

**TOWN OF HOLDEN BEACH
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

Draft

TOWN OF HOLDEN BEACH, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-12
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
A	Statement of Net Position	13-14
B	Statement of Activities	15-16
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	17-18
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	20
F	General Fund and Annually Budgeted Major Special Revenue Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	21-22
G	Statement of Net Position - Proprietary Fund	23-24
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	25
I	Statement of Cash Flows - Proprietary Fund	26-27
	Notes to the Financial Statements	28-60

TOWN OF HOLDEN BEACH, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Required Supplemental Financial Data:	
A-1	Local Governmental Employees' Retirement System Town of Holden Beach's Proportionate Share of Net Pension Liability (Asset) - Last Ten Fiscal Years	61-62
A-2	Local Governmental Employees' Retirement System Town of Holden Beach's Contributions Last Ten Fiscal Years	63-64
A-3	Law Enforcement Officer's Special Separation Allowance Schedule of Changes in Total Pension Liability Last Nine Fiscal Years	65-66
A-4	Law Enforcement Officer's Special Separation Allowance Schedule of Total Pension Liability as a Percentage of Covered Employee Payroll - Last Nine Fiscal Years	67-68
	Supplementary Financial Data:	
	Major Governmental Funds:	
1	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	69-71
2	BPART Tax Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	72-73
3	Canal Dredging Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	74
4	FEMA Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	75
5	Beach Renourishment & Inlet Management Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	76
	Major Enterprise Fund:	
6	Water and Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	77-78

TOWN OF HOLDEN BEACH, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Major Enterprise Fund (continued):	
7	Water & Sewer Lift Station Project - Schedule of Revenues and - Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP)	79
8	Water Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP)	80
9	Sewer Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP)	81
	Supplemental Financial Data:	
10	Schedule of Ad Valorem Taxes Receivable	82
11	Analysis of Current Tax Levy - Town-Wide Levy	83
	Compliance Section	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	84-85
	Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act <i>Government Auditing Standards</i>	86-88
	Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act <i>Government Auditing Standards</i>	89-91
	Schedule of Findings, Responses, and Questioned Costs	92-93
	Schedule of Prior Year Audit Findings	94
	Schedule of Expenditures of Federal and State Awards	95

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Holden Beach, North Carolina, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and BPART Tax 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2025 the Town adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee Payroll be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **October 11, 2025**, on our consideration of the Town of Holden 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Holden 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 the Town of Holden Beach's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 11, 2025

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Management's Discussion and Analysis

As management of the Town of Holden Beach, we offer readers of the Town of Holden Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Holden Beach for the fiscal year ended June 30, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

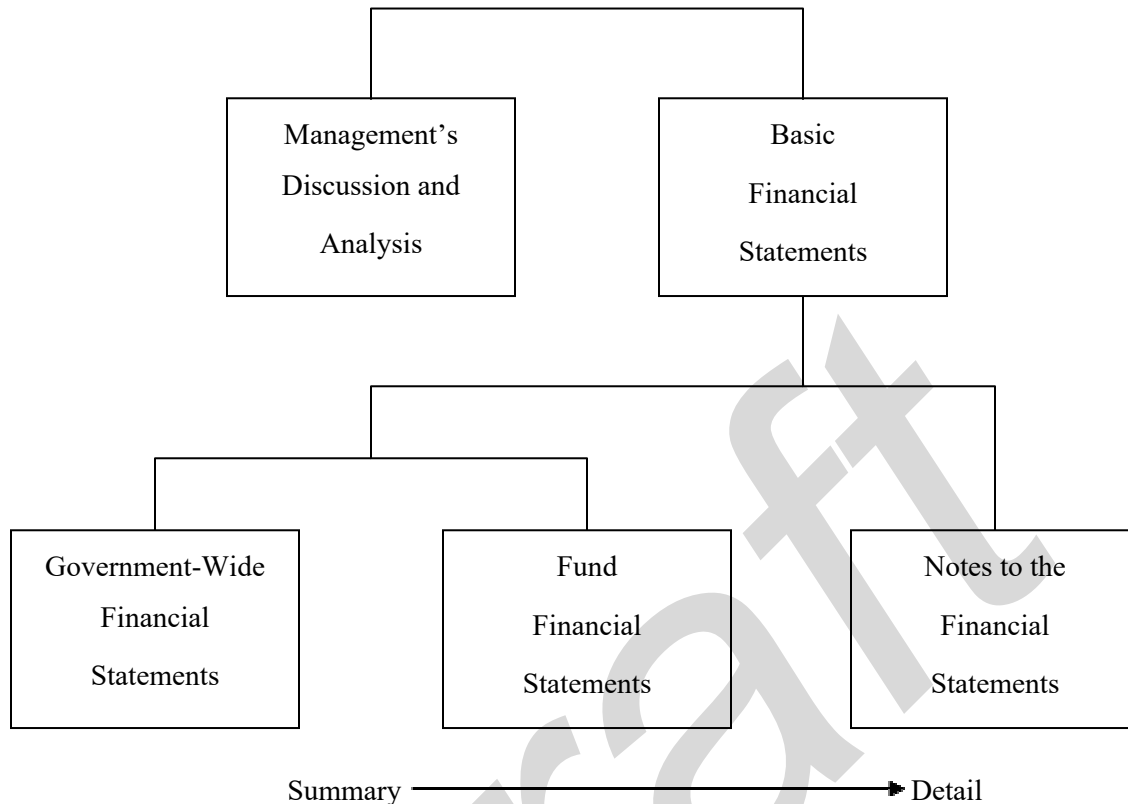
- The assets and deferred outflows of resources of the Town of Holden Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$47,713,244 (*net position*).
- The government's total net position increased by \$5,796,947, primarily due to an increase in the governmental activities of \$4,146,835 and increases in the business-type activities of \$1,650,112.
- As of the close of the current fiscal year, the Town of Holden Beach's governmental funds reported combined ending fund balances of \$20,486,001, an increase of \$2,726,531 in comparison with the prior year. Of this amount, \$3,410,317 is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,410,317, or 82%, of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Holden 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 Holden Beach.

Required Components of the Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through I) are **fund financial statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: (1) the governmental funds statements, (2) the budgetary comparison statements, (3) the proprietary fund statements and (4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: (1) governmental activities and (2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Holden Beach.

The government-wide financial statements are on Exhibits A and B 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 Holden Beach, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Holden Beach can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in 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 Holden Beach adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: (1) the original budget as adopted by the Board; (2) the final budget as amended by the Board; (3) the actual resources, charges to appropriations, and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. The Town of Holden Beach has one kind of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Holden Beach uses an enterprise fund to account for its water and sewer activity. This fund is the same as the functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Holden Beach has no fiduciary funds.

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 I 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 Holden Beach. Required supplementary information can be found following the notes to the financial statements in this report.

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

Government-Wide Financial Analysis

Town of Holden Beach's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets and Deferred						
Outflows of Resources:						
Current and other assets	\$ 20,879,450	\$ 18,502,444	\$ 6,763,773	\$ 6,084,803	\$ 27,643,223	\$ 24,587,247
Capital assets	11,212,953	11,272,513	18,372,436	17,938,440	29,585,389	29,210,953
Deferred outflows of resources	897,459	773,678	95,283	86,916	992,742	860,594
Total assets and deferred outflows of resources	<u>32,989,862</u>	<u>30,548,635</u>	<u>25,231,492</u>	<u>24,110,159</u>	<u>58,221,354</u>	<u>54,658,794</u>
Liabilities and Deferred						
Inflows of Resources:						
Long-term liabilities	5,821,872	6,760,416	1,826,900	2,206,180	7,648,772	8,966,596
Other liabilities	2,030,646	2,711,431	310,106	387,787	2,340,752	3,099,218
Deferred inflows of resources	131,922	103,609	386,664	445,372	518,586	548,981
Total liabilities and deferred inflows of resources	<u>7,984,440</u>	<u>9,575,456</u>	<u>2,523,670</u>	<u>3,039,339</u>	<u>10,508,110</u>	<u>12,614,795</u>
Net Position:						
Net investment in capital assets	8,041,423	7,595,802	16,556,228	15,530,106	24,597,651	23,125,908
Restricted - Stabilization by SS	2,499,137	2,593,735	-	-	2,499,137	2,593,735
BPART	5,406,825	-	-	-	5,406,825	-
Beach renourishment/beach inlet	3,912,414	7,864,626	-	-	3,912,414	7,864,626
Unrestricted	5,145,623	2,919,016	6,151,594	5,540,714	11,297,217	8,459,730
Total net position	<u>\$ 25,005,422</u>	<u>\$ 20,973,179</u>	<u>\$ 22,707,822</u>	<u>\$ 21,070,820</u>	<u>\$ 47,713,244</u>	<u>\$ 42,043,999</u>

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 Holden Beach exceeded liabilities and deferred inflows by \$47,713,244 as of June 30, 2025. The Town's net position increased by \$5,796,947 for the fiscal year ended June 30, 2025. The largest portion of net position (52%) reflects the Town's net investment in capital assets (e.g., land, construction in progress, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Holden Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Holden 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 Holden Beach's net position, \$11,818,376 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,297,217 is unrestricted.

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

- Continued diligence in the collection of property taxes provided for a tax collection percentage of almost 100%.
- Interest on investments totaled in excess of \$617k.
- Renters continue to utilize the "shoulder season", likely a result of continued remote and hybrid work options. Additionally, tourism related trends indicate higher than normal rates on properties to offset any typical vacancies which contributes to higher than normal occupancy tax collections in excess of \$4.1 million.
- Paid parking produced in excess of \$873k

Town of Holden Beach's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 1,412,340	\$ 1,365,177	\$ 2,571,444	\$ 2,593,249	\$ 3,983,784	\$ 3,958,426
Operating grants and contributions	404,065	515,774	1,376,625	-	1,780,690	515,774
Capital grants and contributions	-	1,531	1,474,308	1,456,659	1,474,308	1,458,190
General revenues:						
Property taxes	3,367,305	3,376,524	-	-	3,367,305	3,376,524
Other taxes	5,305,735	5,306,333	-	-	5,305,735	5,306,333
Other	568,555	879,789	402,367	171,170	970,922	1,050,959
Total revenues	<u>11,058,000</u>	<u>11,445,128</u>	<u>5,824,744</u>	<u>4,221,078</u>	<u>16,882,744</u>	<u>15,666,206</u>
Expenses:						
General government	1,499,099	1,192,071	-	-	1,499,099	1,192,071
Public safety	1,791,579	1,645,302	-	-	1,791,579	1,645,302
Transportation	741,955	762,496	-	-	741,955	762,496
Environmental protection	228,216	251,735	-	-	228,216	251,735
BPART	2,250,243	-	-	-	2,250,243	-
Beach nourishment	234,912	3,023,910	-	-	234,912	3,023,910
Interest on long-term debt	165,161	223,569	-	-	165,161	223,569
Water and sewer	-	-	4,174,632	4,057,160	4,174,632	4,057,160
Total expenses	<u>6,911,165</u>	<u>7,099,083</u>	<u>4,174,632</u>	<u>4,057,160</u>	<u>11,085,797</u>	<u>11,156,243</u>
Change in net position	<u>4,146,835</u>	<u>4,346,045</u>	<u>1,650,112</u>	<u>163,918</u>	<u>5,796,947</u>	<u>4,509,963</u>
Net Position:						
Beginning of year - July 1	20,973,179	16,627,134	21,070,820	20,906,902	42,043,999	37,534,036
Restatement	(114,592)	-	(13,110)	-	(127,702)	-
Beginning of year, as restated	<u>20,858,587</u>	<u>16,627,134</u>	<u>21,057,710</u>	<u>20,906,902</u>	<u>41,916,297</u>	<u>37,534,036</u>
End of year - June 30	<u>\$ 25,005,422</u>	<u>\$ 20,973,179</u>	<u>\$ 22,707,822</u>	<u>\$ 21,070,820</u>	<u>\$ 47,713,244</u>	<u>\$ 42,043,999</u>

Governmental Activities. Governmental activities increased the Town of Holden Beach's net position by \$4,146,835.

Business-Type Activities. Business-type activities increased the Town of Holden Beach's net position by \$1,650,112.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Holden 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 Holden Beach's financing requirements.

The General Fund is the chief operating fund of the Town of Holden Beach. At the end of the current fiscal year, available fund balance of the General Fund was \$3,410,317, while total fund balance was \$3,682,369. The governing body of the Town of Holden Beach has determined that the Town should maintain an available fund balance of 40% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 82% of General Fund expenditures, while total fund balance represents 89% of the same amount.

At June 30, 2025, the governmental funds of the Town of Holden Beach reported a combined fund balance of \$20,486,001 with an increase in fund balance of \$2,726,531.

General Fund Budgetary Highlights. During the fiscal year, the Town had a few budgetary amendments. 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.

The budgetary amendments for the fiscal year ending June 30, 2025 were due to necessary estimate adjustments once more exact information was available and increases in appropriations in order to meet and maintain service needs of the Town's departments.

Proprietary Funds. The Town of Holden Beach's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$6,151,594. The total change in net position in the Water and Sewer Fund was an increase of \$1,650,112. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Holden Beach's business-type activities.

Capital Assets and Debt Administration

Capital Assets. The Town of Holden Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2025 totals \$29,585,389 (net of accumulated depreciation and amortization). These assets include buildings, land, improvements, equipment, water capacity, and construction in progress.

Major capital asset transactions during the year include the following additions:

- Sale of 796 was achieved in FY 2025. Additionally, there is construction in progress for Lift Station 2. Project construction expected to be completed in October of 2025.

**Town of Holden Beach's Capital Assets
(net of depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land and construction in progress	\$ 2,648,983	\$ 2,648,983	\$ 1,507,972	\$ 475,231	\$ 4,156,955	\$ 3,124,214
Buildings and distribution systems	2,949,192	3,037,412	16,273,723	16,796,136	19,222,915	19,833,548
Improvements and infrastructure	4,903,255	5,011,997	110,700	114,381	5,013,955	5,126,378
Machinery and equipment	137,522	161,794	367,044	453,365	504,566	615,159
Vehicles	306,786	344,099	107,414	99,327	414,200	443,426
Leased equipment	24,206	12,696	5,583	-	29,789	12,696
Subscriptions	243,009	55,532	-	-	243,009	55,532
Total	<u>\$ 11,212,953</u>	<u>\$ 11,272,513</u>	<u>\$ 18,372,436</u>	<u>\$ 17,938,440</u>	<u>\$ 29,585,389</u>	<u>\$ 29,210,953</u>

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

Long-Term Debt. As of June 30, 2025, the Town of Holden Beach had total debt of \$9,295,884 (excluding compensated absences). There was a net decrease in total debt of \$1,905,278. The key factor of this decrease was due to no increases in debt and large current year payments of installment purchases.

Town of Holden Beach's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Direct placement installment purchase	\$ 5,571,530	\$ 7,276,711	\$ 1,810,600	\$ 2,408,334	\$ 7,382,130	\$ 9,685,045
Net pension liability (LGRS)	1,177,283	956,821	160,157	130,094	1,337,440	1,086,915
Net pension liability (LEO)	570,706	429,202	-	-	570,706	429,202
Compensated absences	225,554	81,516	38,227	27,581	263,781	109,097
Total	<u>\$ 7,545,073</u>	<u>\$ 8,744,250</u>	<u>\$ 2,014,592</u>	<u>\$ 2,566,009</u>	<u>\$ 9,559,665</u>	<u>\$ 11,310,259</u>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Holden Beach is approximately \$187,538,000. There were no authorized bonds that had not been issued as of June 30, 2025.

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

Accounting Change

During fiscal year 2025, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This standard requires governments to recognize a liability for certain types of compensated absences when the leave is earned, rather than when it is taken. The application of GASB 101 resulted in a restatement of (\$114,592) and (\$13,110) to the beginning net position of the governmental activities and business-type activities, respectively. As a result, amounts reported in Management's Discussion and Analysis for fiscal year 2025 are not comparable to those reported for fiscal year 2024, which have not been restated in the prior year comparative information. See Note 7 for additional information regarding the impact of this standard on the current year's financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators impact on the potential growth and prosperity of the Town:

- Occupancy tax revenues continue to remain strong with collections exceeding \$4.1 million. Holden Beach continues to be a popular tourist destination with rental property tax revenue collections continuing to spread into the traditionally off-season months.
- Construction revenues on the island remain strong. People continue to build and remodel houses on the island.

Budget Highlights for the Fiscal Year Ending June 30, 2026

Governmental Activities. The Town's ad valorem tax rate for the fiscal year ending June 30, 2026, equals 14 cents per one hundred dollars of valuation. Recruitment for human capital continues to be challenging for employers across America and is especially challenging at Holden Beach where many of the Town's positions are one deep. Vacancies continue for positions funded in previous years budgets for multiple positions in both Law Enforcement and in Public Works. These positions remain in the FY26 budget. There have also been retirements from long held positions. The town enacted a reclassification in the PD at the end of FY 25 to try to aid with employee retention.

Paid Parking Implementation – On May 1, 2022 the Town implemented paid parking for approximately six hundred spaces. The FY 2025 full year actual for this new revenue stream was in excess of \$873k. Continuing the year-round parking initiative implemented last year, the FY26 budget has increased revenue projections to over 900k

Business-Type Activities. The Town is in the process of construction on Lift Station 2. Looking forward to FY26 we raised the sewer base charge to \$20 to help offset system needs for the future.

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 Town Manager, P.O. Box 449, Supply, North Carolina 28462. You can also call (910) 842-6488, visit the Town's website: www.hbtownhall.com or send an email to dmcrainey@hbtownhall.com for more information.

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TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 8,479,536	\$ 979,023	\$ 9,458,559
Taxes receivable, net	105,342	-	105,342
Accounts receivable, net	1,028,746	323,320	1,352,066
Due from other governments	312,540	548,920	861,460
Inventories	-	253,066	253,066
Leases receivable	-	57,436	57,436
Deposit - interlocal agreement	1,180,108	-	1,180,108
Restricted cash	9,773,178	4,242,141	14,015,319
Total current assets	20,879,450	6,403,906	27,283,356
Non-current assets:			
Lease receivable, non-current	-	359,867	359,867
Capital assets:			
Subscription assets, net of amortization	243,009	-	243,009
Right-to-use leased assets, net of amortization	24,206	5,583	29,789
Land, non-depreciable improvements and construction in progress	2,648,983	1,507,972	4,156,955
Other capital assets, net of depreciation	8,296,755	16,858,881	25,155,636
Total capital assets	11,212,953	18,372,436	29,585,389
Total non-current assets	11,212,953	18,732,303	29,945,256
Total assets	32,092,403	25,136,209	57,228,612
Deferred Outflows of Resources:			
Pension deferrals	897,459	95,283	992,742

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	72,018	107,041	179,059
Due to other governments	164,994	-	164,994
Accrued interest	70,433	15,373	85,806
Current portion of compensated absences	56,389	9,557	65,946
Current portion of long-term liabilities	1,666,812	178,135	1,844,947
Total current liabilities	2,030,646	310,106	2,340,752
Long-term liabilities:			
Compensated absences	169,165	28,670	197,835
Net pension liability	1,177,283	160,157	1,337,440
Total pension liability	570,706	-	570,706
Due in more than one year	3,904,718	1,638,073	5,542,791
Total long-term liabilities	5,821,872	1,826,900	7,648,772
Total liabilities	7,852,518	2,137,006	9,989,524
Deferred Inflows of Resources:			
Prepaid taxes	28,838	-	28,838
Leases	-	384,361	384,361
Pension deferrals	103,084	2,303	105,387
Total deferred inflows of resources	131,922	386,664	518,586
Net Position:			
Net investment in capital assets	8,041,423	16,556,228	24,597,651
Restricted for:			
Stabilization by state statute	2,499,137	-	2,499,137
BPART	5,406,825	-	5,406,825
Beach renourishment/beach inlet	3,912,414	-	3,912,414
Unrestricted	5,145,623	6,151,594	11,297,217
Total net position	\$ 25,005,422	\$ 22,707,822	\$ 47,713,244

The accompanying notes are an integral part of the financial statements.

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TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,499,099	\$ 1,496	\$ -	\$ -
Public safety	1,791,579	415,346	-	-
Transportation	741,955	1,265	79,065	-
Environmental protection	228,216	64,726	-	-
BPART	2,250,243	-	-	-
Beach renourishment	234,912	929,507	325,000	-
Interest on long-term debt	165,161	-	-	-
Total governmental activities	<u>6,911,165</u>	<u>1,412,340</u>	<u>404,065</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	<u>4,174,632</u>	<u>2,571,444</u>	<u>1,376,625</u>	<u>1,474,308</u>
Total primary government	<u>\$ 11,085,797</u>	<u>\$ 3,983,784</u>	<u>\$ 1,780,690</u>	<u>\$ 1,474,308</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (1,497,603)	\$ -	\$ (1,497,603)
Public safety	(1,376,233)	-	(1,376,233)
Transportation	(661,625)	-	(661,625)
Environmental protection	(163,490)	-	(163,490)
BPART	(2,250,243)	-	(2,250,243)
Beach renourishment	1,019,595	-	1,019,595
Interest on long-term debt	(165,161)	-	(165,161)
Total governmental activities	(5,094,760)	-	(5,094,760)
Business-Type Activities:			
Water and sewer	-	1,247,745	1,247,745
Total primary government	(5,094,760)	1,247,745	(3,847,015)
General Revenues:			
Taxes:			
Property taxes, levied for general purpose	3,367,305	-	3,367,305
Sales and use tax	450,489	-	450,489
Other taxes	4,855,246	-	4,855,246
Unrestricted investment earnings	511,580	113,170	624,750
Miscellaneous	56,975	289,197	346,172
Total general revenues	9,241,595	402,367	9,643,962
Change in net position	4,146,835	1,650,112	5,796,947
Net Position:			
Beginning of year, July 1	20,973,179	21,070,820	42,043,999
Restatement	(114,592)	(13,110)	(127,702)
Beginning of year, July 1, restated	20,858,587	21,057,710	41,916,297
End of year - June 30	\$ 25,005,422	\$ 22,707,822	\$ 47,713,244

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

	Major Funds					
	Special Revenue Fund		Capital Project Funds			
	General Fund	BPART Tax Fund	Canal Dredging Fund	FEMA Capital Project Fund	Beach Renourishment & Inlet Management Capital Reserve Fund	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 3,447,612	\$ -	\$ -	\$ -	\$ 5,031,924	\$ 8,479,536
Cash and cash equivalents, restricted	-	5,860,763	3,912,415	-	-	9,773,178
Taxes receivable, net	105,342	-	-	-	-	105,342
Accounts receivable, net	9,373	1,005,041	14,332	-	-	1,028,746
Deposit - interlocal government receivable	-	1,180,108	-	-	-	1,180,108
Due from other governments	270,604	41,591	345	-	-	312,540
Total assets	<u>\$ 3,832,931</u>	<u>\$ 8,087,503</u>	<u>\$ 3,927,092</u>	<u>\$ -</u>	<u>\$ 5,031,924</u>	<u>\$ 20,879,450</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 8,457	\$ 63,560	\$ 1	\$ -	\$ -	\$ 72,018
Due to other governments	-	164,994	-	-	-	164,994
Total liabilities	<u>8,457</u>	<u>228,554</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>237,012</u>
Deferred Inflows of Resources:						
Prepaid taxes, licenses and fees	28,838	-	-	-	-	28,838
Assessments receivable	7,925	-	14,332	-	-	22,257
Property taxes receivable	105,342	-	-	-	-	105,342
Total deferred inflows of resources	<u>142,105</u>	<u>-</u>	<u>14,332</u>	<u>-</u>	<u>-</u>	<u>156,437</u>
Fund Balances:						
Restricted:						
Stabilization by state statute	272,052	2,226,740	345	-	-	2,499,137
BPART	-	5,406,825	-	-	-	5,406,825
Beach renourishment/beach inlet	-	-	3,912,414	-	-	3,912,414
Committed:						
Beach renourishment/beach inlet	-	-	-	-	5,031,924	5,031,924
Assigned:						
Subsequent year's expenditures	-	225,384	-	-	-	225,384
Unassigned	3,410,317	-	-	-	-	3,410,317
Total fund balances	<u>3,682,369</u>	<u>7,858,949</u>	<u>3,912,759</u>	<u>-</u>	<u>5,031,924</u>	<u>20,486,001</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,832,931	\$ 8,087,503	\$ 3,927,092	\$ -	\$ 5,031,924	\$ 20,879,450

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025**

		<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:		
Total fund balances, governmental funds		\$ 20,486,001
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Gross capital assets at historical cost	\$ 14,470,596	
Accumulated depreciation/amortization	<u>(3,257,643)</u>	11,212,953
Accrued interest payable		(70,433)
Deferred outflows of resources related to pensions are not reported in the funds.		897,459
Earned revenues considered deferred inflows of resources in fund statements		127,599
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).	(5,571,530)	
Compensated absences	(225,554)	
Net pension liability	(1,177,283)	
Total pension liability	<u>(570,706)</u>	(7,545,073)
Deferred inflows of resources related to pensions are not reported in the funds.		<u>(103,084)</u>
Net position of governmental activities		<u><u>\$ 25,005,422</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Major Funds					
	Special Revenue Fund		Capital Project Funds			
	General Fund	BPART Tax Fund	Canal Dredging Fund	FEMA Capital Project Fund	Beach Renourishment & Inlet Management Capital Reserve Fund	Total Governmental Funds
Revenues:						
Ad valorem taxes	\$ 3,345,271	\$ -	\$ -	\$ -	\$ -	\$ 3,345,271
Other taxes and licenses	460,139	4,137,709	369,308	-	-	4,967,156
Unrestricted intergovernmental	338,101	-	-	-	-	338,101
Restricted intergovernmental	79,065	325,000	-	-	-	404,065
Permits and fees	415,010	929,507	-	-	-	1,344,517
Sales and service	67,823	-	-	-	-	67,823
Investment earnings	126,698	228,515	83,398	-	72,969	511,580
Miscellaneous	11,768	38,407	-	-	-	50,175
Total revenues	4,843,875	5,659,138	452,706	-	72,969	11,028,688
Expenditures:						
Current:						
General government	1,520,824	-	-	-	-	1,520,824
Public safety	1,646,779	-	-	-	-	1,646,779
BPART	-	2,250,243	-	-	-	2,250,243
Beach renourishment	-	-	84,944	-	-	84,944
Transportation	493,284	227,851	-	-	-	721,135
Environmental protection	195,403	-	-	-	-	195,403
Debt service:						
Principal	270,784	1,724,405	-	-	-	1,995,189
Interest	26,784	157,664	-	-	-	184,448
Total expenditures	4,153,858	4,360,163	84,944	-	-	8,598,965
Revenues over (under) expenditures	690,017	1,298,975	367,762	-	72,969	2,429,723
Other Financing Sources (Uses):						
Transfers from General Fund	-	-	-	-	2,910,370	2,910,370
Transfer from BPART Tax Fund	-	-	-	-	94,500	94,500
Transfers to General Fund	-	-	-	(1,583)	-	(1,583)
Transfer from FEMA Capital Project Fund	1,583	-	-	-	-	1,583
Transfer to Capital Reserve Fund	(2,910,370)	(94,500)	-	-	-	(3,004,870)
Subscription liabilities issued	269,621	-	-	-	-	269,621
Lease proceeds	20,387	-	-	-	-	20,387
Sales of capital assets	6,800	-	-	-	-	6,800
Total other financing sources (uses)	(2,611,979)	(94,500)	-	(1,583)	3,004,870	296,808
Net change in fund balances	(1,921,962)	1,204,475	367,762	(1,583)	3,077,839	2,726,531
Fund Balances:						
Beginning of year - July 1	5,604,331	6,654,474	3,544,997	1,583	1,954,085	17,759,470
End of year - June 30	\$ 3,682,369	\$ 7,858,949	\$ 3,912,759	\$ -	\$ 5,031,924	\$ 20,486,001

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 2,726,531
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 387,712	
Depreciation expense for governmental assets	<u>(447,272)</u>	(59,560)

Lease liability issued and subscriptions issued provides current financial resources to governmental funds.	(290,008)
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Pension expense - LGERS	(166,806)
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Pension expense - LEOSSA	(70,864)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes 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.

Principal payments on long-term debt	1,995,189
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(29,446)	
Accrued interest	<u>19,287</u>	(10,159)

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

Change in unavailable revenue for tax and assessment revenues	<u>22,512</u>
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Change in net position in governmental activities per Exhibit B	<u><u>\$ 4,146,835</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025**

	General Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 3,421,924	\$ 3,421,924	\$ 3,345,271	\$ (76,653)
Other taxes and licenses	400,300	400,300	460,139	59,839
Unrestricted intergovernmental	279,954	279,954	338,101	58,147
Restricted intergovernmental	50,000	65,740	79,065	13,325
Permits and fees	367,824	367,824	415,010	47,186
Sales and services	81,154	81,154	67,823	(13,331)
Investment earnings	20,000	20,000	126,698	106,698
Miscellaneous	21,250	19,667	11,768	(7,899)
Total revenues	4,642,406	4,656,563	4,843,875	187,312
Expenditures:				
Current:				
General government	1,541,783	1,678,132	1,520,824	157,308
Public safety	2,103,050	1,938,544	1,646,779	291,765
Transportation	530,053	625,031	493,284	131,747
Environmental protection	215,486	215,486	195,403	20,083
BPART	-	-	-	-
Debt service:				
Principal	200,000	270,785	270,784	1
Interest	22,553	26,787	26,784	3
Total expenditures	4,612,925	4,754,765	4,153,858	600,907
Revenues over (under) expenditures	29,481	(98,202)	690,017	788,219
Other Financing Sources (Uses):				
Transfers from other funds	92,507	94,090	1,583	(92,507)
Transfers to other funds	(126,988)	(2,910,370)	(2,910,370)	-
Lease proceeds	-	-	20,387	20,387
Subscriptions	-	-	269,621	269,621
Sale of capital assets	5,000	5,000	6,800	1,800
Appropriated fund balance	-	2,909,482	-	(2,909,482)
Total other financing sources (uses)	(29,481)	98,202	(2,611,979)	(2,710,181)
Net change in fund balance	\$ -	\$ -	(1,921,962)	\$ (1,921,962)
Fund Balance:				
Beginning of year - July 1			5,604,331	
End of year - June 30			\$ 3,682,369	

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025**

	BPART Tax Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	4,077,500	4,077,500	4,137,709	60,209
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	420,000	420,000	325,000	(95,000)
Permits and fees	917,000	917,000	929,507	12,507
Sales and services	-	-	-	-
Investment earnings	46,029	46,029	228,515	182,486
Miscellaneous	29,150	29,150	38,407	9,257
Total revenues	<u>5,489,679</u>	<u>5,489,679</u>	<u>5,659,138</u>	<u>169,459</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	245,000	342,370	227,851	114,519
Environmental protection	-	-	-	-
BPART	3,850,572	3,872,476	2,250,243	1,622,233
Debt service:				
Principal	1,724,405	1,724,405	1,724,405	-
Interest	158,028	158,028	157,664	364
Total expenditures	<u>5,978,005</u>	<u>6,097,279</u>	<u>4,360,163</u>	<u>1,737,116</u>
Revenues over (under) expenditures	<u>(488,326)</u>	<u>(607,600)</u>	<u>1,298,975</u>	<u>1,906,575</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(94,500)	(94,500)	(94,500)	-
Lease proceeds	-	-	-	-
Subscriptions	-	-	-	-
Sale of capital assets	-	-	-	-
Appropriated fund balance	<u>582,826</u>	<u>702,100</u>	-	<u>(702,100)</u>
Total other financing sources (uses)	<u>488,326</u>	<u>607,600</u>	<u>(94,500)</u>	<u>(702,100)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,204,475</u>	<u>\$ 1,204,475</u>
Fund Balance:				
Beginning of year - July 1			<u>6,654,474</u>	
End of year - June 30			<u>\$ 7,858,949</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2025

	Major Enterprise Fund
	Water and Sewer Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 979,023
Accounts receivable - net	323,320
Due from other governments	548,920
Inventories	253,066
Lease receivable	57,436
Cash and cash equivalents, restricted	4,242,141
Total current assets	<u>6,403,906</u>
Non-current assets:	
Leases receivable, net of current portion	<u>359,867</u>
Capital assets:	
Land and construction in progress	1,507,972
Other capital assets, net of depreciation	16,858,881
Leased assets, net of amortization	5,583
Total capital assets	<u>18,372,436</u>
Total non-current assets	<u>18,732,303</u>
Total assets	<u>25,136,209</u>
Deferred Outflows of Resources:	
Pension deferrals	<u>95,283</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	107,041
Accrued interest	15,373
Current portion of compensated absences	9,557
Current portion of lease liabilities	1,184
Current portion of long-term debt	176,951
Total current liabilities	<u>310,106</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2025**

	Major Enterprise Fund
	Water and Sewer Fund
Non-current liabilities:	
Compensated absences	28,670
Net pension liability	160,157
Non-current portion of lease liability	4,424
Non-current portion of long-term debt	1,633,649
Total non-current liabilities	<u>1,826,900</u>
Total liabilities	<u>2,137,006</u>
Deferred Inflows of Resources:	
Pension deferrals	2,303
Leases	384,361
Total deferred inflows of resources	<u>386,664</u>
Net Position:	
Net investment in capital assets	16,556,228
Unrestricted	<u>6,151,594</u>
Total net position	<u>\$ 22,707,822</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Major Enterprise Fund
	Water and Sewer Fund
Operating Revenues:	
Charges for services	\$ 2,398,367
Taps and connection fees	107,401
Other operating revenues	65,676
Total operating revenues	<u>2,571,444</u>
Operating Expenses:	
General operations	289,926
Water and sewer operations	2,153,688
Depreciation/amortization	640,516
Total operating expenses	<u>3,084,130</u>
Operating income (loss)	<u>(512,686)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	113,170
Lease revenue	59,758
Capital charges	1,474,308
County capital charges	(1,025,196)
Interest and other charges	(65,306)
Federal and state grants	1,376,625
Gain on sale of capital assets	229,439
Total non-operating revenues (expenses)	<u>2,162,798</u>
Change in net position	<u>1,650,112</u>
Net Position:	
Beginning of year - July 1	21,070,820
Restatement	<u>(13,110)</u>
Beginning of year - July 1, as restated	<u>21,057,710</u>
End of year - June 30	<u><u>\$ 22,707,822</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2025

	Major Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,083,798
Cash paid for goods and services	(2,157,872)
Cash paid to or on behalf of employees for services	(439,410)
Other operating revenues	1,435,911
Net cash provided (used) by operating activities	<u>(77,573)</u>
Cash Flows from Non-Capital Financing Activities:	
Capital charges paid	(1,025,196)
Capital charges received from customers	1,474,308
Net cash provided (used) by non-capital financing activities	<u>449,112</u>
Cash Flows from Capital and Related Financing Activities:	
Principal paid on bonds/loans	(597,734)
Interest paid on bonds/loans	(73,100)
Principal paid on lease liabilities	(493)
Restricted intergovernmental revenues	1,376,625
Lease revenue	65,859
Acquisition and construction of capital assets	(1,419,418)
Net cash provided (used) by capital and related financing activities	<u>(648,261)</u>
Cash Flows from Investing Activities:	
Proceeds from sale of capital assets	574,345
Investment earnings	113,170
Net cash provided (used) by investing activities	<u>687,515</u>
Net increase (decrease) in cash and cash equivalents	410,793
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>4,810,371</u>
End of year - June 30	<u>\$ 5,221,164</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2025

	Major Enterprise Fund
	<u>Water and Sewer Fund</u>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (512,686)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	640,516
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(45,345)
Decrease (increase) in leases receivable	53,369
Decrease (increase) in due from other governments	(341,853)
Increase (decrease) in net pension liability	30,063
Increase (decrease) in accounts payable and accrued liabilities	102,250
Increase (decrease) in inventories	65,652
Increase (decrease) in accrued vacation	(2,464)
Increase (decrease) in deferred inflows of resources for leases	(59,759)
(Increase) decrease in deferred outflows of resources for pensions	(8,367)
Increase (decrease) in deferred inflows of resources for pensions	1,051
Total adjustments	<u>435,113</u>
Net cash provided (used) by operating activities	<u>\$ (77,573)</u>
Non-Cash Items:	
Right to use asset acquired in exchange for a lease liability	<u>\$ 6,101</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Holden Beach, North Carolina, (the “Town”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Holden Beach is a municipal corporation, which is governed by an elected Mayor and a five-member Council. As required by generally accepted accounting principles, these financial statements present the Town. The Town does not have any component units.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, financed, in whole or in part, by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

The Town reports the following major governmental funds:

Governmental Funds

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

BPART Tax Fund. This special revenue fund is used to account for occupancy taxes collected which are used to promote tourism.

Canal Dredging Fund. This capital project fund is used to account for assessments collected which are used for canal projects.

FEMA Capital Project Fund. This capital project fund is used to account for various FEMA projects.

Beach Renourishment and Inlet Management Capital Reserve Fund. This capital reserve fund was established to provide funding for future sand projects estimated to occur nine or more years in the future.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes 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 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 Holden Beach because the tax is levied by Brunswick 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost 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 by general revenues.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, BPART Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the remaining special revenue funds, capital project funds, and any enterprise capital project funds, which are consolidated with the operating funds for reporting purposes. 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. Any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing 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

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] 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 mutual fund shares when the mutual fund is certified by the Local Government Commission.

The majority of the Town's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost.

The North Carolina Capital Management Trust (NCCMT) Government Portfolio is an SEC-registered money market mutual fund that is certified by the Local Government Commission under the provision by G.S. 159-30(c)(8) and the North Carolina Administrative Code, Title 20, Chapter 03, Section .0700. The Government Portfolio is a 2a7 fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. It is rated AAAm by S&P and AAAmf by Moody Investor Services and reported at fair value.

The North Carolina Cooperative Liquid Assets Securities System ("North Carolina CLASS") is an investment pool authorized by North Carolina General Statutes §159-30(c)(10) and was established by an Interlocal Agreement dated March 1, 2023, as amended, by the local governments pursuant to §160A-460 through §160A-464. The investments within North Carolina CLASS are limited to

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

those qualifying for investment under §159-30(c). North Carolina CLASS has been rated AAAm by S&P.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. All cash is essentially demand deposits and is considered cash and cash equivalents.

Restricted Assets

Unspent grant proceeds are classified as restricted assets in the BPART Tax fund because their use is restricted by revenue source for specific expenditures. Cash and investments are restricted in the BPART Tax Fund and Canal Dredging Fund for tourism and beach renourishment because their use is completely restricted to the purpose for which they were levied, and the Enterprise Fund has restricted cash for the sewer capital fees.

	<u>Amount</u>
Governmental Activities:	
BPART Tax Fund:	
BPART and unspent grant proceeds	\$ 5,860,763
Canal Dredging Fund:	
Canal dredging	3,912,415
Total governmental activities	<u>\$ 9,773,178</u>
Business-Type Activities:	
Water and Sewer Fund:	
Sewer capital fees	<u>\$ 4,242,141</u>

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, 2024.

Allowance for Doubtful Accounts

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Inventory

The inventories of the Town are valued at the lower cost of market. The inventories of the Town consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Leases Receivable

The Town's leases receivable are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

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. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives, are not capitalized. The Town defines capital assets as assets with an individual cost of \$5,000 or more.

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

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Other improvements	50 years
Infrastructure	30 years
Equipment	10 years
Furniture and fixtures	10 years
Computer equipment	10 years
Vehicles	6 years
Miscellaneous	3 years

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Right-to-Use Assets

The Town has recorded right-to-use lease assets in accordance with GASB 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Subscription Assets

The Town has recorded the right-to-use subscription assets related to subscriptions-based information technology arrangements (SBITAs) in accordance with GASB 96. The right-to-use subscription assets are initially measured at an amount equal to the initial measurement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The right-to-use subscription assets are amortized on a straight-line basis over the life of the related SBITA.

Deferred Outflows/Inflows of Resources

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

Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. 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 the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 240 hours earned vacation leave, with such leave being fully vested when earned. Employees earn ten days during the first five years of employment, fifteen days during the fifth through ten years of employment, and twenty days after ten years of employment. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. All sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability of compensated absences.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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 non-spendable. 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 BPART – portion of fund balance that is restricted by external sources for tourism.

Restricted for Beach Renourishment/Inlet – portion of fund balance that is restricted by laws and grantors for beach renourishment and inlet management projects.

Committed Fund Balance. This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Holden Beach’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. 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 revised limitation.

Committed for Beach Renourishment/Inlet – portion of fund balance that has been committed by the Board for beach renourishment and beach inlet.

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

Subsequent Year’s Expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

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

The Town has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures.

F. 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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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 were reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS and the State Health Plan. Investments are reported at fair value.

G. Revenues, Expenditures, and Expenses

Use of Estimates

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

2. Detail Notes on All Funds

A. Assets

Deposits

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town and in its name. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and the 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 depositories are properly secured.

At June 30, 2025, the Town's deposits had a carrying amount of \$14,194,571 and a bank balance of \$15,093,412. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by the collateral held under the Pooling Method. At June 30, 2025, the Town's petty cash totaled \$106.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Investments

As of June 30, 2025, the Town has the following investments and maturities:

Investment Type	Valuation	Book Value at 6/30/25	Less than 6 months	1-3 Years
	Measurement Method			
North Carolina CLASS	Fair Value Level 1	\$ 926,851	\$ 926,851	\$ -
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	8,352,350	8,352,350	-
Total		<u>\$ 9,279,201</u>	<u>\$ 9,279,201</u>	<u>\$ -</u>

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. The NCCMT Government Portfolio has an AAAM rating from S&P and AAA-mf by Moody's Investor Service.

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

Level of Fair Value Hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's and AAA-mf by Moody's Investors Service as of June 30, 2025.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Receivables

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2025, are net of the following allowances for doubtful accounts:

	<u>Taxes</u>	<u>Accounts</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General fund	\$ 111,638	\$ 12,806	\$ 270,604	\$ 395,048
BPART tax fund	-	1,005,041	41,591	1,046,632
Canal dredging fund	-	14,332	345	14,677
Allowance for doubtful accounts	(6,296)	(3,433)	-	(9,729)
Total governmental activities	<u>\$ 105,342</u>	<u>\$ 1,028,746</u>	<u>\$ 312,540</u>	<u>\$ 1,446,628</u>
Business-Type Activities:				
Water and sewer fund:				
Total receivables	\$ -	\$ 340,494	\$ 548,920	\$ 889,414
Allowance for doubtful accounts	-	(17,174)	-	(17,174)
Total business-type activities	<u>\$ -</u>	<u>\$ 323,320</u>	<u>\$ 548,920</u>	<u>\$ 872,240</u>

Due from other governments that is owed to the Town consists of the following:

Local option sales tax	\$ 99,867
Sales tax	388,161
Franchise tax	46,976
Grants	323,016
Other governments	3,440
Total	<u>\$ 861,460</u>

Leases Receivable

The Town entered into a 161-month lease which commenced on July 1, 2021, as lessor for the use of property for Brunswick Avenue. An initial lease receivable was recorded in the amount of \$468,882. At June 30, 2025, the value of the lease receivable was \$355,138. The lessee is required to make monthly fixed payments of \$2,888. The lease has an interest rate of 1.9660%. The value of the deferred inflow of resources as of June 30, 2025, was \$329,090, and the Town recognized lease revenue of \$34,948 during the fiscal year. The lessee has two extension options, each for 60 months.

The Town entered into a 74-month lease which commenced on July 1, 2021, as lessor for the use of property for 120 Rothschild Street. An initial lease receivable was recorded in the amount of \$154,510. At June 30, 2025, the value of the lease receivable was \$58,165. The lessee is required to make monthly fixed payments of \$1,985. The lease has an interest rate of 1.3350%. The value of the deferred inflow of resources as of June 30, 2025, was \$55,271, and the Town recognized lease revenue of \$24,810 during the fiscal year. The lessee has one 60-month extension option.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Future minimum lease payments receivable were as follows:

Year Ending June 30	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2026	\$ 57,436	\$ 7,359	\$ 64,795
2027	59,578	6,373	65,951
2028	42,015	5,435	47,450
2029	37,407	4,706	42,113
2030	38,674	3,956	42,630
2031-2035	182,193	8,084	190,277
Total	<u>\$ 417,303</u>	<u>\$ 35,913</u>	<u>\$ 453,216</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Capital Assets

Governmental Capital Assets

A summary of changes in the Town's governmental capital assets follows:

	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 2,648,983	\$ -	\$ -	\$ 2,648,983
Depreciable Assets:				
Buildings and structures	4,410,987	-	-	4,410,987
Other improvements and infrastructure	5,437,099	-	-	5,437,099
Equipment	476,707	-		476,707
Vehicles	1,009,915	97,704	29,237	1,078,382
Leased equipment	32,385	20,387	14,162	38,610
Subscriptions	125,601	269,621	15,394	379,828
Total depreciable assets	<u>11,492,694</u>	<u>387,712</u>	<u>58,793</u>	<u>11,821,613</u>
Less Accumulated Depreciation/Amortization:				
Buildings and structures	1,373,575	88,220	-	1,461,795
Other improvements and infrastructure	425,102	108,742	-	533,844
Equipment	314,913	24,272	-	339,185
Vehicles	665,816	135,017	29,237	771,596
Leased equipment	19,689	8,877	14,162	14,404
Subscriptions	70,069	82,144	15,394	136,819
Total accumulated depreciation/amortization	<u>2,869,164</u>	<u>447,272</u>	<u>58,793</u>	<u>3,257,643</u>
Governmental activities capital assets, net	<u>\$ 11,272,513</u>			<u>\$ 11,212,953</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

General government	\$ 213,332
Public safety	71,552
Transportation	11,008
Beach renourishment & recreational	126,417
Environmental protection	24,963
Total	<u>\$ 447,272</u>

Proprietary Capital Assets

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

	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
Water and Sewer Fund:				
Non-Depreciable Assets:				
Land	\$ 475,231	\$ -	\$ 334,935	\$ 140,296
Construction in progress	-	1,367,676	-	1,367,676
Total non-depreciable assets	<u>475,231</u>	<u>1,367,676</u>	<u>334,935</u>	<u>1,507,972</u>
Depreciable Assets:				
Plant and distribution systems	26,120,667	-	-	26,120,667
Infrastructure	184,026	-	-	184,026
Furniture and maintenance equipment	1,014,480	-	-	1,014,480
Vehicles	219,816	45,641	26,590	238,867
Leases	-	6,101	-	6,101
Subscriptions	5,132	-	5,132	-
Total depreciable capital assets	<u>27,544,121</u>	<u>51,742</u>	<u>31,722</u>	<u>27,564,141</u>
Less Accumulated Depreciation/Amortization:				
Plant and distribution systems	9,324,531	522,413	-	9,846,944
Infrastructure	69,645	3,681	-	73,326
Furniture and maintenance equipment	561,115	86,321	-	647,436
Vehicles	120,489	27,583	16,619	131,453
Leases	-	518	-	518
Subscriptions	5,132	-	5,132	-
Total accumulated depreciation/amortization	<u>10,080,912</u>	<u>640,516</u>	<u>21,751</u>	<u>10,699,677</u>
Total business-type activities capital assets, net	<u>\$ 17,938,440</u>			<u>\$ 18,372,436</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Construction Commitments

The Town has an active construction project as of June 30, 2025. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Lift Station	\$ 1,070,778	\$ 2,828,222

B. Liabilities

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

	<u>Vendors</u>	<u>Interest</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities	\$ 45,700	\$ 70,433	\$ 26,318	\$ 142,451
Business-Type Activities:				
Water and Sewer Fund	\$ 103,643	\$ 15,373	\$ 3,398	\$ 122,414

Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement, disability and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of creditable service,

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

LGERS plan members who are LEOs are eligible to retire with unreduced 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 reduced retirement benefits at age 50 with 15 years of creditable service as an officer. LEOs who complete 25 years of creditable service with 15 years as an officer are eligible to retire with reduced retirement benefits. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed 15 years of 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 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Holden Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Holden Beach's contractually required contribution rate for the year ended June 30, 2025, was 15.04% of compensation for law enforcement officers and 13.60% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Holden Beach were \$254,396 for the year ended June 30, 2025.

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

At June 30, 2025, the Town reported a liability of \$1,337,440 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024, utilizing update procedures incorporating the actuarial assumptions.

The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024 (measurement date), the Town's proportion was 0.01984%, which was an increase of 0.00343% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of \$443,947. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 234,370	\$ 1,576
Net difference between projected and actual earnings on pension plan investments	181,824	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	125,604	17,739
Contributions subsequent to the measurement date	254,396	-
Total	<u>\$ 796,194</u>	<u>\$ 19,315</u>

\$254,396 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Total
2026	\$ 165,793
2027	299,226
2028	78,023
2029	(20,559)
Total	<u>\$ 522,483</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

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

The actuarial assumptions used in the December 31, 2023 actuarial valuation was based on the results of an actuarial experience study, prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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 returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	33.0%	2.4%
Global equity	38.0%	6.9%
Real estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic fixed income	7.0%	5.3%
Inflation sensitive	<u>6.0%</u>	4.3%
Total	<u>100.0%</u>	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

The information above is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those 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 benefits payments to determine the total pension liability.

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 2,369,983</u>	<u>\$ 1,337,440</u>	<u>\$ 488,032</u>

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

Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2023, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	10
Total	10

Summary of Significant Accounting Policies

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

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

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

Inflation	2.5 percent
Salary increase	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.28 percent

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

The actuarial assumptions used in the December 31, 2023 valuation was based on the results of an experience study completed by the Actuary for the Local Governmental Employee's Retirement System for the five-year period ending December 31, 2019.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-Median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

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 operation budget. There were no contributions made by the 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 \$0 as benefits came due for the reporting period.

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

At June 30, 2025, the Town reported a total pension liability of \$570,706. The total pension liability was measured as of December 31, 2024, based on a December 31, 2023 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2024, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$69,838.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 147,767	\$ 16,890
Changes of assumptions and other inputs	48,781	69,182
Total	<u>\$ 196,548</u>	<u>\$ 86,072</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

There was \$0 paid as benefits came due and administrative expenses incurred subsequent to the measurement date that were reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2026. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2026	\$ 27,736
2027	27,736
2028	6,172
2029	9,198
2030	20,711
Thereafter	18,923
Total	<u>\$ 110,476</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 4.28 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.28 percent) or 1-percentage point higher (5.28 percent) than the current rate:

	1% Decrease (3.28%)	Discount Rate (4.28%)	1% Increase (5.28%)
Total pension liability	<u>\$ 630,124</u>	<u>\$ 570,706</u>	<u>\$ 516,557</u>

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

	2025
Beginning balance	\$ 429,202
Service cost	21,929
Interest on the total pension liability	17,168
Differences between expected and actual experience in the measurement of the total pension liability	118,502
Changes of assumptions or other inputs	(16,095)
Ending balance of the total pension liability	<u>\$ 570,706</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 443,947	\$ 69,838	\$ 513,785
Pension liability	1,337,440	570,706	1,908,146
Proportionate share of the net pension liability	0.01984%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 234,370	\$ 147,767	\$ 382,137
Changes of assumptions	-	48,781	48,781
Net difference between projected and actual earnings on plan investments	181,824	-	181,824
Changes in proportion and differences between Town contributions and proportionate share of contributions	125,604	-	125,604
Benefit payments and administrative costs paid subsequent to the measurement date	<u>254,396</u>	<u>-</u>	<u>254,396</u>
Total deferred outflows of resources	<u>\$ 796,194</u>	<u>\$ 196,548</u>	<u>\$ 992,742</u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 1,576	\$ 16,890	\$ 18,466
Changes of assumptions	-	69,182	69,182
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>17,739</u>	<u>-</u>	<u>17,739</u>
Total deferred inflows of resources	<u>\$ 19,315</u>	<u>\$ 86,072</u>	<u>\$ 105,387</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent (5%) of each officer’s salary, and all amounts are vested immediately. Law enforcement officers may also make voluntary contributions to the Plan. Contributions for the year ended June 30, 2025, were \$39,524, which consisted of \$25,203 from the Town and \$14,321 from the law enforcement officers. No amounts were forfeited.

Other Employment Benefits

Death Benefit Plan

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources reported on the Statement of Net Position are comprised of the following:

<u>Source</u>	<u>Amount</u>
Pension deferrals - LGERS	\$ 796,194
Pension deferrals - LEOSSA	196,548
Total	<u>\$ 992,742</u>

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

<u>Source</u>	<u>General Fund Balance Sheet</u>	<u>Statement of Net Position</u>
Pension deferrals - LGERS	\$ -	\$ 19,315
Pension deferrals - LEOSSA	-	86,072
Leases	-	384,361
Assessments receivable	22,257	-
Property taxes receivable	105,342	-
Prepaid taxes	28,838	28,838
Total	<u>\$ 156,437</u>	<u>\$ 518,586</u>

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 two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability, public officials' liability and auto liability coverage, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the statutory limits. These pools are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance and excess 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.

The Town carries commercial coverages for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the state that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage \$500,000 per structure through the NFIP.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$1,000,000 and the Tax Collector is bonded for \$50,000 through a commercial surety bond. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

Claims, Judgments, and Contingent Liabilities

At June 30, 2025, the Town was not involved in any civil or legal actions which in the opinion of the Town's management and the Town's attorney would have an adverse or material effect on the Town's financial position.

Long-Term Obligations

Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On February 21, 2022, the Town of Holden Beach entered into a 60-month lease as Lessee for the use of PB - Tax Postage Meter. An initial lease liability was recorded in the amount of \$18,223. As of June 30, 2025, the value of the lease liability is \$5,624, and the value of the short-term lease liability is \$3,731. Holden Beach is required to make quarterly fixed payments of \$953. The lease has an interest rate of 1.9120%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2025 was \$18,223 with accumulated amortization of \$12,250.

On January 31, 2025, the Town of Holden Beach entered into a 60-month lease as Lessee for the use of XEROX. An initial lease liability was recorded in the amount of \$12,202. As of June 30, 2025, the value of the lease liability is \$11,216, and the value of the short-term lease liability is \$2,368. Holden Beach is required to make monthly fixed payments of \$222. The lease has an interest rate of 2.8850%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2025 was \$12,202 with accumulated amortization of \$1,035.

On December 5, 2024, the Town of Holden Beach entered into a 60-month lease as Lessee for the use of XEROX 2. An initial lease liability was recorded in the amount of \$14,286. As of June 30, 2025, the value of the lease liability is \$12,907, and the value of the short-term lease liability is \$2,807. Holden Beach is required to make monthly fixed payments of \$257. The lease has an interest rate of 2.3310%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of June 30, 2025 was \$14,286 with accumulated amortization of \$1,637.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

Year Ending	Governmental Activities		
June 30	Principal	Interest	Total
2026	\$ 7,722	\$ 498	\$ 8,220
2027	5,984	330	6,314
2028	4,195	213	4,408
2029	4,301	107	4,408
2030	1,937	13	1,950
Total	<u>\$ 24,139</u>	<u>\$ 1,161</u>	<u>\$ 25,300</u>

Year Ending	Business-Type Activities		
June 30	Principal	Interest	Total
2026	\$ 1,184	\$ 146	\$ 1,330
2027	1,219	112	1,331
2028	1,254	76	1,330
2029	1,291	39	1,330
2030	660	6	666
Total	<u>\$ 5,608</u>	<u>\$ 379</u>	<u>\$ 5,987</u>

Subscriptions

The Town has entered into subscription-based information technology arrangements (SBITAs). The SBITAs qualify as other than short-term SBITAs under GASB 96 and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

On April 14, 2023, the Town of Holden Beach entered into a 36-month subscription for the use of DebtBook Platform. An initial subscription liability was recorded in the amount of \$34,805. As of June 30, 2025, the value of the subscription liability is \$0. The Town of Holden Beach is required to make annual fixed payments of \$9,750. The subscription has an interest rate of 2.5030%. The value of the right-to-use asset as of June 30, 2025 was \$34,805 with accumulated amortization of \$25,685.

On November 30, 2023, the Town of Holden Beach entered into a 48-month subscription for the use of Harris Smartfusion. An initial subscription liability was recorded in the amount of \$63,488. As of June 30, 2025, the value of the subscription liability is \$31,744. Town of Holden Beach is required to make annual fixed payments of \$15,872. The subscription has an interest rate of 0.0000%. The value of the right-to-use asset as of June 30, 2025 was \$75,403 with accumulated amortization of \$75,403. Town of Holden Beach has 1 extension option for 36 months.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

On November 1, 2024, the Town of Holden Beach entered into a 60-month subscription for the use of GGE Solutions (Worldline). An initial subscription liability was recorded in the amount of \$269,621. As of June 30, 2025, the value of the subscription liability is \$239,759, and the value of the short-term subscription liability is \$52,146. Town of Holden Beach is required to make monthly fixed payments of \$4,765. The subscription has an interest rate of 2.3310%. The value of the right to use asset as of June 30, 2025 was \$269,620 with accumulated amortization of \$35,731.

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2026	\$ 68,018	\$ 5,034	\$ 73,052
2027	69,247	3,805	73,052
2028	54,632	2,548	57,180
2029	55,919	1,261	57,180
2030	23,687	138	23,825
Total	<u>\$ 271,503</u>	<u>\$ 12,786</u>	<u>\$ 284,289</u>

Installment Notes Payable

Governmental Activities:

3.81% direct placement note, payable in annual installments of \$200,000, plus interest; final payment due March 2027; secured by real estate	\$ 391,954
3.18% direct placement note, payable in annual installments of \$191,072, including interest; final payment due September 2037; secured by real estate	2,483,934
2.18% direct placement note, payable in annual installments of \$1,200,000, plus interest; final payment due October 2026; secured by pledged sources	<u>2,400,000</u>
Total governmental activities notes payable	<u>\$ 5,275,888</u>

Business-Type Activities:

Water and Sewer Fund:

1.920% direct placement note, payable in annual installments of \$119,245, plus interest; final payment due October 2036; secured by real estate	\$ 1,782,162
2.100% direct placement note, payable in annual installments of \$28,772, plus interest; final payment due January 2027; secured by pledged sources	<u>28,438</u>
Total business-type activities notes payable	<u>\$ 1,810,600</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

The Town's outstanding note from direct placements related to governmental activities of \$391,954 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

The Town's outstanding note from direct placements related to governmental activities of \$2,483,934 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

The Town's outstanding note from direct placements related to governmental activities of \$2,400,000 is secured by pledged sources. Upon default, interest shall accrue at the default rate specified in the debt agreement and principal of and interest on this note shall be payable in immediately available funds.

The Town's outstanding note from direct placements related to business-type activities of \$28,438 is secured by pledged sources. Upon default, interest shall accrue at the default rate specified in the debt agreement and principal of and interest on this note shall be payable in immediately available funds.

The Town's outstanding note from direct placements related to business-type activities of \$1,782,162 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

Annual debt service requirements to maturity for the Town's long-term obligations are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 1,591,072	\$ 130,125	\$ 1,721,197	\$ 176,951	\$ 34,370	\$ 211,321
2027	1,583,026	90,268	1,673,294	148,513	31,077	179,590
2028	191,072	63,798	254,870	148,513	28,118	176,631
2029	191,072	57,723	248,795	148,513	25,158	173,671
2030	191,072	51,646	242,718	148,513	22,198	170,711
2031-2035	955,360	167,090	1,122,450	742,565	66,595	809,160
2036-2038	573,214	27,342	600,556	297,032	5,920	302,952
Total	<u>\$ 5,275,888</u>	<u>\$ 587,992</u>	<u>\$ 5,863,880</u>	<u>\$ 1,810,600</u>	<u>\$ 213,436</u>	<u>\$ 2,024,036</u>

At June 30, 2025, the Town had a legal debt margin of approximately \$187,538,000. There were no authorized bonds that had not been issued as of June 30, 2025.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Changes in Long-Term Debt

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

	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Direct placement notes payable	\$ 7,200,294	\$ -	\$ (1,924,406)	\$ 5,275,888	\$ 1,591,072
Lease liabilities	12,407	20,387	(8,655)	24,139	7,722
Subscription liabilities	64,010	269,621	(62,128)	271,503	68,018
Net pension liability (LGERS)	956,821	220,462	-	1,177,283	-
Total pension liability (LEOSSA)	429,202	141,504	-	570,706	-
Compensated absences	<u>196,108</u>	<u>29,446</u>	<u>-</u>	<u>225,554</u>	<u>56,389</u>
Governmental activities long-term liabilities	<u>\$ 8,858,842</u>	<u>\$ 681,420</u>	<u>\$ (1,995,189)</u>	<u>\$ 7,545,073</u>	<u>\$ 1,723,201</u>
Business-Type Activities:					
Water and Sewer Fund:					
Direct placement notes payable	\$ 2,408,334	\$ -	\$ (597,734)	\$ 1,810,600	\$ 176,951
Lease liabilities	-	6,101	(493)	5,608	1,184
Net pension liability (LGERS)	130,094	30,063	-	160,157	-
Compensated absences	<u>40,691</u>	<u>-</u>	<u>(2,464)</u>	<u>38,227</u>	<u>9,557</u>
Business-type long-term liabilities	<u>\$ 2,579,119</u>	<u>\$ 36,164</u>	<u>\$ (600,691)</u>	<u>\$ 2,014,592</u>	<u>\$ 187,692</u>

For governmental activities, the net pension obligation liabilities are liquidated by the General Fund.

Interfund Balances and Activity

Transfers to/from Other Funds

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

Transfer from GF to Beach Renourishment & Inlet Management Capital Reserve Fund to transfer excess fund balance according to fund balance policy	\$ 2,910,370
Transfer from FEMA Capital Project Fund to GF to close out project	1,583
Transfer from BPART Fund to Beach Renourishment & Inlet Management Capital Reserve Fund to transfer excess fund balance according to fund balance policy	94,500

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Net Investment in Capital Assets

	Governmental Activities	Business-Type Activities
Capital assets	\$ 11,212,953	\$ 18,372,436
Less: Long-term debt	(5,571,530)	(1,816,208)
Debt not related to capital assets	2,400,000	-
Net investment in capital assets	<u>\$ 8,041,423</u>	<u>\$ 16,556,228</u>

Fund Balance

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

Total fund balance - General Fund	\$ 3,682,369
Less:	
Stabilization by state statute	272,052
Remaining fund balance	<u>\$ 3,410,317</u>

The Town has also adopted a fund balance policy for the General Fund which instructs management to conduct business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of budgeted expenditures.

3. Jointly Governed Organization

The Town, in conjunction with other local governments, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing boards. The Town paid memberships fees of \$553 to the Council during the fiscal year ended June 30, 2025.

4. Contracted Service Agreement

The Town is party to a sewer service agreement with Brunswick County for the East/West Brunswick Regional Wastewater Project. The term of the agreement is from July 2002 for thirty (30) years or five years after the last maturity of the bonds issued to finance the project. Brunswick County has financed, constructed, and is operating a regional sewer system and the Town, which is using this system for transmission and treatment of the Town's sewage, has agreed to participate with the County in financing the capital and operating costs of the project. The Town is responsible for assisting in paying for a portion of the operation and maintenance of the system based on its consumption, and the Town also has to pay its pro rata share of the financing of capital costs the County incurred for construction. The total amounts that the Town is responsible for are approximately 22.43% of the County's 2004A Revenue Bond of \$31,540,000, 33.33% of the County's 2005 Revolving Loan of \$10,000,000. The Town also has to pay the same percentages of the interest on these debts. The notes payable amount to Brunswick County in the year ending 30 June 2025 was \$2,662,582. The subsequent years' payment will decrease gradually over the 25-year life span of the debt with final payout in 2029. The Town levies a capital charge authorized by special legislation to residents in order to fund the payments.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

5. Interlocal Agreement with Brunswick County

The Town entered into an interlocal agreement with Brunswick County to assist in financing a beach renourishment project; aka “Central Reach Project”. The Town borrowed \$12,000,000 to finance the project. Per the agreement, the Town was required to deposit with the County for the largest debt service payment required over the subsequent 10 years of the loan. In each fiscal year that the special obligation bonds are outstanding, the County will include in its budget and agrees to appropriate the total amount of debt service due in each fiscal year. On each date that debt service is due on the special obligation bonds, the County agrees to pay the Town the amount of debt service due on the special obligation bonds. The Town expects to make the payment of debt service due on special obligations binds from its other available funds and, to the extent that it does, the County will not be required to make any payment to the Town of such date. The County is only required to make its payment on or after any date the payment of debt service on the special obligation bonds is due if the Town has not made a payment. The Town remitted \$1,461,600 to the County on October 20, 2016, and this payment is reflected on the general ledger as a Deposit – Brunswick County Interlocal Agreement. At the end of each fiscal year, the County will remit back to the Town any amount in its Reserve Fund in excess of the remaining maximum annual debt service on the special obligation bonds.

6. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

7. Adjustments and Restatements of Beginning Balances

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

	Net Position 6/30/24, as Previously Reported	Restatement - GASB 101 Implementation	Net Position 6/30/24, as Restated
Government-Wide:			
Governmental activities	\$ 20,973,179	\$ (114,592)	\$ 20,858,587
Business-type activities	21,070,820	(13,110)	21,057,710
Total	<u>\$ 42,043,999</u>	<u>\$ (127,702)</u>	<u>\$ 41,916,297</u>

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TOWN OF HOLDEN BEACH, NORTH CAROLINA

**TOWN OF HOLDEN BEACH'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS ***

	Local Governmental Employees' Retirement System				
	2025	2024	2023	2022	2021
Holden Beach's proportion of the net pension liability (asset) (%)	0.01984%	0.01641%	0.01733%	0.01803%	0.01762%
Holden Beach's proportion of the net pension liability (asset) (\$)	\$ 1,337,440	\$ 1,086,915	\$ 977,659	\$ 276,507	\$ 629,638
Holden Beach's covered payroll*	\$ 1,882,309	\$ 1,654,484	\$ 1,459,798	\$ 1,424,752	\$ 1,268,586
Holden Beach's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	71.05%	65.70%	66.97%	19.41%	49.63%
Plan fiduciary net position as a percentage of the total pension liability**	83.30%	82.49%	84.14%	95.51%	88.61%

* 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 HOLDEN BEACH, NORTH CAROLINA

**TOWN OF HOLDEN BEACH'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS ***

	Local Governmental Employees' Retirement System				
	2020	2019	2018	2017	2016
Holden Beach's proportion of the net pension liability (asset) (%)	0.01764%	0.02020%	0.02220%	0.02150%	0.02241%
Holden Beach's proportion of the net pension liability (asset) (\$)	\$ 481,735	\$ 479,213	\$ 339,155	\$ 456,302	\$ 100,575
Holden Beach's covered payroll*	\$ 1,293,634	\$ 1,278,751	\$ 1,310,048	\$ 1,244,202	\$ 1,169,403
Holden Beach's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.24%	37.04%	26.52%	34.83%	8.08%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**TOWN OF HOLDEN BEACH'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

Local Governmental Employees' Retirement System					
	2025	2024	2023	2022	2021
Contractually required contribution	\$ 254,396	\$ 249,075	\$ 204,996	\$ 172,232	\$ 147,789
Contributions in relation to the contractually required contribution	<u>254,396</u>	<u>249,075</u>	<u>204,996</u>	<u>172,232</u>	<u>147,789</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Holden Beach's covered payroll	\$ 1,810,858	\$ 1,882,309	\$ 1,654,484	\$ 1,459,798	\$ 1,424,752
Contributions as a percentage of covered payroll	14.05%	13.23%	12.39%	11.80%	10.37%

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**TOWN OF HOLDEN BEACH'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

Local Governmental Employees' Retirement System					
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 116,711	\$ 103,877	\$ 99,231	\$ 98,475	\$ 85,145
Contributions in relation to the contractually required contribution	<u>116,711</u>	<u>103,877</u>	<u>99,231</u>	<u>98,475</u>	<u>85,145</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Holden Beach's covered payroll	\$ 1,268,586	\$ 1,293,634	\$ 1,278,751	\$ 1,310,048	\$ 1,244,202
Contributions as a percentage of covered payroll	9.20%	8.03%	7.76%	7.52%	6.84%

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST NINE FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance				
	2025	2024	2023	2022	2021
Beginning balance	\$ 429,202	\$ 353,957	\$ 434,258	\$ 457,185	\$ 268,329
Service cost	21,929	15,215	19,955	22,476	15,683
Interest on the total pension liability	17,168	14,968	9,621	8,695	8,533
Differences between expected and actual experience in the measurement of the total pension liability	118,502	45,557	(10,896)	(25,288)	44,417
Changes of assumptions or other inputs	(16,095)	12,840	(85,646)	(15,475)	133,408
Benefit payments	-	(13,335)	(13,335)	(13,335)	(13,185)
Ending balance of the total pension liability	<u>\$ 570,706</u>	<u>\$ 429,202</u>	<u>\$ 353,957</u>	<u>\$ 434,258</u>	<u>\$ 457,185</u>

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST NINE FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance			
	2020	2019	2018	2017
Beginning balance	\$ 216,140	\$ 240,004	\$ 190,466	\$ 178,905
Service cost	11,215	12,632	13,086	11,222
Interest on the total pension liability	7,600	7,552	7,352	6,387
Differences between expected and actual experience in the measurement of the total pension liability	37,806	(30,214)	6,147	-
Changes of assumptions or other inputs	10,251	(11,782)	22,953	(6,048)
Benefit payments	(14,683)	(2,052)	-	-
Ending balance of the total pension liability	<u>\$ 268,329</u>	<u>\$ 216,140</u>	<u>\$ 240,004</u>	<u>\$ 190,466</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A
PERCENTAGE OF COVERED EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST NINE FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance				
	2025	2024	2023	2022	2021
Total pension liability	\$ 570,706	\$ 429,202	\$ 353,957	\$ 434,258	\$ 457,185
Covered employee payroll	703,723	494,323	434,116	447,362	482,781
Total pension liability as a percentage of covered employee payroll	81.10%	86.83%	81.54%	97.07%	94.70%

Notes to the Schedules:

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A
PERCENTAGE OF COVERED EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST NINE FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance			
	2020	2019	2018	2017
Total pension liability	\$ 268,329	\$ 216,140	\$ 240,004	\$ 190,466
Covered employee payroll	452,570	471,772	489,842	380,126
Total pension liability as a percentage of covered employee payroll	59.29%	45.81%	49.00%	50.11%

TOWN OF HOLDEN BEACH, NORTH CAROLINA**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025**

	2025		
	Budget	Actual	Variance Over/Under
Revenues:			
Ad Valorem Taxes:			
Current year	\$ 3,370,924	\$ 3,326,432	\$ (44,492)
Prior year	36,000	12,830	(23,170)
Interest and penalties	15,000	6,009	(8,991)
Total	3,421,924	3,345,271	(76,653)
Other Taxes and Licenses:			
Local option sales tax	400,000	450,489	50,489
Other taxes and licenses	300	9,650	9,350
Total	400,300	460,139	59,839
Unrestricted Intergovernmental:			
Beer and wine tax	3,000	-	(3,000)
Telecommunications tax	4,000	3,834	(166)
Franchise tax	228,454	303,078	74,624
Video program tax	37,000	31,189	(5,811)
Sales tax refund	7,500	-	(7,500)
Total	279,954	338,101	58,147
Restricted Intergovernmental:			
DOT	15,740	23,610	7,870
Powell Bill allocation	50,000	55,455	5,455
Total	65,740	79,065	13,325
Permits and Fees:			
Building permits	357,758	402,145	44,387
CAMA permits and reimbursements	6,166	7,765	1,599
Other permits and fees	3,900	5,100	1,200
Total	367,824	415,010	47,186
Sales and Services	81,154	67,823	(13,331)
Investment Earnings	20,000	126,698	106,698
Miscellaneous	19,667	11,768	(7,899)
Total revenues	4,656,563	4,843,875	187,312

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025**

	2025		
	Budget	Actual	Variance Over/Under
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	8,768	8,767	1
Operating expenses	514,327	440,332	73,995
Total	523,095	449,099	73,996
Administration:			
Salaries and employee benefits	883,400	838,773	44,627
Operating expenses	271,637	232,952	38,685
Total	1,155,037	1,071,725	83,312
Total general government	1,678,132	1,520,824	157,308
Public Safety:			
Inspections, Zoning, and Safety:			
Salaries and employee benefits	390,164	381,798	8,366
Operating expenses	78,300	52,729	25,571
Total	468,464	434,527	33,937
Police:			
Salaries and employee benefits	1,125,930	929,211	196,719
Operating expenses	184,150	126,777	57,373
Capital outlay	160,000	156,264	3,736
Total	1,470,080	1,212,252	257,828
Total public safety	1,938,544	1,646,779	291,765
Transportation:			
Streets and Highways:			
Salaries and employee benefits	114,331	78,462	35,869
Operating expenses	510,700	414,822	95,878
Total transportation	625,031	493,284	131,747

TOWN OF HOLDEN BEACH, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	Budget	Actual	Variance Over/Under
Environmental Protection:			
Sanitation:			
Salaries and employee benefits	84,779	69,249	15,530
Operating expenses	130,707	126,154	4,553
Total environmental protection	215,486	195,403	20,083
Debt Service:			
Principal	270,785	270,784	1
Interest	26,787	26,784	3
Total	297,572	297,568	4
Total expenditures	4,754,765	4,153,858	600,907
Revenues over (under) expenditures	(98,202)	690,017	788,219
Other Financing Sources (Uses):			
Transfers from canal dredging fund	92,507	-	(92,507)
Transfer from FEMA capital project fund	1,583	1,583	-
Sale of capital assets	5,000	6,800	1,800
Lease proceeds	-	20,387	20,387
Subscriptions	-	269,621	269,621
Transfers to other funds	(2,910,370)	(2,910,370)	-
Appropriated fund balance	2,909,482	-	(2,909,482)
Total other financing sources (uses)	98,202	(2,611,979)	(2,710,181)
Net change in fund balance	\$ -	(1,921,962)	\$ (1,921,962)
Fund Balance:			
Beginning of year - July 1		5,604,331	
End of year - June 30		\$ 3,682,369	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**MAJOR SPECIAL REVENUE FUND - BPART TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025**

	2025		
	Budget	Actual	Variance Over/Under
Revenues:			
Occupancy tax receipts	\$ 4,077,500	\$ 4,137,709	\$ 60,209
CAMA grant	420,000	-	(420,000)
NCDWR grant	-	325,000	325,000
Off street parking	895,000	883,506	(11,494)
Camp site fees	22,000	46,001	24,001
Investment earnings	46,029	228,515	182,486
Miscellaneous	29,150	38,407	9,257
Total revenues	<u>5,489,679</u>	<u>5,659,138</u>	<u>169,459</u>
Expenditures:			
Salaries and employee benefits	277,076	244,073	33,003
Operating expenditures	2,826,429	1,281,613	1,544,816
Lockwood folly dredging and beach nourishment	83,096	46,531	36,565
County's share of occupancy tax	685,875	678,026	7,849
Total	<u>3,872,476</u>	<u>2,250,243</u>	<u>1,622,233</u>
Transportation: Pier	<u>342,370</u>	<u>227,851</u>	<u>114,519</u>
Debt Service:			
Principal	1,724,405	1,724,405	-
Interest	158,028	157,664	364
Total debt service	<u>1,882,433</u>	<u>1,882,069</u>	<u>364</u>
Total expenditures	<u>6,097,279</u>	<u>4,360,163</u>	<u>1,737,116</u>
Revenues over (under) expenditures	<u>(607,600)</u>	<u>1,298,975</u>	<u>1,906,575</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR SPECIAL REVENUE FUND - BPART TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	Budget	Actual	Variance Over/Under
Other Financing Sources (Uses):			
Transfers out	(94,500)	(94,500)	-
Appropriated fund balance	702,100	-	(702,100)
Total other financing sources (uses)	607,600	(94,500)	(702,100)
Net change in fund balance	\$ -	1,204,475	\$ 1,204,475
Fund Balance:			
Beginning of year - July 1		6,654,474	
End of year - June 30		\$ 7,858,949	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - CANAL DREDGING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025

		Actual			
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Over/Under
Revenues:					
Assessments HBH	\$ 140,070	\$ 1,373,249	\$ 135,183	\$ 1,508,432	\$ 1,368,362
Assessments HHC	137,293	807,401	118,378	925,779	788,486
Assessments HAC	-	274,554	-	274,554	274,554
Assessments HA	113,743	422,553	113,299	535,852	422,109
Prior year assessments HBH	1,248,000	36,399	475	36,874	(1,211,126)
Prior year assessments HHC	750,097	35,761	1,583	37,344	(712,753)
Prior year assessments HA	1,311,080	32,061	390	32,451	(1,278,629)
Interest - HBH	-	72,904	28,991	101,895	101,895
Interest - HHC	-	66,604	25,831	92,435	92,435
Interest - HA	-	77,853	28,576	106,429	106,429
Miscellaneous revenue - HBH	-	336,667	-	336,667	336,667
Miscellaneous revenue - HHC	-	387,209	-	387,209	387,209
Miscellaneous revenue - HA	-	294,732	-	294,732	294,732
Total revenues	<u>3,700,283</u>	<u>4,217,947</u>	<u>452,706</u>	<u>4,670,653</u>	<u>970,370</u>
Expenditures:					
Holden Beach Harbor Project:					
Administration	6,064	5,474	-	5,474	590
Professional services	1,081,817	64,511	27,814	92,325	989,492
Construction	15,633	11,172	-	11,172	4,461
Construction management	249,854	3,767	924	4,691	245,163
Total Holden Beach harbor project	<u>1,353,368</u>	<u>84,924</u>	<u>28,738</u>	<u>113,662</u>	<u>1,239,706</u>
Heritage Harbor Canal Project:					
Administration	1,058	7,300	-	7,300	(6,242)
Professional services	1,058	39,796	41	39,837	(38,779)
Construction	863,089	456,491	28,351	484,842	378,247
Total heritage harbor canal project	<u>865,205</u>	<u>503,587</u>	<u>28,392</u>	<u>531,979</u>	<u>333,226</u>
Heritage Access Canal Project:					
Administration	6,432	6,265	-	6,265	167
Professional services	42,052	39,796	16,866	56,662	(14,610)
Construction	1,340,718	278,534	10,948	289,482	1,051,236
Total heritage access canal project	<u>1,389,202</u>	<u>324,595</u>	<u>27,814</u>	<u>352,409</u>	<u>1,036,793</u>
Total expenditures	<u>3,607,775</u>	<u>913,106</u>	<u>84,944</u>	<u>998,050</u>	<u>2,609,725</u>
Revenues over (under) expenditures	<u>92,508</u>	<u>3,304,841</u>	<u>367,762</u>	<u>3,672,603</u>	<u>3,580,095</u>
Other Financing Sources (Uses):					
Transfers from general fund	-	324,429	-	324,429	324,429
Transfer to general fund	(92,508)	(84,273)	-	(84,273)	8,235
Total	<u>(92,508)</u>	<u>240,156</u>	<u>-</u>	<u>240,156</u>	<u>332,664</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,544,997</u>	<u>\$ 367,762</u>	<u>\$ 3,912,759</u>	<u>\$ 3,912,759</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - FEMA CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total To Date	
Other Financing Sources (Uses):					
Transfers from general fund	\$ 1,583	\$ 1,583	\$ -	\$ 1,583	\$ -
Transfer to general fund	(1,583)	-	(1,583)	(1,583)	-
Total	-	1,583	(1,583)	-	-
Net change in fund balance	\$ -	\$ 1,583	\$ (1,583)	\$ -	\$ -

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND -
 BEACH RENOURISHMENT & INLET MANAGEMENT CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Over/Under
Revenues:					
Interest	\$ 2,058,171	\$ 87,942	\$ 72,969	\$ 160,911	\$ (1,897,260)
Other Financing Sources (Uses):					
Transfers to other funds	(5,063,041)	(1,472,027)	-	(1,472,027)	3,591,014
Transfers from other funds	3,004,870	3,338,170	3,004,870	6,343,040	3,338,170
Total	(2,058,171)	1,866,143	3,004,870	4,871,013	6,929,184
Net change in fund balance	\$ -	\$ 1,954,085	3,077,839	\$ 5,031,924	\$ 5,031,924
Fund Balance:					
Beginning of year - July 1			1,954,085		
End of year - June 30			\$ 5,031,924		

TOWN OF HOLDEN BEACH, NORTH CAROLINA

WATER AND SEWER FUND SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Water and sewer charges	\$ 2,874,611	\$ 2,398,367	\$ (476,244)
Tap and connection fees	121,000	107,401	(13,599)
Other operating charges	165,000	65,676	(99,324)
Total operating revenues	<u>3,160,611</u>	<u>2,571,444</u>	<u>(589,167)</u>
Non-operating revenues:			
Interest earnings	7,000	103,871	96,871
Sale of capital assets	-	574,345	574,345
Lease revenue	-	59,758	59,758
Capital charges	1,482,145	1,474,308	(7,837)
Total non-operating revenues	<u>1,489,145</u>	<u>2,212,282</u>	<u>723,137</u>
Total revenues	<u>4,649,756</u>	<u>4,783,726</u>	<u>133,970</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits	73,500	71,019	2,481
Operating expenditures	87,296	73,050	14,246
Capital outlay	6,101	6,101	-
Total water and sewer administration	<u>166,897</u>	<u>150,170</u>	<u>16,727</u>
Operations:			
Salaries and employee benefits	401,205	368,392	32,813
Operating expenditures	2,016,787	1,776,387	240,400
Capital outlay	176,633	171,730	4,903
Total operations	<u>2,594,625</u>	<u>2,316,509</u>	<u>278,116</u>
Non-operating:			
County capital charges	1,025,197	1,025,196	1
Total non-operating	<u>1,025,197</u>	<u>1,025,196</u>	<u>1</u>
Debt service:			
Principal retirement	325,100	598,227	(273,127)
Interest and other charges	349,014	64,743	284,271
Total debt service	<u>674,114</u>	<u>662,970</u>	<u>11,144</u>
Total expenditures	<u>4,460,833</u>	<u>4,154,845</u>	<u>305,988</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues over (under) expenditures	<u>188,923</u>	<u>628,881</u>	<u>439,958</u>
Other Financing Sources (Uses):			
Transfers (to) from other funds:			
Capital reserve funds (intrafund, net)	(180,000)	(173,173)	6,827
Leases issued	-	6,101	6,101
Appropriated fund balance	<u>(8,923)</u>	<u>-</u>	<u>8,923</u>
Total other financing sources (uses)	<u>(188,923)</u>	<u>(167,072)</u>	<u>21,851</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>461,809</u>	<u>\$ 461,809</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Principal retirement		598,227	
Loan/lease proceeds		(6,101)	
Depreciation and amortization		(640,516)	
Net revenue from capital reserve consolidation		9,299	
Net revenue from capital project consolidation		1,376,625	
Capital reserve transfers - intrafund		173,173	
Change in deferred outflows of resources - pensions		8,367	
Gain on disposal of capital asset		(344,906)	
Change in compensated absences		2,464	
Change in deferred inflows of resources - pensions		(1,059)	
Change in net pension liability		(30,063)	
Capital outlay not capitalized		(135,038)	
Capital outlay		<u>177,831</u>	
Change in net position		<u>\$ 1,650,112</u>	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

WATER & SEWER LIFT STATION PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2025

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted Intergovernmental	\$ 4,581,336	\$ -	\$ 1,376,625	\$ 1,376,625	\$ (3,204,711)
Expenditures:					
Administration	45,000	-	8,949	8,949	36,051
Engineering	235,386	-	89,425	89,425	145,961
Construction	4,300,950	-	1,278,251	1,278,251	3,022,699
Total expenditures	4,581,336	-	1,376,625	1,376,625	3,204,711
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			-		
End of year - June 30			\$ -		

TOWN OF HOLDEN BEACH, NORTH CAROLINA

WATER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Interest income	\$ 194,674	\$ 2,668	\$ (192,006)
Other Financing Sources (Uses):			
Transfer to other funds	(244,674)	-	244,674
Transfer from other funds	50,000	50,000	-
Total	(194,674)	50,000	244,674
Net change in fund balance	\$ -	52,668	\$ 52,668
Fund Balance:			
Beginning of year - July 1		97,932	
End of year - June 30		\$ 150,600	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

SEWER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Interest income	<u>\$ 449,461</u>	<u>\$ 6,631</u>	<u>\$ (442,830)</u>
Other Financing Sources (Uses):			
Transfer to other funds	(579,461)	-	579,461
Transfer from other funds	<u>130,000</u>	<u>123,173</u>	<u>(6,827)</u>
Total	<u>(449,461)</u>	<u>123,173</u>	<u>572,634</u>
Net change in fund balance	<u>\$ -</u>	<u>129,804</u>	<u>\$ 129,804</u>
Fund Balance:			
Beginning of year - July 1		<u>298,925</u>	
End of year - June 30		<u>\$ 428,729</u>	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2025

Year Ended June 30	Uncollected Balance July 1, 2024	Additions	Collections and Credits	Uncollected Balance June 30, 2025
2024-2025	\$ -	\$ 3,411,200	\$ 3,372,720	\$ 38,480
2023-2024	30,826	-	13,588	17,238
2022-2023	18,403	-	1	18,402
2021-2022	2,332	-	412	1,920
2020-2021	22,393	-	410	21,983
2019-2020	-	409	409	-
2018-2019	-	1,483	1,483	-
2017-2018	-	322	322	-
2016-2017	5,385	-	1	5,384
2015-2016	8,231	-	-	8,231
2014-2015	925	-	925	-
Total	\$ 88,495	\$ 3,413,414	\$ 3,390,271	111,638
Less: Allowance for uncollectible ad valorem taxes receivable				(6,296)
Ad valorem taxes receivable, net				<u>\$ 105,342</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				<u>\$ 3,345,271</u>
Reconciling items:				
Penalties and interest collected				(6,009)
Other				51,934
Write-offs				(925)
Total reconciling items				<u>45,000</u>
Total collections and credit				<u>\$ 3,390,271</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2025

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 2,436,571,429	\$ 0.1400	\$ 3,411,200	\$ 3,372,224	\$ 38,976
Total property valuation	<u>\$ 2,436,571,429</u>				
Net Levy			3,411,200	3,372,224	38,976
Uncollected taxes at June 30, 2025			(38,480)	(38,480)	-
Current Year's Taxes Collected			<u>\$ 3,372,720</u>	<u>\$ 3,333,744</u>	<u>\$ 38,976</u>
Current Levy Collection Percentage			<u>98.87%</u>	<u>98.86%</u>	<u>100.00%</u>

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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 Council
Town of Holden Beach, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Holden Beach, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated **October 11**, 2025.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 11, 2025

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Holden Beach, North Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Holden Beach's major federal programs for the year ended June 30, 2025. The Town of Holden Beach's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

In our opinion, the Town of Holden Beach complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 22, 2025

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Holden Beach, North Carolina's, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Holden Beach's major state programs for the year ended June 30, 2025. The Town of Holden Beach's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the Town of Holden Beach complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 11, 2025

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TOWN OF HOLDEN BEACH, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2025

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Program Name:

Congressionally Mandated Projects 66.202

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

TOWN OF HOLDEN BEACH, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance
for major state programs

Unmodified

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

No

Identification of major state programs:

Program Name

Drinking Water Reserve and the Wastewater Reserve

Auditee qualified as low-risk auditee?

No

2. Financial Statement Findings

None reported

3. Federal Award Findings and Questioned Costs

None reported

4. State Award Findings and Questioned Costs

None reported

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

None reported

Draft

TOWN OF HOLDEN BEACH, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2025

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Passed-Through to Subrecipients
Federal Awards:					
<u>U.S. Environmental Protection Agency</u>					
<u>Direct Award</u>					
Congressionally Mandated Projects	66.202		\$ 856,623	\$ -	\$ -
Total			<u>856,623</u>	<u>-</u>	<u>-</u>
State Grants:					
<u>N.C. Department of Environmental Quality</u>					
<u>Division of Coastal Management</u>					
Public Beach and Coastal Waterfront Access Program			-	-	-
<u>Division of Water Infrastructure</u>					
Drinking Water Reserve and the Wastewater Reserve			-	520,003	-
Water Resources Development Project Grant Program			-	325,000	-
<u>N.C. Department of Transportation</u>					
Powell Bill			-	55,455	-
Total federal grants			<u>\$ 856,623</u>		
Total state grants				<u>\$ 900,458</u>	

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

(1) Basis of Presentation:

The accompanying Schedule of Expenditures of federal and state Awards (SEFSA) includes the federal and state grant activity of the Town of Holden Beach under the programs of the federal government and the state of North Carolina for the year ended June 30, 2025. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Town of Holden Beach, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Holden Beach.

(2) Summary of Significant Accounting Policies:

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

(3) Indirect Cost Rate

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