	Primary Government Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 17,068,322
Restricted cash and cash equivalents	17,235,719
Taxes receivables, net	151,180
Accounts receivables, net	687,465
Due from other governments	2,221,470
Prepays	3,000
Total current assets	37,367,156
Non-current assets:	
Land and improvements	4,051,277
Other capital assets, net of depreciation	23,794,836
Total capital assets	27,846,113
Total assets	65,213,269
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals - LGERS	967,493
Pension deferrals - LEO	22,070
Total deferred outflows of resources	989,563
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	1,214,517
Compensated absences - current	80,000
Current portion of long-term liabilities	4,276,770
Total current liabilities	5,571,287
Long-term liabilities:	
Special obligation bonds	7,292,453
Compensated absences	604,217
Net pension liability	1,915,724
Total pension liability	231,872
Total liabilities	15,615,553
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals - LGERS	205,728
Pension deferrals - LEO	93,400
Total deferred inflows of resources	299,128
NET POSITION	
Net investment in capital assets	16,276,890
Restricted for:	
Stabilization by State Statute	2,814,683
Public safety	3,896,375
Other functions	4,594
Environmental protection	9,685,658
Transportation	87,997
Unrestricted	17,521,954
Total net position	\$ 50,288,151

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

Town of North Topsail, North Carolina
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary government:					
Governmental Activities:					
General government	\$ 2,505,083	\$ 172,960	\$ -	\$ -	\$ (2,332,123)
Public safety	3,452,380	137,951	-	-	(3,314,429)
Street department	67,350	-	42,556	-	(24,794)
Sanitation	507,342	848	-	-	(506,494)
Environmental protection	11,742,503	492,682	-	4,979,308	(6,270,513)
Community development	51,572	-	-	-	(51,572)
Interest on long-term debt	576,208	-	-	-	(576,208)
Total governmental activities	<u>18,902,438</u>	<u>804,441</u>	<u>42,556</u>	<u>4,979,308</u>	<u>(13,076,133)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					7,342,334
Other taxes					4,191,594
Investment earnings					2,098,070
Total general revenues					<u>13,631,998</u>
Change in net position					555,865
Net position, beginning, previously restated					50,713,085
Restatement (Note 6)					(980,799)
Net position, beginning, restated					<u>49,732,286</u>
Net position, ending					<u><u>\$ 50,288,151</u></u>

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

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

	Major Funds						
	General Fund	Shoreline Project Fund	Beach Maintenance Project Fund	Capital Improvement Fund	Fire Station #2 Fund	Total Non-major Funds	Total Governmental Funds
<u>ASSETS</u>							
Cash and cash equivalents	\$ 13,034,711	\$ -	\$ 4,033,611	\$ -	\$ -	\$ -	\$ 17,068,322
Restricted cash and cash equivalents	89,591	4,464,310	2,768,037	3,399,190	4,048,091	2,466,500	17,235,719
Prepays	3,000	-	-	-	-	-	3,000
Taxes receivable, net	151,180	-	-	-	-	-	151,180
Accounts receivable, net	41,004	552,209	-	-	-	94,252	687,465
Due from other funds - central depository	85,692	-	-	-	-	-	85,692
Due from other governments	1,128,904	299,265	793,301	-	-	-	2,221,470
Total assets	\$ 14,534,082	\$ 5,315,784	\$ 7,594,949	\$ 3,399,190	\$ 4,048,091	\$ 2,560,752	\$ 37,452,848
<u>LIABILITIES</u>							
Accounts payable and accrued liabilities	\$ 531,014	\$ 8,153	\$ 437,259	\$ 962	\$ 153,310	\$ 13,596	\$ 1,144,294
Due to other funds - central depository	-	-	-	-	-	85,692	85,692
Total liabilities	531,014	8,153	437,259	962	153,310	99,288	1,229,986
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Property taxes receivable	151,180	-	-	-	-	-	151,180
Total deferred inflows of resources	151,180	-	-	-	-	-	151,180
<u>FUND BALANCES</u>							
Restricted:							
Stabilization by State Statute	1,169,908	851,474	793,301	-	-	-	2,814,683
Prepays	3,000	-	-	-	-	-	3,000
Public safety	1,594	-	-	-	3,894,781	-	3,896,375
Streets	87,997	-	-	-	-	-	87,997
Environmental protection	-	4,456,157	2,768,037	-	-	2,461,464	9,685,658
Assigned:							
Capital improvements	-	-	3,596,352	3,398,228	-	-	6,994,580
Unassigned	12,589,389	-	-	-	-	-	12,589,389
Total fund balances	13,851,888	5,307,631	7,157,690	3,398,228	3,894,781	2,461,464	36,071,682
Total liabilities, deferred inflows of resources and fund balances	\$ 14,534,082	\$ 5,315,784	\$ 7,594,949	\$ 3,399,190	\$ 4,048,091	\$ 2,560,752	\$ 37,452,848

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

Town of North Topsail, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2025

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance, Governmental Funds		\$ 36,071,682
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	44,350,994	
Accumulated depreciation	<u>(16,504,881)</u>	27,846,113
Deferred outflows of resources related to pensions are not reported in the fund statements.		
Pension deferrals - LGERS	967,493	
Pension deferrals - LEO	<u>22,070</u>	989,563
Liabilities for earned revenue considered deferred inflows of resources in fund statements		
Ad valorem taxes		151,180
Deferred inflows of resources related to pensions are not reported in the funds		
Pension deferrals- LGERS	(205,728)	
Pension deferrals - LEO	<u>(93,400)</u>	(299,128)
Some liabilities, (such as Note Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position		
Bonds payable		(11,569,223)
Compensated absences		(684,217)
Accrued interest		(70,223)
Net pension liability		(1,915,724)
Total pension liability		<u>(231,872)</u>
Net position of governmental activities		<u><u>\$ 50,288,151</u></u>

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

Town of North Topsail, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2025

	Major Funds						
	General Fund	Shoreline Project Fund	Beach Maintenance Project Fund	Capital Improvement Fund	Fire Station #2 Fund	Total Non-major Funds	Total Governmental Funds
Revenues:							
Ad valorem taxes	\$ 4,452,981	\$ 1,663,467	\$ -	\$ 1,164,785	\$ -	\$ -	\$ 7,281,233
Accommodations tax	-	2,529,384	-	486,026	-	-	3,015,410
Permits and fees	137,951	446,735	-	-	-	-	584,686
Sales and services	658,243	-	-	-	-	-	658,243
Unrestricted intergovernmental	3,835,212	1,277,619	-	-	-	-	5,112,831
Restricted intergovernmental	50,803	-	483,987	-	-	94,252	629,042
Investment earnings	824,960	241,583	1,031,527	-	-	-	2,098,070
Total revenues	<u>9,960,150</u>	<u>6,158,788</u>	<u>1,515,514</u>	<u>1,650,811</u>	<u>-</u>	<u>94,252</u>	<u>19,379,515</u>
Expenditures:							
General government	2,226,016	-	-	-	-	-	2,226,016
Public safety	3,098,551	-	-	-	2,426,618	-	5,525,169
Street department	67,350	-	-	-	-	-	67,350
Sanitation	507,342	-	-	-	-	-	507,342
Environmental protection	-	663,088	9,370,210	14,582	-	607,729	10,655,609
Community development	51,572	-	-	-	-	-	51,572
Debt service	-	2,189,844	-	584,394	-	-	2,774,238
Total expenditures	<u>5,950,831</u>	<u>2,852,932</u>	<u>9,370,210</u>	<u>598,976</u>	<u>2,426,618</u>	<u>607,729</u>	<u>21,807,296</u>
Excess (deficiency) of revenues over expenditures	<u>4,009,319</u>	<u>3,305,856</u>	<u>(7,854,696)</u>	<u>1,051,835</u>	<u>(2,426,618)</u>	<u>(513,477)</u>	<u>(2,427,781)</u>
Other financing sources (uses)							
Transfers (to) from other funds	(2,232,000)	(11,305,794)	10,330,852	(1,000,000)	1,232,001	2,974,941	-
Insurance proceeds	17,687	-	-	-	-	-	17,687
Total other financing sources (uses)	<u>(2,214,313)</u>	<u>(11,305,794)</u>	<u>10,330,852</u>	<u>(1,000,000)</u>	<u>1,232,001</u>	<u>2,974,941</u>	<u>17,687</u>
Net change in fund balances	<u>1,795,006</u>	<u>(7,999,938)</u>	<u>2,476,156</u>	<u>51,835</u>	<u>(1,194,617)</u>	<u>2,461,464</u>	<u>(2,410,094)</u>
Fund balance, beginning, previously reported	<u>12,094,357</u>	<u>14,530,249</u>	<u>4,681,534</u>	<u>3,067,037</u>	<u>5,089,398</u>	<u>-</u>	<u>39,462,575</u>
Restatement (Note 6)	(37,475)	(1,222,680)	-	279,356	-	-	(980,799)
Fund balances, beginning, restated	<u>12,056,882</u>	<u>13,307,569</u>	<u>4,681,534</u>	<u>3,346,393</u>	<u>5,089,398</u>	<u>-</u>	<u>38,481,776</u>
Fund balances, ending	<u>\$ 13,851,888</u>	<u>\$ 5,307,631</u>	<u>\$ 7,157,690</u>	<u>\$ 3,398,228</u>	<u>\$ 3,894,781</u>	<u>\$2,461,464</u>	<u>\$ 36,071,682</u>

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

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

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

Net change in fund balances - total governmental funds	\$	(2,410,094)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$	2,589,598	
Depreciation expense for governmental assets		<u>(1,156,972)</u>	1,432,626

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		372,925
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		61,102
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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 an effect on net position. These amounts are the net effect of these differences in the treatment of long-term debt and related items.

Principal payments		<u>2,258,136</u>	2,258,136
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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.

Accrued interest not reflected in Governmental funds.	(60,106)		
Pension expense	(539,391)		
Compensated absences	<u>(559,333)</u>		<u>(1,158,830)</u>

Total changes in net position of governmental activities	\$	<u>555,865</u>
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The notes to the financial statements are an integral part of this statement.

Town of North Topsail Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
Year Ended June 30, 2025

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 4,290,197	\$ 4,290,197	\$ 4,452,981	\$ 162,784
Permits and fees	161,300	161,300	137,951	(23,349)
Sales and services	702,513	702,513	658,243	(44,270)
Unrestricted intergovernmental	2,500,397	2,500,397	3,835,212	1,334,815
Restricted intergovernmental	42,743	42,743	50,803	8,060
Investment earnings	200,000	478,000	824,960	346,960
Total revenues	<u>7,897,150</u>	<u>8,175,150</u>	<u>9,960,150</u>	<u>1,785,000</u>
Expenditures:				
Current:				
General government	2,924,134	3,079,781	2,226,016	853,765
Public safety	3,550,803	3,459,884	3,098,551	361,333
Street department	300,500	312,500	67,350	245,150
Sanitation	540,888	540,888	507,342	33,546
Community development	255,200	277,874	51,572	226,302
Contingency	325,625	325,625	-	325,625
Total expenditures	<u>7,897,150</u>	<u>7,996,552</u>	<u>5,950,831</u>	<u>2,045,721</u>
Revenues over (under) expenditures	<u>-</u>	<u>178,598</u>	<u>4,009,319</u>	<u>3,830,721</u>
Other financing sources (uses):				
Insurance proceeds	-	-	17,687	17,687
Transfers to other funds	-	(2,232,000)	(2,232,000)	(4,464,000)
Total other financing sources (uses)	<u>-</u>	<u>(2,232,000)</u>	<u>(2,214,313)</u>	<u>(4,446,313)</u>
Fund balance appropriated	-	2,053,402	-	2,053,402
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,795,006</u>	<u>\$ 1,795,006</u>
Fund balance, beginning, previously reported			12,094,357	
Restatement (Note 6)			(37,475)	
Fund balance, beginning, restated			<u>12,056,882</u>	
Fund balance, ending			<u>\$ 13,851,888</u>	

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

Town of North Topsail Beach, North Carolina
Shoreline Protection Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
Year Ended June 30, 2025

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$	\$	\$ 1,663,467	\$
Accommodations tax			2,529,384	
Unrestricted intergovernmental			1,277,619	
Permits and fees			446,735	
Investment earnings			241,583	
Total revenues	<u>4,731,281</u>	<u>4,731,281</u>	<u>6,158,788</u>	<u>1,427,507</u>
Expenditures:				
Environmental Protection:				
Operating expenditures	2,488,296	2,488,296	663,088	1,825,208
Debt service	<u>2,210,888</u>	<u>2,210,888</u>	<u>2,189,844</u>	<u>21,044</u>
Total expenditures	<u>4,699,184</u>	<u>4,699,184</u>	<u>2,852,932</u>	<u>1,846,252</u>
Revenues over (under) expenditures	<u>32,097</u>	<u>32,097</u>	<u>3,305,856</u>	<u>3,273,759</u>
Other financing sources (uses):				
Transfers to other funds	<u>(11,305,794)</u>	<u>(11,305,794)</u>	<u>(11,305,794)</u>	<u>-</u>
Total other financing sources (uses)	<u>(11,305,794)</u>	<u>(11,305,794)</u>	<u>(11,305,794)</u>	<u>-</u>
Fund balance appropriated	11,273,697	11,273,697	-	(11,273,697)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(7,999,938)</u>	<u>\$ (7,999,938)</u>
Fund balance, beginning, previously reported			14,530,249	
Restatement (Note 6)			<u>(1,222,680)</u>	
Fund balance, beginning, restated			<u>13,307,569</u>	
Fund balance, ending			<u>\$ 5,307,631</u>	

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

Town of North Topsail Beach, North Carolina
Capital Improvement Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
Year Ended June 30, 2025

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$	\$	\$ 1,164,785	\$
Onslow County Fire tax			486,026	
Total revenues	<u>1,591,591</u>	<u>1,591,591</u>	<u>1,650,811</u>	<u>59,220</u>
Expenditures:				
Public safety:				
Operating expenditures			14,582	
Debt service			584,394	
Total expenditures	<u>1,591,591</u>	<u>1,591,591</u>	<u>598,976</u>	<u>992,615</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,051,835</u>	<u>1,051,835</u>
Other financing sources (uses):				
Transfers to other funds	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Fund balance appropriated	1,000,000	1,000,000	-	(1,000,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>51,835</u>	<u>\$ 51,835</u>
Fund balance, beginning, previously reported			3,067,037	
Restatement (Note 6)			<u>279,356</u>	
Fund balance, beginning, restated			<u>3,346,393</u>	
Fund balance, ending			<u>\$ 3,398,228</u>	

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

Notes to the Financial Statements

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of North Topsail Beach, North Carolina and its discretely presented component unit 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 North Topsail Beach is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the financial position and activities of the Town.

B - Basis of Presentation

Government-wide Statements: The statement of net position and statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - governmental - are presented. The Town has no fiduciary funds to report. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. Primary expenditures are for public safety, transportation, sanitation, environmental protection, economic development, and community development.

Shoreline Protection Fund - This is a special revenue fund used to account for shoreline and beach protection.

Fire Station #2 Fund - This is a capital project fund used to account for Fire Station #2 project.

Beach Maintenance Project Fund - This is a capital project fund used to account for beach maintenance projects.

Capital Improvement Fund - This is a capital project fund used to account for capital improvements as well as the retirement of debt for capital improvements.

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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 shared revenue for the Town of North Topsail Beach because the tax is levied by Brunswick County and then remitted to and distributed by the State. Most intergovernmental revenue 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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursed grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and Beach Nourishment Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are utilized in capital project funds whereby appropriations lapse at project completion. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The finance officer is authorized by the budget ordinance to transfer appropriations between departmental areas within a fund up to \$2,500; however, any revisions that alter total expenditures of any fund or that change departmental appropriations by more than \$2,500 must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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 or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town of North Topsail Beach has invested in securities that are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of North Topsail Beach's Restricted Cash

Governmental Activities:

General Fund:

Streets	\$ 87,997
Public safety - General Fund	1,594
Fire Station #2	4,048,091
Capital Improvement Fund	3,399,190
Shoreline Project	4,464,310
Beach Maintenance Project	2,768,037
FEMA PTC #8	2,466,500
Total Governmental Activities	<u>17,235,719</u>

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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2023. 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 revenue is reported net of such discounts.

5. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Prepaid Items

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

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: land, \$100,000; buildings, improvements, \$100,000; infrastructure, \$100,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchases or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Buildings	40
Infrastructure	20
Vehicles and Equipment	5-10

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion – pension related deferrals for the 2025 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has items that meet the criteria for this category – property taxes receivable, pension deferrals.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days of earned vacation leave. For the Town's government-wide funds and ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded within the fund as the leave is earned.

Both the Town sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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

12. Net Position / Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, 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:

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

Prepaid Expense – portion of the fund balance that is not an available resource because it represents the year-end balance of expense prepaid for future use, which is not separable resources.

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

12. Net Position / Fund Balances (continued)

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

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

Restricted for Environmental Protection - Portion of fund balance that is restricted by legislation for specific use of beach re-nourishment and hurricane protection. These classified amounts are reserved for future expenditures.

Committed Fund Balance - Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of North Topsail Beach's governing body (highest level of decision-making authority). 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.

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Capital Improvements - portion of fund balance that has been budgeted by the Board for capital improvements.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

13. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of North Topsail Beach's employer contributions are recognized when due and the Town of North Topsail Beach 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.

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

B - Deficit in Fund Balance or Net Position of Individual Funds

None.

C - Excess of Expenditures over Appropriations

None.

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

1. Deposits

All the deposits of the Town is either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town deposits are considered to be held by the Town's in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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 \$1,261,111 and a bank balance of \$1,222,835. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2025, the Town's petty cash totaled \$1,595.

2. Investments

At June 30, 2025, the Town had \$33,125,825 invested with North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. 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 allowance for doubtful accounts:

General Fund:	
Property Taxes	\$ 6,000
Total	<u>\$ 6,000</u>

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets

Primary Government

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

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,082,341	\$ -	\$ -	\$ 1,082,341
Construction in progress	542,318	2,426,618	-	2,968,936
Total capital assets not being depreciated	1,624,659	2,426,618	-	4,051,277
Capital assets being depreciated:				
Buildings	4,009,637	-	-	4,009,637
Equipment and Furniture	1,093,940	65,669	-	1,159,609
Vehicles	2,773,571	97,311	-	2,870,882
Infrastructure	32,259,589	-	-	32,259,589
Total capital assets being depreciated	40,136,737	162,980	-	40,299,717
Less accumulated depreciation for:				
Buildings	1,100,964	95,493	-	1,196,457
Equipment and Furniture	880,716	85,687	-	966,403
Vehicles	1,638,593	155,421	-	1,794,014
Infrastructure	11,727,636	820,371	-	12,548,007
Total accumulated depreciation	15,347,909	1,156,972	-	16,504,881
Total capital assets being depreciated, net	24,788,828			23,794,836
Governmental activities capital assets, net	\$ 26,413,487			\$ 27,846,113

D

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

General government	\$ 115,697
Public safety	150,406
Environmental protection	890,869
Total depreciation expense	\$ 1,156,972

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of North Topsail Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of North Topsail Beach's contractually required contribution rate for the year ended June 30, 2024, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of North Topsail Beach were \$334,197 for the year ended June 30, 2025.

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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 \$1,915,724 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 0.02842%, which was a decrease of 0.00556% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of \$534,579. 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
Differences between expected and actual experience	\$ 335,707	\$ 2,257
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	260,442	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,934	203,471
Town contributions subsequent to the measurement date	356,410	-
Total	<u>\$ 967,493</u>	<u>\$ 205,728</u>

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

\$356,410 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	114,583
2027	315,505
2028	4,715
2029	(29,449)
2030	-
Thereafter	-
	\$ 405,354

Actuarial Assumptions. The total pension liability in the December 31, 2024 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 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2018.

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.

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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, 2025 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2025 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 257,242	\$ 231,872	\$ 209,539

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

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

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2024, the Separation Allowance's membership consisted of:

	Law Enforcement Officers
Retirees and dependents receiving benefits	1
Active plan members	12
Total	13

2. Summary of Significant Accounting Policies

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

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

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2022 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	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.28 percent

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

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. 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. 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 \$16,515 in contributions 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 \$231,872. The total pension liability was measured as of December 31, 2024, based on a December 31, 2023, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$5,174.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,763	\$ 61,611
Changes of assumptions and other inputs	20,307	31,789
Total	<u>\$ 22,070</u>	<u>\$ 93,400</u>

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

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

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ (14,903)
2027	(22,389)
2028	(19,133)
2029	(10,480)
2030	(3,766)
Thereafter	(659)

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%)	Current Discount Rate (4.28%)	1% Increase (5.28%)
Total pension liability	\$ 257,242	\$ 231,872	\$ 209,539

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

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

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

	<u>2025</u>
Beginning balance	\$ 233,232
Service Cost	16,985
Interest on the total pension liability	8,999
Differences between expected and actual experience in the measurement of the total pension liability	(4,045)
Changes of assumptions or other inputs	(6,784)
Benefit payments	(16,515)
Other changes	-
Ending balance of the total pension liability	<u><u>\$ 231,872</u></u>

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 534,579	\$ 5,174	\$ 539,753
Pension Liability	1,915,724	231,872	2,147,596
Proportionate share of the net pension liability	0.02842%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	335,707	1,763	337,470
Changes of assumptions	-	20,307	20,307
Net difference between projected and actual earnings on plan investments	260,442	-	260,442
Changes in proportion and differences between contributions and proportionate share of contributions	14,934	-	14,934
Benefit payments and administrative costs paid subsequent to the measurement date	356,410	-	356,410
Deferred Inflows of Resources			
Differences between expected and actual experience	2,257	61,611	63,868
Changes of assumptions	-	31,789	31,789
Changes in proportion and differences between contributions and proportionate share of contributions	203,471	-	203,471

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following:

Source	Amount
Differences between expected and actual experience	\$ 337,470
Changes of assumptions	20,307
Net difference between projected and actual earnings on pension plan investments	260,442
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,934
Benefit payments and administrative costs paid subsequent to the measurement date	356,410
Total	<u><u>\$ 989,563</u></u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 151,180
Unspent grant proceeds	-	-
Changes in assumptions	31,789	-
Differences between expected and actual experience	63,868	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	203,471	-
Total	<u><u>\$ 299,128</u></u>	<u><u>\$ 151,180</u></u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability, law enforcement liability, and auto liability coverage of \$2 million per occurrence; public officials' liability and employee benefits liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to \$1 million lifetime limit. The town also carries flood insurance of \$5 million per occurrence.

In accordance with G.S. 159-29, the finance officer is individually bonded for \$1,000,000. The remaining employees that have access to cash are covered under a blanket insurance policy.

4. Claims, Judgements, and Contingent Liabilities

At June 30, 2025, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

4. Long-Term Obligations

a. Direct Placement Notes Payable

Fire truck financed through Jones Onslow EMC in the amount of \$760,000. Non-interest-bearing note with monthly payments of \$5,833 beginning April 1, 2026 until maturity on March 1, 2036. \$60,000 was due on June 1, 2024. \$ 700,000

Fire Station building financed through Chase Bank with loan of \$5,600,000 with 3.79% interest rate. Payments beginning January 15, 2025 with yearly set principal payments of \$373,333. Maturity of loan is January 15, 2039. 5,226,667

Total Direct Placement notes payable \$ 5,926,667

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2026	\$ 373,333	\$ 198,091
2027	443,329	183,941
2028	443,333	169,792
2029	443,333	155,643
2030	443,333	150,654
2031-2035	2,216,645	415,319
2036-2039	1,563,361	212,240
Total	<u>\$ 5,926,667</u>	<u>\$ 1,485,680</u>

b. Special Obligation Indebtedness

Special Obligation Bonds (SOBs) are authorized by N.C. Statutes and are available for use by cities and towns in North Carolina. A SOB pledges a specific town revenue or revenues as the collateral for the repayment of the bonds. Accordingly, the SOBs are not a general obligation of the Town and the remedies for collection are restricted to the pledged revenues.

Bonds payable at June 30, 2025 are comprised of the following individual issue:

Serviced by the Shoreline Protection Fund:

\$9,059,808 Special Obligation, Series 2022B Bonds issued on March 8, 2022, and due on June 1st in various installments plus interest through June 1, 2027; interest at 2.68%.

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2026	\$ 1,811,962	\$ 72,841
2027	1,739,119	24,280
Total	<u>\$ 3,551,081</u>	<u>\$ 97,121</u>

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

b. Special Obligation Indebtedness (continued)

Serviced by the Beach Maintenance Project Fund:

\$2,091,475 Special Obligation, Series 2022C Bonds issued in fiscal year 2023. Bonds will be paid with FEMA reimbursements for the ongoing Beach Maintenance Project.

c. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Direct placement note payable	\$ 6,300,000	\$ -	\$ (373,333)	\$ 5,926,667	\$ 373,333
Special obligation bonds - USDA	5,435,884	-	(1,884,803)	3,551,081	1,811,962
Special obligation bonds - FEMA (C)	2,091,475	-	-	2,091,475	2,091,475
Compensated absences:					
Vacation leave	124,884	59,177	-	184,061	40,000
Sick leave		500,156	-	500,156	40,000
Net pension obligation (LGERS)	2,250,459	-	(334,735)	1,915,724	-
Total Pension Liability (LEO)	233,232	-	(1,360)	231,872	-
Governmental activity long-term liabilities	<u>\$ 16,435,934</u>	<u>\$ 559,333</u>	<u>\$ (2,594,231)</u>	<u>\$ 14,401,036</u>	<u>\$ 4,356,770</u>

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C – Interfund Balances and Activity

	<u>Amount</u>
From the General Fund to the Beach Maintenance Project Fund	\$ 2,000,000
From the General Fund to the Fire Station #2 Fund	232,000
From the Capital Improvement Fund to the Fire Station #2 Fund	1,000,001
From the Shoreline Protection Fund to FEMA PTC Fund	2,974,942
From the Shoreline Protection Fund to Beach Maintenance Project Fund	8,330,852
Total	<u><u>\$ 14,537,795</u></u>

Transfers are used to move unrestricted revenues to finance various programs and projects that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

During the 2025 fiscal year, the Town made a transfer from the General Fund to the Beach Maintenance Project Fund of \$2,000,000 for the funds allocated for use for beach nourishment projects.

During the 2025 fiscal year, the Town made a transfer from the General Fund to the Fire Station #2 Fund of \$232,000 for the funds allocated for Fire Station expenditures.

During the 2025 fiscal year, the Town made a transfer from the Capital Improvements Fund to the Fire Station #2 Fund of \$1,000,0001 for the funds allocated for use for Fire Station expenditures.

During the 2025 fiscal year, the Town made a transfer from the Shoreline Protection Fund to the FEMA PTC Fund of \$2,974,942 for the funds allocated for use for future beach nourishment projects.

During the 2025 fiscal year, the Town made a transfer from the Shoreline Protection Fund to the Beach Maintenance Project Fund of \$8,330,852 for the funds allocated for use for future beach nourishment projects.

D - Net Investment in Capital Assets

	<u>Governmental</u>
Capital assets	\$ 27,846,113
less: long-term debt	(11,569,223)
Net investment in capital assets	<u><u>\$ 16,276,890</u></u>

E - Fund Balance

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	\$ 13,851,888
Less:	
Stabilization by State Statute	1,169,908
Streets - Powell Bill	87,997
Prepays	3,000
Public safety	1,594
Remaining Fund Balance	<u><u>\$ 12,589,389</u></u>

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2025

NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 6 - RESTATEMENT

During the fiscal year, the Town identified errors in previously reported fund balance amounts related to year-end accruals and capital project activity. As a result, beginning fund balances for several funds have been restated to correct these errors and to properly reflect the financial position of the Town in accordance with generally accepted accounting principles. The restatements resulted in the following adjustments to beginning fund balance as of July 1, 2024:

- General Fund: Increase of \$37,475
- Shoreline Project Fund: Decrease of \$1,222,680
- Capital Improvement Fund: Increase of \$279,356

These adjustments were necessary to correct the misstated balances reported in the prior period and have been reflected in the accompanying financial statements.

NOTE 7 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the year ended June 30, 2025, the Town implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 101, Compensated Absences

GASB Statement No. 101 updates the recognition, measurement, and disclosure requirements for compensated absences. This Statement supersedes GASB Statement No. 16, Accounting for Compensated Absences, which was issued in 1992, and aims to better meet the information needs of financial statement users by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. Lastly, the model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. The implementation of GASB 101 did not result in a restatement of beginning net position for the governmental activities. The Town determined that any cumulative effect of applying the Statement to prior periods was not material to the financial statements.

NOTE 8 - SUBSEQUENT EVENTS

There are no subsequent events that would have a material effect on the financial statements. Subsequent events were evaluated through November 25, 2025 which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Shares of the Net Pension Asset - Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total pension Liability - Law Enforcement Officer's Special Separation Allowance

Town of North Topsail Beach, North Carolina
Town of North Topsail Beach's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years*

	Local Government Employees' Retirement System									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
North Topsail Beach's proportion of the net pension liability (asset) (%)	0.02842%	0.03398%	0.03305%	3.28700%	0.02714%	0.03054%	0.27920%	0.02581%	0.02612%	0.03091%
North Topsail Beach's proportion of the net pension liability (asset) (\$)	\$ 1,915,724	\$ 2,250,459	\$ 1,864,492	\$ 504,093	\$ 969,828	\$ 834,024	\$ 662,358	\$ 394,305	\$ 554,354	\$ 138,722
North Topsail Beach's covered-employee payroll	\$ 2,520,442	\$ 2,380,229	\$ 2,199,680	\$ 2,107,990	\$ 1,989,600	\$ 2,038,073	\$ 1,616,324	\$ 1,627,781	\$ 1,604,908	\$ 1,599,383
North Topsail Beach's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.01%	94.55%	84.76%	23.91%	48.74%	40.92%	40.98%	24.22%	34.54%	8.67%
Plan fiduciary net position as a percentage of the total pension liability	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	94.18%	98.09%	102.64%

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

	Local Government Employees' Retirement System									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 356,410	\$ 334,197	\$ 296,325	\$ 256,786	\$ 220,861	\$ 184,774	\$ 164,550	\$ 122,528	\$ 117,456	\$ 104,513
Contributions in relation to the contractually required contribution	356,410	334,197	296,325	256,786	220,861	184,774	164,550	122,528	117,456	104,513
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
North Topsail Beach's covered-employee payroll	\$ 2,452,532	\$ 2,520,442	\$ 2,380,229	\$ 2,199,680	\$ 2,107,990	\$ 1,989,600	\$ 2,038,073	\$ 1,616,324	\$ 1,627,781	\$ 1,604,908
Contributions as a percentage of covered-employee payroll	14.53%	13.26%	12.45%	11.67%	10.48%	9.29%	8.07%	7.58%	7.22%	6.51%

Town of North Topsail Beach, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 233,232	\$ 260,457	\$ 292,764	\$ (357,351)	\$ 286,631	\$ 360,852	\$ 336,687	\$ 299,382
Service Cost	16,985	16,370	17,581	18,855	11,179	12,938	15,414	13,560
Interest on the total pension liability	8,999	10,883	6,408	6,743	9,069	12,729	10,286	11,159
Differences between expected and actual experience in the measurement of the total pension liability	(4,045)	(45,186)	3,305	(67,005)	(9,113)	(85,313)	35,446	9,908
Changes of assumptions or other inputs	(6,784)	6,611	(43,698)	(7,277)	76,477	7,759	(14,647)	23,281
Benefit payments	(16,515)	(15,903)	(15,903)	(15,903)	(16,893)	(22,334)	(22,334)	(20,603)
Ending balance of the total pension liability	<u>\$ 231,872</u>	<u>\$ 233,232</u>	<u>\$ 260,457</u>	<u>\$ (421,938)</u>	<u>\$ 357,350</u>	<u>\$ 286,631</u>	<u>\$ 360,852</u>	<u>\$ 336,687</u>

Town of North Topsail Beach, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 231,872	\$ 233,232	\$ 260,457	\$ 292,764	\$ 357,351	\$ 286,631	\$ 360,852	\$ 336,687
Covered payroll	652,169	686,024	618,543	639,431	595,749	650,515	513,035	497,026
Total pension liability as a percentage of covered payroll	35.55%	34.00%	42.11%	45.79%	59.98%	44.06%	70.34%	67.74%

Notes to the schedules:

Town of North Topsail Beach has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Individual Fund Statements and Schedules

Town of North Topsail Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 4,450,849	\$
Interest		2,132	
Total	<u>4,290,197</u>	<u>4,452,981</u>	<u>162,784</u>
Permits and fees:			
Inspection fee		137,951	
Total	<u>161,300</u>	<u>137,951</u>	<u>(23,349)</u>
Sales and services:			
Solid waste		492,682	
Rents		136,489	
Fines and penalties		7,167	
Miscellaneous		21,905	
Total	<u>702,513</u>	<u>658,243</u>	<u>(44,270)</u>
Unrestricted intergovernmental:			
Local option sales taxes		3,294,415	
Franchise tax		536,406	
Beer and wine tax		4,391	
Total	<u>2,500,397</u>	<u>3,835,212</u>	<u>1,334,815</u>
Restricted intergovernmental:			
Solid waste disposal tax		848	
NCDOT row mowing		7,399	
Powell Bill		42,556	
Total	<u>42,743</u>	<u>50,803</u>	<u>8,060</u>
Investment earnings	<u>478,000</u>	<u>824,960</u>	<u>346,960</u>
Total revenues	<u>\$ 8,175,150</u>	<u>\$ 9,960,150</u>	<u>\$ 1,785,000</u>

Town of North Topsail Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body			
Salaries and benefits	\$	\$ 36,320	\$
Other operating expenditures		175,138	
Total	<u>334,304</u>	<u>211,458</u>	<u>122,846</u>
 Administration			
Salaries and benefits		507,907	
Other operating expenditures		409,190	
Total	<u>1,192,677</u>	<u>917,097</u>	<u>275,580</u>
 Planning and zoning			
Salaries and benefits		137,402	
Other operating expenditures		6,199	
Total	<u>240,218</u>	<u>143,601</u>	<u>96,617</u>
 IT department			
Salaries and benefits		117,752	
Other operating expenditures		59,115	
Capital outlay		53,546	
Total	<u>236,210</u>	<u>230,413</u>	<u>5,797</u>
 Insurance			
Other operating expenditures		216,458	
Total	<u>290,666</u>	<u>216,458</u>	<u>74,208</u>
 Public buildings			
Other operating expenditures		223,313	
Total	<u>311,500</u>	<u>223,313</u>	<u>88,187</u>
 Committees			
Other operating expenditures		99	
Total	<u>2,000</u>	<u>99</u>	<u>1,901</u>
 Public works			
Salaries and benefits		192,164	
Other operating expenditures		79,290	
Capital outlay		12,123	
Total	<u>472,206</u>	<u>283,577</u>	<u>188,629</u>
 Total general government	<u>\$ 3,079,781</u>	<u>\$ 2,226,016</u>	<u>\$ 853,765</u>

Town of North Topsail Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police			
Salaries and benefits	\$	\$ 1,142,435	\$
Other operating expenditures		203,482	
Capital outlay		45,624	
Total	<u>1,521,277</u>	<u>1,391,541</u>	<u>129,736</u>
Police Separation Allowance			
Salaries and benefits		17,827	
Total	<u>17,125</u>	<u>17,827</u>	<u>(702)</u>
Inspection and zoning			
Salaries and benefits		124,214	
Other operating expenditures		38,224	
Total	<u>261,469</u>	<u>162,438</u>	<u>99,031</u>
Fire			
Salaries and benefits		1,287,447	
Other operating expenditures		187,611	
Capital outlay		51,687	
Total	<u>1,660,013</u>	<u>1,526,745</u>	<u>133,268</u>
Total public safety	<u>3,459,884</u>	<u>3,098,551</u>	<u>361,333</u>
Street department			
Other operating expenditures		67,350	
Total street department	<u>312,500</u>	<u>67,350</u>	<u>245,150</u>
Sanitation			
Other operating expenditures		507,342	
Total sanitation	<u>\$ 540,888</u>	<u>\$ 507,342</u>	<u>\$ 33,546</u>

Town of North Topsail Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
Year Ended June 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Community Development			
Other operating expenditures	\$	\$ 51,572	\$
Total community development	<u>277,874</u>	<u>51,572</u>	<u>226,302</u>
Contingency			
Other operating expenditures		-	
Total contingency	<u>325,625</u>	<u>-</u>	<u>325,625</u>
Total expenditures	<u>7,996,552</u>	<u>5,950,831</u>	<u>2,045,721</u>
Revenues over (under) expenditures	<u>178,598</u>	<u>4,009,319</u>	<u>3,830,721</u>
Other financing sources (uses):			
Transfer to other funds	(2,232,000)	(2,232,000)	-
Insurance proceeds	-	17,687	17,687
Total	<u>(2,232,000)</u>	<u>(2,214,313)</u>	<u>17,687</u>
Fund balance appropriated	2,053,402	-	2,053,402
Net change in fund balances	<u>\$ -</u>	<u>1,795,006</u>	<u>\$ 1,795,006</u>
Fund balance, beginning, previously reported		12,094,357	
Restatement (Note 6)		(37,475)	
Fund balance, beginning, restated		<u>12,056,882</u>	
Fund balance, ending		<u>\$ 13,851,888</u>	

Town of North Topsail Beach, North Carolina
Shoreline Protection Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$	\$ 1,663,467	\$
Accommodations tax		2,529,384	
Unrestricted intergovernmental		1,277,619	
Permits and fees		446,735	
Investment earnings		241,583	
Total revenues	<u>4,731,281</u>	<u>6,158,788</u>	<u>1,427,507</u>
Expenditures:			
Environmental protection:			
Operating expenditures		663,088	
Total	<u>2,488,296</u>	<u>663,088</u>	<u>1,825,208</u>
Debt service:			
Principal		2,030,964	
Interest		158,880	
Total debt service	<u>2,210,888</u>	<u>2,189,844</u>	<u>21,044</u>
Total expenditures	<u>4,699,184</u>	<u>2,852,932</u>	<u>1,846,252</u>
Revenues over (under) expenditures	<u>32,097</u>	<u>3,305,856</u>	<u>3,273,759</u>
Other financing sources (uses):			
Transfers to other funds	<u>(11,305,794)</u>	<u>(11,305,794)</u>	<u>-</u>
Total other financing sources (uses)	<u>(11,305,794)</u>	<u>(11,305,794)</u>	<u>-</u>
Fund balance appropriation	11,273,697	-	(11,273,697)
Net change in fund balance	<u>\$ -</u>	<u>(7,999,938)</u>	<u>\$ (7,999,938)</u>
Fund balance, previously reported		14,530,249	
Restatement (Note 6)		<u>(1,222,680)</u>	
Fund balance, beginning, restated		<u>13,307,569</u>	
Fund balance, ending		<u>\$ 5,307,631</u>	

Town of North Topsail Beach, North Carolina
Capital Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$	\$ 1,164,785	\$
Onslow County Fire tax		486,026	
Total revenues	<u>1,591,591</u>	<u>1,650,811</u>	<u>59,220</u>
Expenditures:			
Current:			
Tax collection fees		14,582	
Principal retirement		373,333	
Interest and fees		211,061	
Total expenditures	<u>1,591,591</u>	<u>598,976</u>	<u>992,615</u>
Revenues over (under) expenditures	<u>-</u>	<u>1,051,835</u>	<u>1,051,835</u>
Other financing sources (uses):			
Transfers to other funds	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Fund balance appropriated	1,000,000	-	1,000,000
Net change in fund balance	<u>\$ -</u>	<u>51,835</u>	<u>\$ 51,835</u>
Fund balance, previously reported		3,067,037	
Restatement (Note 6)		<u>279,356</u>	
Fund balance, beginning, restated		<u>3,346,393</u>	
Fund balance, ending		<u>\$ 3,398,228</u>	

Town of North Topsail Beach, North Carolina
Beach Maintenance Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
From Inception and Year Ended June 30, 2025

	<u>Project Authorization</u>	<u>Prior Year Actual</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive (Negative)</u>
Revenues:					
FEMA reimbursement	\$ 17,599,184	\$ 11,427,633	\$ 483,987	\$ 11,911,620	\$ (5,687,564)
NCDEQ grant	10,500,000	10,500,000	-	10,500,000	-
Investment earnings	272,386	272,386	1,031,527	1,303,913	1,031,527
Total revenues	<u>28,371,570</u>	<u>22,200,019</u>	<u>1,515,514</u>	<u>23,715,533</u>	<u>(4,656,037)</u>
Expenditures:					
FEMA:					
Administration		376,395	41,334	417,729	
Haul and placement of beach fill		20,510,770	84,722	20,595,492	
Mobilization and demobilization		180,000	-	180,000	
Other		70,929	480,665	551,594	
Total FEMA expenditures		<u>21,138,094</u>	<u>606,721</u>	<u>21,744,815</u>	
NCDEQ:					
Construction Management		-	324,683	324,683	
Haul and placement of beach fill		-	8,357,150	8,357,150	
Mobilization and demobilization		-	31,000	31,000	
Other		-	50,656	50,656	
Total NCDEQ expenditures		<u>-</u>	<u>8,763,489</u>	<u>8,763,489</u>	
Total expenditures	<u>40,635,230</u>	<u>21,138,094</u>	<u>9,370,210</u>	<u>30,508,304</u>	<u>10,126,926</u>
Revenues under expenditures	(12,263,660)	1,061,925	(7,854,696)	(6,792,771)	5,470,889
Debt payments:					
Debt payments	<u>10,452,630</u>	<u>8,765,829</u>	<u>-</u>	<u>8,765,829</u>	<u>1,686,801</u>
Total debt service	<u>10,452,630</u>	<u>8,765,829</u>	<u>-</u>	<u>8,765,829</u>	<u>1,686,801</u>
Other financing sources (uses):					
Long-term debt proceeds	10,857,304	10,857,304	-	10,857,304	-
Transfers from other funds	<u>11,858,986</u>	<u>1,528,134</u>	<u>10,330,852</u>	<u>11,858,986</u>	<u>-</u>
Total other sources (uses)	<u>22,716,290</u>	<u>12,385,438</u>	<u>10,330,852</u>	<u>22,716,290</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,681,534</u>	<u>2,476,156</u>	<u>\$ 7,157,690</u>	<u>\$ 7,157,690</u>
Fund balance, beginning			<u>4,681,534</u>		
Fund balance, ending			<u>\$ 7,157,690</u>		

Town of North Topsail Beach, North Carolina
Fire Station #2 Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
From Inception and For the Year Ended June 30, 2025

	<u>Project Authorization</u>	<u>Prior Year Actual</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive (Negative)</u>
Expenditures:					
Public safety:					
Construction	\$ 6,832,000	\$ 510,602	\$ 2,426,618	\$ 2,937,220	\$ 3,894,780
Total expenditures	<u>6,832,000</u>	<u>510,602</u>	<u>2,426,618</u>	<u>2,937,220</u>	<u>3,894,780</u>
Revenues under expenditures	(6,832,000)	(510,602)	(2,426,618)	(2,937,220)	3,894,780
Other financing sources (uses):					
Long-term debt proceeds	5,600,000	5,600,000	-	5,600,000	-
Transfers from other funds	<u>1,232,000</u>	<u>-</u>	<u>1,232,001</u>	<u>1,232,001</u>	<u>1</u>
Total other sources (uses)	<u>6,832,000</u>	<u>5,600,000</u>	<u>1,232,001</u>	<u>6,832,001</u>	<u>1</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ 5,089,398</u>	 (1,194,617)	 <u>\$ 3,894,781</u>	 <u>\$ 3,894,781</u>
 Fund balance, beginning			 <u>5,089,398</u>		
Fund balance, ending			<u>\$ 3,894,781</u>		

Town of North Topsail, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	FEMA PTC #8 Fund	Stormwater Grant Fund	Total Nonmajor Governmental Funds
Assets:			
Restricted cash	\$ 2,466,500	\$ -	\$ 2,466,500
Accounts receivable, net	-	94,252	94,252
Total assets	<u>\$ 2,466,500</u>	<u>\$ 94,252</u>	<u>\$ 2,560,752</u>
Liabilities:			
Accounts payable	\$ 5,036	\$ 8,560	\$ 13,596
Due to other funds - central depository	-	85,692	85,692
Total liabilities	<u>5,036</u>	<u>94,252</u>	<u>99,288</u>
Fund balances:			
Restricted:			
Environmental protection	2,461,464	-	2,461,464
Total fund balances	<u>2,461,464</u>	<u>-</u>	<u>2,461,464</u>
Total liabilities and fund balances	<u>\$ 2,466,500</u>	<u>\$ 94,252</u>	<u>\$ 2,560,752</u>

Town of North Topsail, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2025

	FEMA PTC #8 Fund	Stormwater Grant Fund	Total Nonmajor Governmental Funds
Revenues:			
Restricted intergovernmental	\$ -	\$ 94,252	\$ 94,252
Total revenues	<u>-</u>	<u>94,252</u>	<u>94,252</u>
Expenditures:			
Current:			
Environmental protection	513,477	94,252	607,729
Total expenditures	<u>513,477</u>	<u>94,252</u>	<u>607,729</u>
Revenues over (under) expenditures	(513,477)	-	(513,477)
Other financing sources (uses):			
Transfers from other funds	2,974,941	-	2,974,941
Total other financing sources (uses)	<u>2,974,941</u>	<u>-</u>	<u>2,974,941</u>
Net change in fund balances	2,461,464	-	2,461,464
Fund balance, beginning	-	-	-
Fund balance, ending	<u>\$ 2,461,464</u>	<u>\$ -</u>	<u>\$ 2,461,464</u>

Town of North Topsail, North Carolina
FEMA PTC #8 Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and For the Year Ended June 30, 2025

	Project Authorization	Prior Year Actual	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
FEMA reimbursement	\$ 2,231,206	\$ -	\$ -	\$ -	\$ (2,231,206)
NC Match	743,736	-	-	-	(743,736)
Total revenues	<u>2,974,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,974,942)</u>
Expenditures:					
Beach fill placement	2,867,000	-	341,483	341,483	2,525,517
Construction admin	123,500	-	27,413	27,413	96,087
Contingency	2,702,173	-	-	-	2,702,173
Loss determination and cost	59,810	-	45,177	45,177	14,633
Project permitting	12,500	-	19,217	19,217	(6,717)
Project design	30,900	-	168	168	30,732
Equipment mobilization	50,000	-	23,750	23,750	26,250
Other	104,001	-	56,270	56,270	47,731
Total expenditures	<u>5,949,884</u>	<u>-</u>	<u>513,478</u>	<u>513,478</u>	<u>5,436,406</u>
Revenues under expenditures	(2,974,942)	-	(513,478)	(513,478)	2,461,464
Other financing sources (uses):					
Transfers from other funds	<u>2,974,942</u>	<u>-</u>	<u>2,974,942</u>	<u>2,974,942</u>	<u>-</u>
Total other sources (uses)	<u>2,974,942</u>	<u>-</u>	<u>2,974,942</u>	<u>2,974,942</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,461,464	<u>\$ 2,461,464</u>	<u>\$ 2,461,464</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 2,461,464</u>		

Town of North Topsail, North Carolina
Stormwater Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
From Inception and For the Year Ended June 30, 2025

	Project Authorization	Prior Year Actual	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
NCEM DRMG2304 grant	\$ 1,261,607	\$ -	\$ 94,252	\$ 94,252	\$ (1,167,355)
Total revenues	<u>1,261,607</u>	<u>-</u>	<u>94,252</u>	<u>94,252</u>	<u>(1,167,355)</u>
Expenditures:					
Island Drive (Hwy 210)	704,211	-	-	-	704,211
New River Inlet Road	354,396	-	-	-	354,396
Project management	13,565	-	6,783	6,783	6,782
Field survey	26,490	-	24,950	24,950	1,540
Construction plans	89,650	-	44,986	44,986	44,664
Permits	45,600	-	16,400	16,400	29,200
Project meetings	11,265	-	-	-	11,265
Bid phase services	14,850	-	-	-	14,850
Reimbursables	1,580	-	1,133	1,133	447
Total expenditures	<u>1,261,607</u>	<u>-</u>	<u>94,252</u>	<u>94,252</u>	<u>1,167,355</u>
Revenues under expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Other Schedules

This section contains additional information on property taxes

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

Town of North Topsail Beach, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2025

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2024</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2025</u>
2024-2025	\$ -	\$ 7,343,412	\$ 7,252,702	\$ 90,710
2023-2024	61,612	-	26,944	34,668
2022-2023	15,076	-	1,383	13,693
2021-2022	10,044	-	118	9,926
2020-2021	3,548	-	89	3,459
2019-2020	1,738	-	215	1,523
2018-2019	1,540	-	154	1,386
2017-2018	893	-	42	851
2016-2017	574	-	42	532
2015-2016	480	-	48	432
2014-2015	575	-	575	-
	<u>\$ 96,080</u>	<u>\$ 7,343,412</u>	<u>\$ 7,282,312</u>	<u>157,180</u>

Less: allowance for uncollectible accounts - General Fund (6,000)

Ad valorem taxes receivable - net \$ 151,180

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 4,452,981
Ad valorem taxes - Capital Improvement Fund	1,164,785
Ad valorem taxes - Shoreline Protection Fund	1,663,467
Reconciling items:	
Discounts, releases, refunds	(2,131)
Interest collected	<u>3,210</u>

Total collections and credits \$ 7,282,312

Town of North Topsail Beach, North Carolina
Analysis of Current Year Tax Levy
Year Ended June 30, 2025

	<u>Town-Wide Levy</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy					
Property taxed at					
current year's rate	<u>\$ 4,591,370,625</u>	0.16	<u>\$ 7,346,193</u>	<u>\$ 7,249,984</u>	<u>\$ 96,209</u>
Total	<u>4,591,370,625</u>		<u>7,346,193</u>	<u>7,249,984</u>	<u>96,209</u>
Releases	<u>(1,738,125)</u>	0.16	<u>(2,781)</u>	<u>(2,781)</u>	<u>-</u>
Total property valuation	<u><u>\$ 4,589,632,500</u></u>				
Net levy			7,343,412	7,247,203	96,209
Uncollected taxes at June 30, 2025			<u>(90,710)</u>	<u>(90,710)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 7,252,702</u></u>	<u><u>\$ 7,156,493</u></u>	<u><u>\$ 96,209</u></u>
Current levy collection percentage			<u><u>98.76%</u></u>	<u><u>98.75%</u></u>	<u><u>100.00%</u></u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Topsail Beach, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises the Town of North Topsail Beach's basic financial statements and have issued our report thereon dated November 25, 2025.

Internal Control over Financial Reporting

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

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

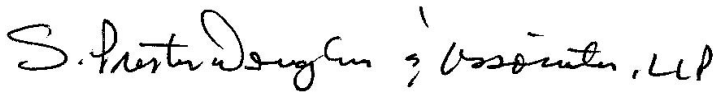
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be material weaknesses (2025-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of North Topsail Beach's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

Purpose of this Report

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

Handwritten signature of S. Parker Douglas, CPA. The signature is written in cursive and includes the text "S. Parker Douglas, CPA".

Ocean Isle Beach, North Carolina
November 25, 2025

S. Preston Douglas & Associates, LLP

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N. C. Association of CPAs

Independent Auditor's Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

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

Opinion on Each Major State Program

We have audited the Town of North Topsail Beach, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina issued by the Local Government Commission, that could have a direct and material effect on each of the Town of North Topsail Beach's major State programs for the year ended June 30, 2025. The Town of North Topsail Beach'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, the Town of North Topsail Beach 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 North Topsail Beach 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 the Town of North Topsail Beach'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 North Topsail Beach State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of North Topsail Beach'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 North Topsail Beach'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 North Topsail Beach'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 North Topsail Beach'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 North Topsail Beach's internal control over compliance. Accordingly, no such opinion is expressed.

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

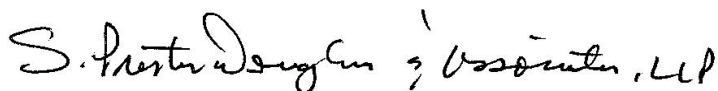
Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

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



Ocean Isle Beach, North Carolina
November 25, 2025

Town of North Topsail Beach, North Carolina
Schedule of Findings and Responses
Year Ended June 30, 2025

Section I. Summary of Auditor's Results
--

Financial Statements

Type of auditor's report issued:

Unmodified.

Internal control over financial reporting:

- | | | |
|--|--------------------------|------------------------------------|
| • Material weakness(es) identified? | _____ <u>X</u> _____ Yes | _____ <u>X</u> _____ No |
| • Significant deficiency(s) identified that are not considered to be material weaknesses | _____ Yes | _____ <u>X</u> _____ None reported |
| • Noncompliance material to financial statements | _____ Yes | _____ <u>X</u> _____ No |

State Awards

Internal control over major State programs

- | | | |
|--|-----------|------------------------------------|
| • Material weakness(es) identified? | _____ Yes | _____ <u>X</u> _____ No |
| • Significant deficiency(s) identified that are not considered to be material weaknesses | _____ Yes | _____ <u>X</u> _____ 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 2 CFR 200.516(a)

_____ Yes	_____ <u>X</u> _____ No
-----------	-------------------------

Identification of major State programs:

Names of State Programs

Coastal Storm Damage Mitigation Fund

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

\$ 500,000

Auditee qualified as low-risk auditee?

_____ Yes	_____ <u>X</u> _____ No
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Town of North Topsail Beach, North Carolina
Schedule of Findings and Responses (continued)
Year Ended June 30, 2025

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding: 2025 – 001 Material Prior Period Adjustments

Criteria: Governmental accounting standards (GAAP/GASB) require that financial information be recorded accurately and in the proper period. Internal control standards also require management to maintain controls that ensure year-end balances are complete, correct, and supported.

Condition: The June 30, 2024 audited financial statements included materially misstated balances. During the fiscal year, the Town identified errors in previously reported fund balance amounts related to year-end accruals for sales tax and utility franchise taxes and capital project activity. These misstatements could have led users to draw incorrect conclusions about the Town's financial position and operating results. To correct the errors, restatements of beginning fund balance were required totaling \$37,475 for the General Fund, \$1,222,680 for the Shoreline Project Fund, and \$279,356 for the Capital Improvement Fund.

Effect: Because the errors were not identified and corrected in the appropriate reporting period, the June 30, 2024 audited financial statements presented materially misstated balances. This had the potential to misinform financial statement users about the Town's financial position and operational results and reduced the reliability of the Town's financial reporting. As a result, material restatements of beginning fund balance were required, totaling \$37,475 in the General Fund, \$1,222,680 in the Shoreline Project Fund, and \$279,356 in the Capital Improvement Fund.

Cause: The material prior period adjustments resulted from deficiencies in internal controls over financial reporting, including inadequate year-end review procedures and insufficient reconciliation processes. These control weaknesses allowed errors in the recognition and recording of revenues, expenditures, and capital project activity to go undetected during the normal financial statement preparation process.

Repeat Finding: This was not a repeat finding.

Recommendation: Management should improve internal controls over year-end financial reporting by strengthening review and reconciliation processes to ensure balances are complete and accurate. Staff responsible for closing and financial reporting should receive additional training on project fund accounting. Complex or unusual transactions should be reviewed by appropriately qualified personnel.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the corrective action plan on page 68.

Joann M. McDermion, Mayor
Tom Leonard, Mayor Pro Tem

Aldermen:
Mike Benson
Richard Grant
Laura Olszewski
Connie Pletl



Alice Derian, ICMA-CM
Town Manager

Alexis Stanfield
Town Clerk

November 24, 2025 Corrective Action Plan

Year Ended June 30, 2025

Section II. FINANCIAL STATEMENT FINDINGS

Material Weakness:

Finding 2025-001 – Material Prior Period Adjustments

Contact Person: Wayne Johannessen

Corrective Action:

At the Town Manager's recommendation, the Town hired a consultant in October 2024 (FY2025) to perform bank reconciliations and prepare budget reports, amendments and resolutions. As a result of their work early on, the Town hired the Consultant to perform the duties of a Finance Officer.

The Consultant discovered that the "audited" financial statements for FY2024 had the material misstatements mentioned in this finding.

NOTE: The Auditor for FY2024 prepared the Town's financial statements, audited the financial statements, prepared adjustments to the financial statements and then rendered a clean opinion.

The Town Manager and the Board were made aware of the errors and misstatements and agreed immediately to the adjustments to correct the financial statements and to transfer moneys to the appropriate funds. Also, the Town issued a Request for Proposals to secure a new auditing firm.

The Town is using the Consultant to review the financial statements for FY2025, and the Town hired a Finance Director qualified to decrease the risk that this will be a repeat finding in subsequent years. The Town has also approved the position of Accountant 1 to provide the necessary support to the Finance Department.

Proposed Completion Date: Corrective action already implemented.

Town of North Topsail Beach North Carolina
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2025

Grantor/Pass-through Grant/Program Title	Federal Assistance Listing Number	Award Number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
Federal Grants:				
Pass Through:				
<u>US Department of Homeland Security</u>				
North Carolina Department of Public Safety				
Disaster Grants - Public Assistance Program	97.036	FEMA-4465-DR-NC	\$ 606,721	\$ -
Total federal assistance			<u>606,721</u>	<u>-</u>
State Grants:				
Direct Programs:				
<u>N.C. Department of Environmental Quality</u>				
Division of Water Resources				
Coastal Storm Damage Mitigation Fund		CW33845	-	8,763,489
<u>N.C. Department of Public Safety</u>				
Division of Emergency Management				
Disaster Recovery/Mitigation Grant		DRMG2304	-	94,252
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-2	-	22,976
NCDOT Row Mowing			<u>-</u>	<u>7,399</u>
Total state assistance			<u>-</u>	<u>8,888,116</u>
Total assistance			<u>\$ 606,721</u>	<u>\$ 8,888,116</u>

Notes to the Schedule of Expenditures of Federal and State 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 North Topsail Beach, North Carolina 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 North Topsail Beach, North Carolina, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of North Topsail Beach, North Carolina.

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

The Town of North Topsail Beach, North Carolina has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.