

Town of North Topsail Beach
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2024

BOARD OF ALDERMAN

Joann McDermon – Mayor
Mike Benson – Mayor Pro Tem
Connie Pletl
Richard Grant
Thomas Leonard
Laura Olszewski

OFFICIALS

Town Manager
Alice Derian

Finance Officer
Jessica Helms

Town Clerk
Melinda Mier

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June 30, 2024**

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FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Audit of Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise Town of North Topsail Beach's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of North Topsail Beach as of June 30, 2024, and the respective changes in financial position, and cash flows thereof and the respective budgetary comparison for the General Fund, Shoreline Protection Fund, American Rescue Plan Fund, and Capital Improvement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material misstatement when it exists.

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

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of North Topsail Beach' 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' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial

statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Topsail Beach's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, 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 August 23, 2024, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of North Topsail Beach's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of North Topsail Beach's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

August 23, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management’s Discussion and Analysis

As management of the Town of North Topsail Beach, we offer readers of the Town of North Topsail Beach’s financial statements this narrative overview and analysis of the financial activities of the Town of North Topsail Beach for the fiscal year ended June 30, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town’s financial statements, which follow this narrative.

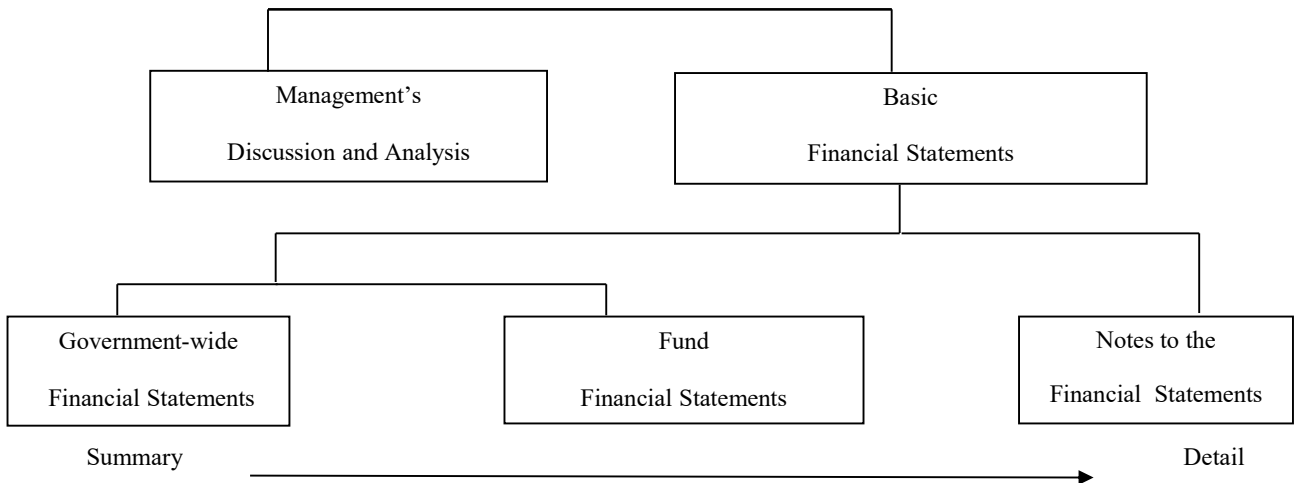
Financial Highlights

- The assets and deferred outflows of resources of the Town of North Topsail Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$50,713,085 (net position).
- The government's total net position increased by \$15,784,849.
- As of the close of the current fiscal year, the Town of North Topsail Beach's governmental funds reported combined ending fund balances of \$39,462,575 with an increase of \$14,919,289 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,231,779 or 194% percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of North Topsail Beach’s basic financial statements. The Town’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader’s understanding of the financial condition of the Town of North Topsail Beach.

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



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements for major governmental funds.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show 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, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows 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 governmental activities. The governmental activities include most of the Town's basic services such as public safety, environmental protection, and general administration. Property taxes and State and federal grant funds finance most of these activities.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The Fund Financial Statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of North Topsail Beach, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the Town's budget ordinance. All of the funds of the Town of North Topsail Beach are governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of 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 follow Exhibit 8 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.

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

Government-Wide Financial Analysis

**The Town of North Topsail Beach's Net Position
 Figure 2**

	Governmental Activities	
	2024	2023
Current and other assets	\$ 40,176,023	\$ 25,352,574
Capital assets	26,413,487	25,756,377
Deferred outflows of resources	1,348,388	1,289,968
Total assets and deferred outflows of resources	67,937,898	52,398,919
Long-term liabilities outstanding	12,109,164	14,698,568
Other liabilities	4,960,255	2,610,386
Deferred inflows of resources	155,394	161,729
Total liabilities and deferred inflows of resources	17,224,813	17,470,683
Net position:		
Net Investment in Capital Assets	12,586,128	11,492,234
Restricted	12,489,531	11,208,652
Unrestricted	25,637,426	12,227,350
Total net position	\$ 50,713,085	\$ 34,928,236

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Town of North Topsail Beach exceeded liabilities and deferred inflows by \$50,713,085 as of June 30, 2024. The Town's net position increased by \$15,748,849 for the fiscal year ended June 30, 2024. However, \$12,586,128 (25%) reflects the Town's net investments in capital assets (e.g. land, buildings, machinery, and equipment, less any related debt still outstanding that was issued to acquire those items.) The Town of North Topsail Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of North Topsail Beach's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of North Topsail Beach's net position of \$12,489,531 represents sources that are subject to external restrictions on how they may be used. The remaining balance of \$25,637,426 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.13%.

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

	Governmental Activities	
	2024	2023
Revenues		
Program Revenues:		
Charges for Services	\$ 3,412,171	\$ 2,717,217
Operating grants and contributions	360,068	121,511
Capital grants and contributions	12,839,340	9,088,293
General revenues:		
Property taxes	7,074,243	6,909,906
Other taxes	5,982,291	5,472,484
Investment earnings	1,570,893	577,366
Total revenues	31,239,006	24,886,777
Expenses		
General Government	2,307,207	2,147,633
Public Safety	3,411,449	3,348,622
Sanitation	542,444	489,730
Street Department	157,351	56,966
Environmental Protection	8,832,927	12,943,481
Community Development	29,340	87,032
Interest on long-term debt	173,439	216,545
Total expenses	15,454,157	19,290,009
Change in net position	15,784,849	5,596,768
Net Position, beginning	34,928,236	29,331,468
Net Position, ending	\$ 50,713,085	\$ 34,928,236

Governmental activities. Governmental activities increased the Town's net position by \$15,784,849. Key element of this increase is as follows:

- Increase in grant and property taxes revenues

Financial Analysis of the Town'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 of North Topsail Beach's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of North Topsail Beach's financing requirements.

The general fund is the chief operating fund of Town of North Topsail Beach. At the end of the current fiscal year, Town of North Topsail Beach's fund balance available in the General Fund was \$11,231,779, while total fund balance reached \$12,094,357. The Town currently has an available fund balance of 194 percent of total General Fund expenditures, while total fund balance represents 209 percent of the same amount.

At June 30, 2024, the governmental funds of Town of North Topsail Beach reported a combined fund balance of \$39,462,575 with a net increase in fund balance of \$14,919,289. Included in this change in fund balance are increases in fund balance in the General Fund.

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

Revenues were greater than budget amounts primarily because the Town received more unrestricted intergovernmental funds than anticipated. Overall, expenditures were less than budgeted amounts.

Capital Asset and Debt Administration

Capital assets. The Town of North Topsail Beach's investment in capital assets for its governmental -type activities as of June 30, 2024 total \$26,413,487 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following:

- Town Hall Project completion, Fire Truck, Fire Station Rebuild, (2) 2023 Ford F150, 2023 Dodge Ram 1500, Roxor Beach Patrol, Cargo Trailer, and Mahindra Roxor
- Disposal of Tanker, 2017 Dodge Charger, and 6 deck over trailer

**Town of North Topsail Beach’s Capital Assets
 (Net of depreciation)**

Figure 4

	Governmental Activities	
	2024	2023
Land	\$ 1,082,341	\$ 1,082,341
Construction in Progress	542,318	2,399,807
Buildings	2,908,673	298,080
Vehicles & equipment	1,348,202	623,825
Infrastructure	20,531,953	21,352,324
Total	<u>\$ 26,413,487</u>	<u>\$ 25,756,377</u>

Additional information on the Town’s capital assets can be found in note III, A, 4 of the Notes to the Financial Statements.

Long-term Debt. As of June 30, 2024, the Town of North Topsail Beach had total liability outstanding of \$16,435,934.

**Outstanding Debt
 Figure 5**

Town of North Topsail Beach's Outstanding Debt

	Governmental Activities	
	2024	2023
Installment Purchases	\$ 6,300,000	\$ -
Special Obligation Bonds	7,527,359	14,264,143
Compensated Absences	124,884	171,439
Net Pension Liability (LTERS)	2,250,459	1,864,491
Total Pension Liability (LEO)	233,232	260,457
Total Liabilities	<u>\$ 16,435,934</u>	<u>\$ 16,560,530</u>

The Town of North Topsail Beach's total debt decreased by \$124,596 during the fiscal year.

Economic Factors for 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 grow as more secondary homeowners become permanent residents and due to the rise of long-term renters. While our seasonal population continues to increase annually, we conservatively anticipated our Accommodation Tax revenues to increase to \$1.73 million this fiscal 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 in progress, which include the Hardened Structure and beach restoration projects.

Budget Highlights for the Fiscal Year Ending June 30, 2025

Governmental Activities. Property taxes remained at \$0.43 per \$100 valuation this fiscal year. The revenues produced will allow the Town to continue to provide and expand necessary services as well as plan for upcoming improvements and purchases. The upcoming budget includes a new police vehicle, two new fire department vehicle, and continuation of the New South End fire station.

Business-type Activities. The Town has continued the paid parking program, working with a third-party vendor, Otto Connect, expecting that this will increase revenues. Residential garbage and recycling service rates are \$18.85 a month and \$226.16 annually for this fiscal year. The Town does not own or operate any electrical, water or sewer facilities.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the following:

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

BASIC FINANCIAL STATEMENTS

Town of North Topsail Beach, North Carolina
Statement of Net Position
June 30, 2024

	Primary Government	
	Governmental	
	Activities	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 27,214,335	\$ 27,214,335
Restricted cash and cash equivalents	7,219,838	7,219,838
Taxes receivable (net)	90,080	90,080
Accounts receivable (net)	653,982	653,982
Due from other governmental agencies	4,997,788	4,997,788
Total current assets	40,176,023	40,176,023
Non-current assets:		
Capital assets		
Land and improvements	1,624,659	1,624,659
Other capital assets, net of depreciation	24,788,828	24,788,828
Total capital assets	26,413,487	26,413,487
Total assets	66,589,510	66,589,510
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals - LGERS	1,311,993	1,311,993
Pension deferrals - LEO	36,395	36,395
Total deferred outflows of resources	1,348,388	1,348,388
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	623,368	623,368
Accrued interest payable	10,117	10,117
Compensated Absences- Current	80,000	
Current portion of long-term liabilities	4,276,770	4,276,770
Total current liabilities	4,990,255	4,990,255
Long-term liabilities:		
Special obligation bonds	9,550,589	9,550,589
Compensated absences	44,884	44,884
Net pension liability	2,250,459	2,250,459
Total pension liability	233,232	233,232
Total liabilities	17,069,419	17,069,419
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals - LGERS	37,326	37,326
Pension deferrals - LEO	118,068	118,068
Total deferred inflows of resources	155,394	155,394
NET POSITION		
Net investment in capital assets	12,586,128	12,586,128
Restricted for:		
Stabilization by state statute	2,717,579	2,717,579
Economic development	9,703,534	9,703,534
Transportation	68,418	68,418
Unrestricted	25,637,426	25,637,426
Total net position	\$ 50,713,085	\$ 50,713,085

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

Town of North Topsail Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 2,307,207	\$ 1,945,343	\$ 322,044	\$ -	\$ (39,820)	\$ (39,820)
Public safety	3,411,449	207,139	-	-	(3,204,310)	(3,204,310)
Street department	157,351	-	-	-	(157,351)	(157,351)
Sanitation	542,444	884	38,024	-	(503,536)	(503,536)
Environmental protection	8,832,927	1,258,805	-	12,839,340	5,265,218	5,265,218
Community development	29,340	-	-	-	(29,340)	(29,340)
Interest on long-term debt	173,439	-	-	-	(173,439)	(173,439)
Total governmental activities	<u>\$ 15,454,157</u>	<u>\$ 3,412,171</u>	<u>\$ 360,068</u>	<u>\$ 12,839,340</u>	<u>1,157,422</u>	<u>1,157,422</u>
General revenues:						
Taxes:						
Property taxes, levied for general purpose					7,074,243	7,074,243
Other taxes					5,982,291	5,982,291
Unrestricted investment earnings					1,570,306	1,570,306
Other revenue					587	587
Total general revenues					<u>14,627,427</u>	<u>14,627,427</u>
Change in net position					15,784,849	15,784,849
Net position-beginning					34,928,236	34,928,236
Net position-ending					<u>\$ 50,713,085</u>	<u>\$ 50,713,085</u>

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

Town of North Topsail Beach, North Carolina
Balance Sheet
Governmental Fund
June 30, 2024

	Major Funds						Total Governmental Funds
	General Fund	Shoreline Protection Fund	American Rescue Plan Fund	Beach Maintenance Project	Capital Improvement Fund	Fire Station #2	
ASSETS							
Cash and cash equivalents	\$ 11,528,552	\$ 12,618,746	\$ -	\$ -	\$ 3,067,037		\$ 27,214,335
Restricted cash	68,418	-	-	1,773,890	-	5,377,530	7,219,838
Taxes receivable	90,080	-	-	-	-	-	90,080
Receivables, net	81,491	572,491	-	-	-	-	653,982
Receivable from other governments	712,669	1,350,928	-	2,934,191	-	-	4,997,788
Total assets	<u>\$ 12,481,210</u>	<u>\$ 14,542,165</u>	<u>\$ -</u>	<u>\$ 4,708,081</u>	<u>\$ 3,067,037</u>	<u>\$ 5,377,530</u>	<u>\$ 40,176,023</u>
LIABILITIES							
Accounts payable	\$ 296,773	\$ 11,916	\$ -	\$ 26,547	\$ -	288,132	\$ 623,368
Total liabilities	<u>296,773</u>	<u>11,916</u>	<u>-</u>	<u>26,547</u>	<u>-</u>	<u>288,132</u>	<u>623,368</u>
DEFERRED INFLOWS OF RESOURCES							
Property taxes receivable	90,080	-	-	-	-	-	90,080
Total deferred inflows of resources	<u>90,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,080</u>
FUND BALANCES							
Restricted							
Stabilization by state statute	794,160	1,923,419	-	-	-	-	2,717,579
Economic development	-	5,022,000	-	4,681,534	-	-	9,703,534
Streets	68,418	-	-	-	-	-	68,418
Unassigned	11,231,779	7,584,830	-	-	3,067,037	5,089,398	26,973,044
Total fund balances	<u>12,094,357</u>	<u>14,530,249</u>	<u>-</u>	<u>4,681,534</u>	<u>3,067,037</u>	<u>5,089,398</u>	<u>39,462,575</u>
Total liabilities, deferred inflows of resources, and fund	<u>\$ 12,481,210</u>	<u>\$ 14,542,165</u>	<u>\$ -</u>	<u>\$ 4,708,081</u>	<u>\$ 3,067,037</u>	<u>\$ 5,377,530</u>	<u>\$ 40,176,023</u>
Total fund balance, governmental funds							\$ 39,462,575
Amounts reported for governmental activities in the Statement of Net Position are different because:							
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.							
Gross capital assets at historical cost					41,761,396		
Accumulated depreciation					<u>(15,347,909)</u>	26,413,487	
Deferred outflows of resources related to pensions are not reported in the funds							
Pension deferrals - LGERS					1,311,993		
Pension deferrals - LEO					<u>36,395</u>	1,348,388	
Liabilities for earned revenues considered deferred inflows of resources in fund statements							
Ad valorem taxes							90,080
Deferred inflows of resources related to pensions are not reported in the funds							
Pension deferrals - LGERS					(37,326)		
Pension deferrals - LEO					<u>(118,068)</u>	(155,394)	
Some liabilities, (such as Notes 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							(13,827,359)
Compensated absences							(124,884)
Accrued interest							(10,117)
Net pension liability							(2,250,459)
Total pension liability							<u>(233,232)</u>
Net position of governmental activities							<u>\$ 50,713,085</u>

Town of North Topsail Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2024

	Major Funds					Fire Station #2	Total Governmental Funds
	General Fund	Shoreline Protection Fund	American Rescue Plan Fund	Beach Maintenance Project	Capital Improvement Fund		
REVENUES							
Ad valorem taxes	\$ 4,320,339	\$ 1,610,886	\$ -	\$ -	\$ 1,127,967	\$ -	\$ 7,059,192
Accommodations tax	-	2,396,866	-	-	-	-	2,396,866
Permits and fees	207,139	585,500	-	-	-	-	792,639
Sales and services	894,619	-	-	-	-	-	894,619
Unrestricted intergovernmental revenues	3,585,425	1,099,061	-	-	-	-	4,684,486
Restricted intergovernmental revenue:	160,569	-	200,383	12,839,340	-	-	13,200,292
Miscellaneous	-	150,000	-	-	474,968	-	624,968
Interest income	974,367	326,267	-	269,672	-	-	1,570,306
Total revenues	<u>10,142,458</u>	<u>6,168,580</u>	<u>200,383</u>	<u>13,109,012</u>	<u>1,602,935</u>	<u>-</u>	<u>31,223,368</u>
EXPENDITURES							
General government	2,199,517	-	-	-	-	-	2,199,517
Public safety	2,859,589	-	-	-	837,556	510,602	4,207,747
Street department	157,351	-	-	-	-	-	157,351
Sanitation	542,444	-	-	-	-	-	542,444
Environmental protection	-	1,455,104	-	7,098,892	-	-	8,553,996
Community development	29,187	-	-	-	-	-	29,187
Beach nourishment/dune stabilization	153	-	-	-	-	-	153
Debt service	7,930	1,981,519	-	4,924,822	60,000	-	6,974,271
Total expenditures	<u>5,796,171</u>	<u>3,436,623</u>	<u>-</u>	<u>12,023,714</u>	<u>897,556</u>	<u>510,602</u>	<u>22,664,666</u>
Excess (deficiency) of revenues over expenditures	<u>4,346,287</u>	<u>2,731,957</u>	<u>200,383</u>	<u>1,085,298</u>	<u>705,379</u>	<u>(510,602)</u>	<u>8,558,702</u>
Other financing sources							
Issuance of debt	-	-	-	-	760,000	5,600,000	6,360,000
Transfers	-	-	(200,383)	-	200,383	-	-
Insurance reimbursement	587	-	-	-	-	-	587
Total other financing sources	<u>587</u>	<u>-</u>	<u>(200,383)</u>	<u>-</u>	<u>960,383</u>	<u>5,600,000</u>	<u>6,360,587</u>
Net change in fund balance	4,346,874	2,731,957	-	1,085,298	1,665,762	5,089,398	14,919,289
Fund balances-beginning	7,747,483	11,798,292	-	3,596,236	1,401,275	-	24,543,286
Fund balances-ending	<u>\$ 12,094,357</u>	<u>\$ 14,530,249</u>	<u>\$ -</u>	<u>\$ 4,681,534</u>	<u>\$ 3,067,037</u>	<u>\$ 5,089,398</u>	<u>\$ 39,462,575</u>

Town of North Topsail Beach, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2024

Net change in fund balances - total governmental funds		\$ 14,919,289
<p>Amounts reported to Governmental Activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	1,726,220	
Depreciation	<u>(1,069,110)</u>	657,110
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		350,099
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.</p>		
Change in unavailable revenue for tax revenues		15,051
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Debt issuance	(6,360,000)	
Principal payments	6,796,784	436,784
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>		
Accrued interest not reflected on Governmental fund		4,048
Pension expense		(644,087)
Compensated absences		<u>46,555</u>
Change in net position of governmental activities		<u>\$ 15,784,849</u>

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

Town of North Topsail Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended June 30, 2024

	General Fund			Variance With Final Budget Positive (Negative)
	Budget Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 4,105,875	\$ 4,105,875	\$ 4,320,339	\$ 214,464
Permits and fees	186,568	186,568	207,139	20,571
Sales and services	587,924	587,924	894,619	306,695
Unrestricted intergovernmental revenues	2,291,125	2,291,125	3,585,425	1,294,300
Restricted intergovernmental revenue:	124,396	124,396	160,569	36,173
Interest income	100,000	100,000	974,367	874,367
Total revenues	<u>7,395,888</u>	<u>7,395,888</u>	<u>10,142,458</u>	<u>2,746,570</u>
Expenditures				
General government	2,728,408	2,728,408	2,199,517	528,891
Public safety	3,207,735	3,207,735	2,859,589	348,146
Street department	159,000	159,000	157,351	1,649
Sanitation	544,524	544,524	542,444	2,080
Community development	158,220	158,220	29,187	129,033
Beach nourishment/dune stabilization	500	500	153	347
Debt Service	10,000	10,000	7,930	2,070
Total expenditures	<u>6,808,387</u>	<u>6,808,387</u>	<u>5,796,171</u>	<u>1,012,216</u>
Excess (deficiency) of revenues over expenditures	<u>587,501</u>	<u>587,501</u>	<u>4,346,287</u>	<u>3,758,786</u>
Other financing sources (uses):				
Insurance reimbursement	-	-	587	587
Transfers	200,383	200,383	-	200,383
Fund balance appropriated	387,118	387,118	-	387,118
Total other financing sources (uses)	<u>587,501</u>	<u>587,501</u>	<u>587</u>	<u>588,088</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>4,346,874</u>	<u>\$ 4,346,874</u>
Fund balance - beginning			<u>7,747,483</u>	
Fund balance - ending			<u>\$ 12,094,357</u>	

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

Town of North Topsail Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Shoreline Protection Fund
For the Year Ended June 30, 2024

	Shoreline Protection Fund			Variance With Final Budget Positive (Negative)
	Budget Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes			\$ 1,610,886	\$ 1,610,886
Accommodations tax			2,396,866	2,396,866
Unrestricted intergovernmental			1,099,061	1,099,061
Permits and fees			585,500	585,500
Investment earnings			326,267	326,267
Miscellaneous			150,000	150,000
Total revenues	<u>\$ 4,404,817</u>	<u>\$ 4,404,817</u>	<u>6,168,580</u>	<u>1,763,763</u>
Expenditures:				
Environmental Protection				
Operating expenditures	2,404,817	2,404,817	1,455,104	949,713
Debt service	2,000,000	2,000,000	1,981,519	18,481
Total expenditures	<u>4,404,817</u>	<u>4,404,817</u>	<u>3,436,623</u>	<u>968,194</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	2,731,957	<u>\$ 2,731,957</u>
Fund Balance, beginning of year			<u>11,798,292</u>	
Fund Balance, end of year			<u>\$ 14,530,249</u>	

Town of North Topsail Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - American Rescue Plan Fund
For the Year Ended June 30, 2024

	<u>American Rescue Plan Fund</u>			
	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ 200,383	\$ 200,383
Total Revenues	<u>-</u>	<u>-</u>	<u>200,383</u>	<u>200,383</u>
Expenditures:				
General government				
Operating expenditures	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Transfers	-	-	(200,383)	(200,383)
	<u>-</u>	<u>-</u>	<u>(200,383)</u>	<u>(200,383)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance, beginning of year			-	
Fund Balance, end of year			<u>\$ -</u>	

Town of North Topsail Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Capital Improvement Plan
For the Year Ended June 30, 2024

	Capital Improvement Fund			Variance With Final Budget Positive (Negative)
	Budget Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes			\$ 1,127,967	
Fire taxes			474,968	
Total Revenues	<u>\$ 1,547,281</u>	<u>\$ 1,547,281</u>	<u>1,602,935</u>	<u>\$ 55,654</u>
Expenditures:				
Public safety			837,556	
Debt service			60,000	
Total expenditures	<u>2,979,664</u>	<u>2,979,664</u>	<u>897,556</u>	<u>2,082,108</u>
Excess (deficiency) of revenues over expenditures	(1,432,383)	(1,432,383)	705,379	2,137,762
Other financing sources				
Long-term debt issued			760,000	
Transfers			200,383	
	<u>1,432,383</u>	<u>1,432,383</u>	<u>960,383</u>	<u>(472,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,665,762	<u>\$ 1,665,762</u>
Fund Balance, beginning of year			1,401,275	
Fund Balance, end of year			<u>\$ 3,067,037</u>	

NOTES TO THE FINANCIAL STATEMENTS

Town of North Topsail Beach, North Carolina
Notes to the Financial Statements
June 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of North Topsail Beach, North Carolina 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 (the "Town") 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 Town.

B. Basis of Presentation

Government-wide Statements : The statement of net position and the statement of activities display information about the primary government. Eliminations have been made to minimize the double counting of internal activities. These statements report the *governmental activities* of the Town. Governmental activities generally are 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. The Town currently maintains only one fund category - governmental. The emphasis of 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. This fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, general government, street maintenance and construction, and sanitation services.

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

American Rescue Plan Fund - This fund accounts for transaction related to the American Rescue Plan Fund.

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

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

Capital Improvement Fund- This is a capital project fund used to account for capital improvements.

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 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 and IT subscriptions are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of North Topsail Beach because the tax is levied by Onslow county and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund 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, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which approximates fair value, and is the NCCMT's share price. 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 has invested in securities which 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.

3. Restricted Assets

The USDA requires that three years of debt service payments be restricted per the loan agreement for the bond issued. Also, the Town must deposit into a restricted special savings account ten percent of the annual payment with each payment. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of North Topsail Beach Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 68,418
Fire Station #2	5,377,530
Beach Maintenance Project	1,773,890
Total Governmental Activities	<u>7,219,838</u>
Total Restricted Cash	<u>\$ 7,219,838</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 on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 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 revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The minimum capitalization cost is \$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 purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and drainage system assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

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

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

8. 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 meets this criterion, pension deferrals for the 2024 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 several items that meet the criterion for this category - property taxes receivable, and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the 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.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 30 days of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

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

11. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are externally imposed either 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 fund balance that is not an available resource because it represents the year-end balance of expense prepaid for future use, which are not spendable resources.

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 Economic development - portion of the fund balance that is restricted by the USDA for future debt service.

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

Restricted for Shoreline Protection - portion of fund balance assigned by the Board for Shoreline Protection.

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 of North Topsail Beach 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.

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

12. 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.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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

None.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2024, the expenditures made in the American Rescue Plan Fund by \$200,383.

III. DETAIL NOTES ON ALL FUNDS

A. **Assets**

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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, 2024, the Town's deposits had a carrying amount of \$6,182,574 and a bank balance of \$6,252,517. The total balance was fully covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method. Cash on hand at June 30, 2024 was \$1,595.

2. Investments

At June 30, 2024, the Town of North Topsail Beach had \$28,250,004 invested with the 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 - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2024 are net of the following allowances for doubtful accounts:

Fund	6/30/2024
General Fund	
Property Taxes	\$ 6,000
Total	\$ 6,000

4. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2024, was as follows:

GOVERNMENTAL ACTIVITIES	Beginning	Increase	Decrease	Ending
Capital assets not being depreciated				
Land	\$ 1,082,341	-	-	\$ 1,082,341
Construction in Progress	2,399,807	597,685	2,455,174	542,318
Total capital assets not being depreciated	<u>3,482,148</u>	<u>597,685</u>	<u>2,455,174</u>	<u>1,624,659</u>
Capital assets being depreciated				
Buildings and structures	1,364,535	2,645,102	-	4,009,637
Vehicles and motor equipment	3,085,270	938,607	156,366	3,867,511
Infrastructure	32,259,589	-	-	32,259,589
Total capital assets being depreciated	<u>36,709,394</u>	<u>3,583,709</u>	<u>156,366</u>	<u>40,136,737</u>
Less accumulated depreciation				
Buildings and structures	1,066,455	34,509	-	1,100,964
Vehicles and motor equipment	2,461,445	214,230	156,366	2,519,309
Infrastructure	10,907,265	820,371	-	11,727,636
Total capital assets being depreciated	<u>14,435,165</u>	<u>1,069,110</u>	<u>156,366</u>	<u>15,347,909</u>
Total capital assets being depreciated	<u>22,274,229</u>			<u>24,788,828</u>
Governmental activity capital assets, net	<u>\$ 25,756,377</u>			<u>\$ 26,413,487</u>

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

General government	\$ 107,288
Public Safety	140,573
Environmental Protection	821,249
Total	<u>\$ 1,069,110</u>

B. Liabilities

1. Pension Plan 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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. 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 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. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town’s contractually required contribution rate for the year ended June 30, 2024, was 12.96% 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 were \$334,197 for the year ended June 30, 2024.

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, 2024, the Town reported a liability of \$2,250,459 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2023 (measurement date), the Town’s proportion was .03398%, which was an increase of .00093% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Town recognized pension expense of \$639,946. At June 30, 2024 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	\$ 250,768	\$ 5,399
Changes of assumptions	95,632	-
Net difference between projected and actual earnings on pension plan investments	602,321	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	29,075	31,927
Town contributions subsequent to the measurement date	334,197	-
Total	\$ 1,311,993	\$ 37,326

\$334,197 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2025	\$ 357,700
2026	159,323
2027	397,979
2028	25,469
2029	-
Thereafter	\$ 940,470

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of position 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, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2014 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. 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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%	

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

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

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

	1 % Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$3,898,831	\$2,250,459	\$893,364

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 retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance.

At December 31, 2023 the Separation Allowance's membership consisted of:

Inactive members currently 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 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.

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, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	3.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	4.31 percent, net of position plan investment expense, including inflation

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2022.

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. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$15,903 as benefits came due for the reporting period.

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

At June 30, 2024, the Town reported a total pension liability of \$233,232. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the Town recognized pension expense of \$4,141.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,277	\$ 84,075
Changes of assumptions	34,118	33,993
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 36,395</u>	<u>\$ 118,068</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 31, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2025	\$ (19,477)
2026	(13,208)
2027	(20,694)
2028	(17,438)
2029	(8,785)
Thereafter	(2,071)
	<u>\$ (81,673)</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 4.00 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 (3.00 percent) or 1-percentage point higher (5.00 percent) than the current rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total pension li \$	258,532	\$ 233,232	\$ 211,025

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

	2024
Beginning Balance	\$ 260,457
Service Cost	16,370
Interest on the total pension liability	10,883
Differences between expected and actual experience in the measurement of the total pension liability	(45,186)
Changes of assumptions or other inputs	6,611
Benefit payments	(15,903)
Ending balance of the total pension liability	\$ 233,232

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, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 639,946	\$ 4,141	\$ 644,087
Pension Liability	2,250,459	233,232	2,483,691
Proportionate share of the net pension liability	3.39800%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	250,768	2,277	253,045
Changes of assumptions	95,632	34,118	129,750
Net difference between projected and actual earnings on plan investments	602,321	-	602,321
Changes in proportion and differences between contributions and proportionate share of contributions	29,075	-	29,075
Benefit payments and administrative costs paid subsequent to the measurement date	334,197	-	334,197
Deferred Inflows of Resources			
Differences between expected and actual experience	5,399	84,075	89,474
Changes of assumptions	-	33,993	33,993
Changes in proportion and differences between Town contributions and proportionate share of contributions	31,927	-	31,927

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires that the Town contribute each month an amount equal to 5 percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contribution to the plan. The Town made contributions of \$43,879 for law enforcement officers for the reporting year. No amounts were forfeited.

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Contributions to Pension Plan in Current Fiscal Year	\$ 334,197
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	-
Differences between expected and actual experience	253,045
Changes of assumptions	129,750
Net difference between projected and actual	602,321
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,075
Total	\$ 1,348,388

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable (General Fund)	\$ -	\$ 90,080
Assessments Receivable (Shoreline Protection)	-	-
Changes in assumptions	33,993	-
Differences between expected and actual experience	89,474	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,927	-
Total	\$ 155,394	\$ 90,080

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

In accordance with F.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$1,000,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The town has a VFIS policy with American Alternative Insurance Corporation covering certain fire department equipment and property. The Town also has a flood insurance policy with Lloyd's of London.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2024, the Town did not have any litigation pending.

6. 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 1st, 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.

5,600,000

Total Direct Placement notes payable

\$ 6,300,000

Year	Principal	Interest
2025	\$ 373,333	\$ 211,061
2026	373,333	198,091
2027	390,833	183,941
2028	443,333	169,792
2029	443,333	155,643
2030-2034	2,216,667	565,973
2035-2039	2,059,166	212,240
	<u>\$ 6,300,000</u>	<u>\$ 1,696,741</u>

a. Special Obligation Indebtedness

Special Obligation Bonds (SOBs) are authorized by N.C. Statutes and are available for use by cities and towns in N.C. 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, 2024 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%

\$ 5,435,884

Year Ending 30 June	Governmental Activities	
	Principal	Interest
2025	\$ 1,811,962	\$ 169,982
2026	1,811,962	121,401
2027	1,811,961	72,841
Total	<u>\$ 5,435,884</u>	<u>\$ 364,224</u>

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. Long-Term Obligation Activity

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Direct placement note payable	\$ -	\$ 6,360,000	\$ 60,000	\$ 6,300,000	\$ 373,333
Special obligation bonds- USDA	7,247,846	-	1,811,962	5,435,884	1,811,962
Special obligation bonds - FEMA (A)	4,924,822	-	4,924,822	-	-
Special obligation bonds - FEMA (C)	2,091,475	-	-	2,091,475	2,091,475
Compensated absences	171,439	79,454	126,009	124,884	80,000
Net pension obligation (LGRS)	1,864,491	385,968	-	2,250,459	-
Total pension liability (LEO)	260,457	-	27,225	233,232	-
Governmental activities long-term liabilities	<u>\$ 16,560,530</u>	<u>\$ 6,825,422</u>	<u>\$ 6,950,018</u>	<u>\$ 16,435,934</u>	<u>\$ 4,356,770</u>

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of the taxable property located within that government's boundaries. The legal debt margin for the Town of Faison is \$117,915,208.

C. Net Investment in Capital Assets

	<u>Governmental</u>
Capital Assets	\$ 26,413,487
less: long term debt	(13,827,359)
Net investment in capital asset	<u>\$ 12,586,128</u>

D. Fund Balance

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

<u>Total fund balance - General Fund</u>	<u>\$ 12,094,357</u>
Less:	
Stabilization by State Statute	794,160
Streets - Powell Bill	68,418
Remaining Fund Balance	<u>\$ 11,231,779</u>

III. Summary Disclosure of Significant Contingencies

A. Federal and State Assisted Programs

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

IV. Subsequent Events

Events occurring after June 30, 2024 were evaluated by management on August 23, 2024 to ensure that any subsequent events that met the criteria for recognition and/or disclosure to these financial statements have been included. There were no subsequent events requiring disclosure.

REQUIRED
SUPPLEMENTAL FINANCIAL
DATA

This section contains additional information required by
generally accounting principals.

Schedule of the Proportionate Share of the Net Pension
Asset – Local Government Employees’ Retirement System

Schedule of Contributions – 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
North Topsail Beach Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years*

Local Government Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
North Topsail Beach's proportion of the net pension liability (asset) (%)	0.03398%	0.03305%	0.03287%	0.02714%	0.03054%	0.02792%	0.02581%	0.02612%	0.03091%	0.03100%
North Topsail Beach's proportion of the net pension liability (asset) (\$)	\$ 2,250,459	\$ 1,864,492	\$ 504,093	\$ 969,828	\$ 834,024	\$ 662,358	\$ 394,305	\$ 554,354	\$ 138,722	\$ (182,821)
North Topsail Beach's covered-employee payroll	\$ 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	\$ 1,510,668
North Topsail Beach's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	94.55%	84.76%	23.91%	48.74%	40.92%	40.98%	24.22%	34.54%	8.67%	(12.10%)
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%	91.47%	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
Required Supplementary Information
Last Ten Fiscal Years

Local Government Employees' Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 334,197	\$ 296,325	\$ 256,786	\$ 220,861	\$ 184,774	\$ 164,550	\$ 122,528	\$ 117,456	\$ 104,513	\$ 113,221
Contributions in relation to the contractually required contribution	334,197	296,325	256,786	220,861	184,774	164,550	122,528	117,456	104,513	113,221
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 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
Contributions as a percentage of covered payroll	13.26%	12.45%	11.67%	10.48%	9.29%	8.07%	7.58%	7.22%	6.51%	7.08%

Town of North Topsail Beach, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2024

	2024	2023	2022	2021	2020	2019	2018
Beginning balance	\$ 260,457	\$ 292,764	\$ 357,351	\$ 286,631	\$ 360,852	\$ 336,687	\$ 299,382
Service Cost	16,370	17,581	18,855	11,179	12,938	15,414	13,560
Interest on the total pension liability	10,883	6,408	6,743	9,069	12,729	10,286	11,159
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(45,186)	3,305	(67,005)	(9,112)	(85,313)	35,446	9,908
Changes of assumptions or other inputs	6,611	(43,698)	(7,277)	76,477	7,759	(14,647)	23,281
Benefit payments	(15,903)	(15,903)	(15,903)	(16,893)	(22,334)	(22,334)	(20,603)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 233,232</u>	<u>\$ 260,457</u>	<u>\$ 292,764</u>	<u>\$ 357,351</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, 2024

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

Notes to the schedules:

The 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

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Town of North Topsail Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2024

	2024		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes		\$ 4,318,471	
Penalties and interest		1,868	
Total	\$ 4,105,875	4,320,339	\$ 214,464
Permits and fees			
Inspection Fees		207,139	
Total	186,568	207,139	20,571
Sales and services			
Solid waste		523,305	
Rents		170,471	
Fines and penalties		8,387	
Miscellaneous		192,456	
Total	587,924	894,619	306,695
Unrestricted intergovernmental revenues:			
Local option sales taxes		3,195,020	
Franchise tax		385,255	
Beer and wine tax		5,150	
Total	2,291,125	3,585,425	1,294,300
Restricted intergovernmental revenue:			
Grants		121,661	
Solid waste disposal tax		884	
Powell bill		38,024	
Total	124,396	160,569	36,173
Interest income	100,000	974,367	874,367
Total Revenues	7,395,888	10,142,458	2,746,570

Town of North Topsail Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2024

	2024		Variance Favorable (Unfavorable)
	Budget	Actual	
Expenditures:			
General government			
Governing body			
Salaries and employee benefits		41,325	
Operating Expenditures		178,314	
Total Governing body	265,604	219,639	45,965
Administration			
Salaries and employee benefits		550,772	
Operating Expenditures		127,686	
Capital outlay		18,400	
Total Administration	861,230	696,858	164,372
Planning & zoning			
Salaries and employee benefits		129,875	
Operating Expenditures		9,523	
Total Planning & zoning	236,523	139,398	97,125
IT Department			
Salaries and employee benefits		98,867	
Operating Expenditures		39,643	
Total IT Department	174,109	138,510	35,599
Insurance			
Operating Expenditures		212,573	
Total Insurance	276,825	212,573	64,252
Public buildings			
Operating Expenditures		220,332	
Capital Outlay		205,705	
Total Public buildings	505,167	426,037	79,130
Committee's			
Operating Expenditures		834	
Total Committee's	2,000	834	1,166
Public works			
Salaries and employee benefits		304,730	
Operating Expenditures		54,036	
Capital outlay		6,902	
Total Public works	581,059	365,668	215,391
Total General government	2,728,408	2,199,517	528,891

**Town of North Topsail Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2024**

	2024		Variance Favorable (Unfavorable)
	Budget	Actual	
Public safety			
Police			
Salaries and employee benefits		1,030,115	
Operating Expenditures		128,638	
Capital outlay		98,901	
Total Police	<u>1,393,045</u>	<u>1,257,654</u>	<u>135,391</u>
Police separation allowance			
Salaries and employee benefits		17,120	
Total debt service	<u>17,125</u>	<u>17,120</u>	<u>5</u>
Inspections and zoning			
Salaries and employee benefits		196,091	
Operating Expenditures		15,364	
Total Inspections and zoning	<u>245,817</u>	<u>211,455</u>	<u>34,362</u>
Fire			
Salaries and employee benefits		1,145,599	
Operating Expenditures		182,128	
Capital outlay		45,633	
Total fire	<u>1,551,748</u>	<u>1,373,360</u>	<u>178,388</u>
Total public safety	<u>3,207,735</u>	<u>2,859,589</u>	<u>348,146</u>
Street department			
Operating Expenditures		157,351	
Total street department	<u>159,000</u>	<u>157,351</u>	<u>1,649</u>
Sanitation			
Operating expenditures		542,444	
Total Sanitation	<u>544,524</u>	<u>542,444</u>	<u>2,080</u>
Community development			
Operating expenditures		29,187	
Total community development	<u>158,220</u>	<u>29,187</u>	<u>129,033</u>
Beach nourishment/dune stabilization			
Operating expenditures		153	
Total beach nourishment/dune stabilization	<u>500</u>	<u>153</u>	<u>347</u>

Town of North Topsail Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2024

	2024		Variance Favorable (Unfavorable)
	Budget	Actual	
Debt Service			
Principal		6,267	
Interest		1,663	
Total debt service	10,000	7,930	2,070
Total expenditures	6,808,387	5,796,171	1,012,216
Revenues over (under) expenditures	587,501	4,346,287	3,758,786
Other financing sources (uses):			
Insurance reimbursement	-	587	587
Transfer	200,383	-	200,383
Fund balance appropriated	387,118	-	387,118
Total	587,501	587	588,088
Revenues and other financing sources over (under) expenditures and other uses	\$ -	4,346,874	\$ 4,346,874
Fund balance-beginning		7,747,483	
Fund balance-ending		\$ 12,094,357	

Town of North Topsail Beach, North Carolina
Shoreline Protection Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Fore the Fiscal Year Ended June 30, 2024

	2024		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Ad valorem taxes		\$ 1,610,886	
Accommodations tax		2,396,866	
Unrestricted intergovernmental		1,099,061	
Permits and fees		585,500	
Investment earnings		326,267	
Miscellaneous		150,000	
Total Revenues	<u>\$ 4,404,817</u>	<u>6,168,580</u>	<u>\$ 1,763,763</u>
Expenditures:			
Environmental protection			
Operating expenditures		1,455,104	
Total environmental protection	<u>2,404,817</u>	<u>1,455,104</u>	<u>949,713</u>
Debt service:			
Principal		1,811,962	
Interest		169,557	
Total debt service	<u>2,000,000</u>	<u>1,981,519</u>	<u>18,481</u>
Total expenditures	<u>4,404,817</u>	<u>3,436,623</u>	<u>968,194</u>
Revenues over (under) expenditures	<u>-</u>	<u>2,731,957</u>	<u>2,731,957</u>
Other financing sources:			
Transfers		-	
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	2,731,957	<u>\$ 2,731,957</u>
Fund balance-beginning		11,798,292	
Fund Balance-ending		<u>\$ 14,530,249</u>	

Town of North Topsail Beach, North Carolina
American Rescue Plan Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Fore the Fiscal Year Ended June 30, 2024

	2024		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Restricted intergovernmental		\$ 200,383	
Total Revenues	\$ -	200,383	\$ 200,383
Expenditures:			
General government			
Operating expenditures		-	
Total expenditures	-	-	-
Other financing sources:			
Transfers		(200,383)	
Total other financing sources	-	(200,383)	(200,383)
Net Change in Fund Balance	\$ -	-	\$ 200,383
Fund balance-beginning		-	
Fund balance-ending		\$ -	

Town of North Topsail Beach, North Carolina
Capital Improvement Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Fore the Fiscal Year Ended June 30, 2024

	2024		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Ad valorem taxes		\$ 1,127,967	
Fire taxes		474,968	
Total revenues	<u>\$ 1,547,281</u>	<u>1,602,935</u>	<u>\$ 55,654</u>
Expenditures:			
Public safety			
Fire department		144,562	
Capital Outlay		692,994	
Total public safety expenditures	<u>2,879,664</u>	<u>837,556</u>	<u>2,042,108</u>
Debt service:			
Principal		60,000	
Total debt service	<u>100,000</u>	<u>60,000</u>	<u>40,000</u>
Total expenditures	<u>2,979,664</u>	<u>897,556</u>	<u>2,082,108</u>
Revenues over (under) expenditures	<u>(1,432,383)</u>	<u>705,379</u>	<u>2,137,762</u>
Other financing sources:			
Long-term debt issued		760,000	
Transfers		200,383	
Total other financing sources	<u>1,432,383</u>	<u>960,383</u>	<u>472,000</u>
Net change in fund balance	<u>\$ -</u>	<u>1,665,762</u>	<u>\$ 1,665,762</u>
Fund balance-beginning		<u>1,401,275</u>	
Fund balance-ending		<u>\$ 3,067,037</u>	

Town of North Topsail Beach, North Carolina
Beach Maintenance Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2024

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
FEMA reimbursement	\$ 17,599,184	\$ 3,838,293	\$ 7,589,340	\$ 11,427,633	\$ (6,171,551)
NCDEQ grant	10,500,000	5,250,000	5,250,000	10,500,000	-
Investment income	-	2,714	269,672	272,386	272,386
Total non-operating revenue	<u>28,099,184</u>	<u>9,091,007</u>	<u>13,109,012</u>	<u>22,200,019</u>	<u>(5,899,165)</u>
Expenditures:					
Administration		364,678	11,717	376,395	
Haul & placement of beach fill		13,436,645	7,074,125	20,510,770	
Mobilization and demobilization		180,000	-	180,000	
Other		57,879	13,050	70,929	
Total	<u>36,329,612</u>	<u>14,039,202</u>	<u>7,098,892</u>	<u>21,138,094</u>	<u>15,191,518</u>
Revenues over (under) expenditures	<u>(8,230,428)</u>	<u>(4,948,195)</u>	<u>6,010,120</u>	<u>1,061,925</u>	<u>9,292,353</u>
Debt service:					
Debt payments	<u>10,500,000</u>	<u>3,841,007</u>	<u>4,924,822</u>	<u>8,765,829</u>	<u>1,734,171</u>
Total debt service	<u>10,500,000</u>	<u>3,841,007</u>	<u>4,924,822</u>	<u>8,765,829</u>	<u>1,734,171</u>
Other financing sources (uses):					
Long-term debt proceeds	17,202,294	10,857,304	-	10,857,304	(6,344,990)
Transfers in	<u>1,528,134</u>	<u>1,528,134</u>	<u>-</u>	<u>1,528,134</u>	<u>-</u>
Total	<u>18,730,428</u>	<u>12,385,438</u>	<u>-</u>	<u>12,385,438</u>	<u>(6,344,990)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3,596,236</u>	<u>1,085,298</u>	<u>\$ 4,681,534</u>	<u>\$ 4,681,534</u>
Fund Balance:					
Fund balance-beginning			<u>3,596,236</u>		
Fund balance-ending			<u>\$ 4,681,534</u>		

Town of North Topsail Beach, North Carolina
Fire Station #2
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2024

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental					
FEMA reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -
Total non-operating revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public safety expenditures:					
Administration, engineering, construction	-	-	510,602	510,602	
Total	<u>6,600,000</u>	<u>-</u>	<u>510,602</u>	<u>510,602</u>	<u>6,089,398</u>
Revenues over (under) expenditures	<u>(6,600,000)</u>	<u>-</u>	<u>(510,602)</u>	<u>(510,602)</u>	<u>6,089,398</u>
Debt service:					
Debt payments	-	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (Uses):					
Trnasfers	1,000,000	-	-	-	1,000,000
Long-term debt proceeds	<u>5,600,000</u>	<u>-</u>	<u>5,600,000</u>	<u>5,600,000</u>	<u>-</u>
Total	<u>6,600,000</u>	<u>-</u>	<u>5,600,000</u>	<u>5,600,000</u>	<u>(1,000,000)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>5,089,398</u>	<u>\$ 5,089,398</u>	<u>\$ 5,089,398</u>
Fund Balance:					
Fund balance-beginning			-		
Fund balance-ending			<u>\$ 5,089,398</u>		

OTHER SCHEDULES

This section includes 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, 2024

<u>Fiscal Year</u>	<u>Uncollected Balance July 01, 2023</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2024</u>
2023-2024	\$ -	\$ 7,081,163	\$ 7,019,551	\$ 61,612
2022-2023	54,736	-	39,660	15,076
2021-2022	13,357	-	3,313	10,044
2020-2021	4,725	-	1,177	3,548
2019-2020	1,758	-	20	1,738
2018-2019	1,554	-	14	1,540
2017-2018	907	-	14	893
2016-2017	590	-	16	574
2015-2016	551	-	71	480
2014-2015	652	-	77	575
2013-2014	2,199	-	2,086	-
	<u>\$ 81,029</u>	<u>\$ 7,081,163</u>	<u>\$ 7,065,999</u>	<u>96,080</u>
				Less - allowance for uncollectible accounts <u>6,000</u>
				Ad valorem taxes receivable - net <u>\$ 90,080</u>
				<u>Reconciliation to revenues:</u>
				Ad valorem taxes \$ 7,059,192
				Reconciling items:
				Penalties and interest received (1,868)
				Releases 8,675
				Total collections and credits <u>\$ 7,065,999</u>

Town of North Topsail Beach, North Carolina
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2024

	Town - Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$1,648,393,023	\$ 0.43	\$ 7,088,090	\$ 6,998,261	\$ 89,829
Releases	(1,610,930)	0.43	(6,927)	(6,927)	-
Total	1646782093		7,081,163	6,991,334	-
 Total Property Valuation	\$1,646,782,093				
 Net levy			7,081,163	6,991,334	89,829
 Uncollected taxes at June 30, 2024			61,612	61,612	-
Current year's taxes collected			\$ 7,019,551	\$ 6,929,722	\$ 89,829
Current levy collection percentage			99.13%	99.12%	100.00%

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co., P.A.
4024 Oleander Drive Suite 103
Wilmington, North Carolina 28403
Telephone (910) 791-4872
Fax (910) 239-8294

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Alderman
North Topsail Beach, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of North Topsail Beach, North Carolina, as of and for the year ended June 30, 2024, 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 August 23, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of North Topsail Beach's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of North Topsail Beach's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

August 23, 2024

Town of North Topsail Beach, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2024

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ___yes Xno
- Significant Deficiency(s) identified? Xyes ___no

Noncompliance material to financial statements noted? ___yes Xno

Town of North Topsail Beach, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2024

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

2024 -001 Noncompliance with Budget

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town expended more for the American Rescue Plan Fund than was appropriated for in the annual budget ordinance.

Effect: Monies were spent that had not been obligated and appropriated.

Cause: The Town exceeded budget expenditures in the American Rescue Plan Fund while budget amendments were not adopted.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2023-001.

Recommendation: Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. The Town will continue to monitor the budgets monthly to ensure compliance.

TOWN OF NORTH TOPSAIL BEACH, NC

CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Section II – Financial Statement Findings

2024-001 Noncompliance with Budget

Name of Contact Person: Jessica Helms, Finance Officer

Corrective Action: An updated budget report is presented to the Town Board and Department Heads monthly. This holds the Department Heads more accountable and allows them to plan to ensure expenditures do not exceed budgeted amounts.

Proposed Completion Date: Immediately.

Town of North Topsail Beach, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2024

Status: 2023-001

Still occurring.