

**TOWN OF OAK ISLAND  
NORTH CAROLINA**

Financial Statements and  
Supplementary Information

Year Ended June 30, 2025

Governing Board

S. Elizabeth White, Mayor  
John Bach, Mayor Pro-Tempore  
Terri Cartner, Councilmember  
Bob Ciullo, Councilmember  
Bill Craft, Councilmember  
Mark Martin, Councilmember

Town Officials

Kathryn Adams, Town Manager  
Lisa Stites, Town Clerk  
Helen Brank, Finance Director



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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor  
and Members of the Town Council  
Town of Oak Island  
Oak Island, North Carolina

### Report on the Audit of Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Oak Island, 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 Oak Island's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Island, 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, Accommodations Tax Fund and Beach Renourishment Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Oak Island ABC Board, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit as of June 30, 2025, and the respective changed in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oak Island ABC Board, is based solely on the report of the other auditors.

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

## **Responsibilities of Management for the Audit of the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Oak Island'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 generally accepted auditing standards 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 generally accepted auditing standards 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 of Oak Island's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Oak Island'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, Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement's Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered 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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Oak Island's basic financial statements. The combining and individual fund financial statements, budget schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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 February 2, 2026, on our consideration of the Town of Oak Island'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 Oak Island's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Oak Island's internal control over financial reporting and compliance.

*Sharpe Patel PLLC*

Raleigh, North Carolina  
February 2, 2026

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Town of Oak Island, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2025**

**Management's Discussion and Analysis**

As management of the Town of Oak Island (the "Town"), we offer readers of the Town of Oak Island's financial statements this narrative overview and analysis of the financial activities of the Town of Oak Island 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 Oak Island exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$168,076,568.

Net position increased by \$14,402,314 during the fiscal year.

As of the close of the current fiscal year, the Town of Oak Island's governmental funds reported combined ending fund balances of \$78,857,524 with a net increase of \$10,651,414 in fund balance.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$31,923,053 or 159.69% of total governmental fund expenditures for the fiscal year.

The town continued its diligence in the collection of property taxes by maintaining a tax collection percentage of 98 %.

Increased sales tax revenues of approximately \$167,300 due to the economic growth of the town.

The Town continues to incur a low cost of debt due to the Town's high bond rating.

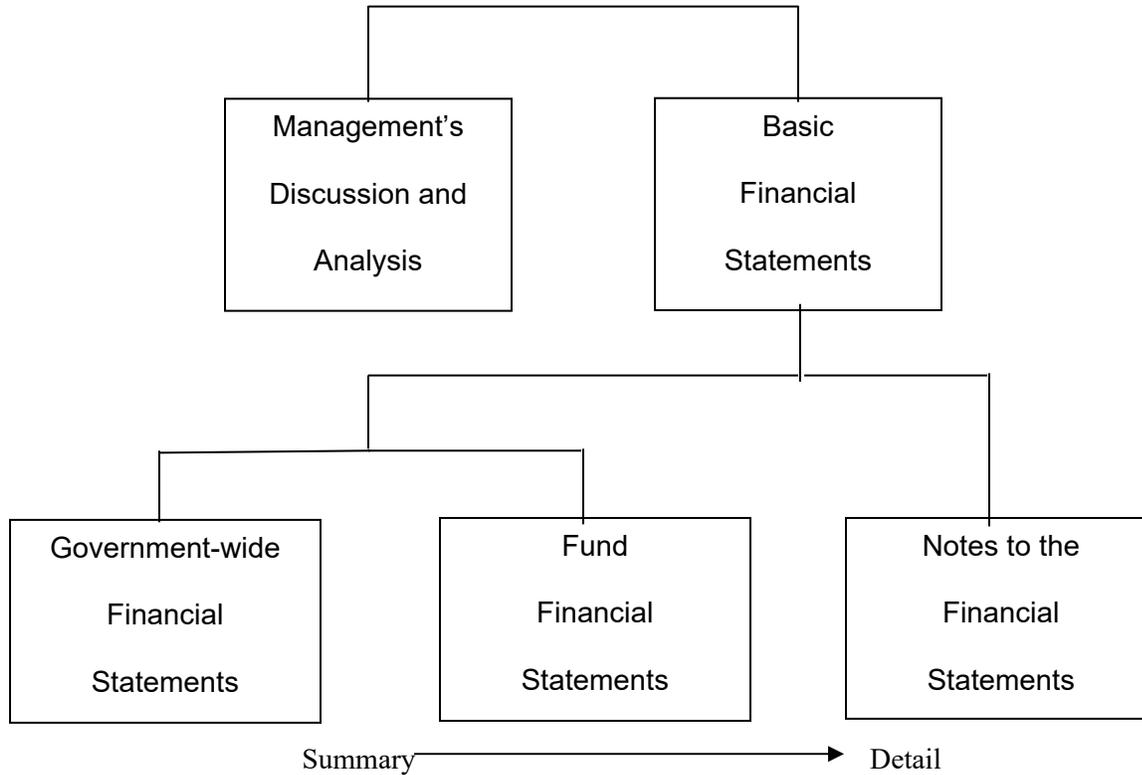
**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Town of Oak Island'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 Oak Island.

**Town of Oak Island, North Carolina  
Management’s Discussion and Analysis (Continued)  
June 30, 2025**

Required Components of Annual Financial Report

**Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibits 3 through 9) 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 of the Fund Financial Statements: 1) the governmental funds statements, 2) The budgetary comparison statements, 3) The proprietary fund statements, and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to

show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes can also be found in this part of the statement.

### **Government-Wide Financial Analysis**

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.

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 three categories: 1) governmental activities; 2) business-type activities; and 3) component units. 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. These include the water and sewer and electric services offered by the Town of Oak Island. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

### **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 Oak Island, 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 the funds of Town of Oak Island can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### **Governmental Funds**

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

The Town of Oak Island 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 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 Oak Island uses only one type of proprietary fund. *Enterprise Funds* are used to report on the same functions presented as business-type activities in the government-wide financial statements. The Town of Oak Island uses enterprise funds to account for its water and wastewater, solid waste, storm water, golf course, and pier operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. The water and wastewater funds are presented as major funds for the town, while the solid waste, storm water, golf course, and pier operations are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for these non-major funds is provided in the form of combining statements elsewhere within this report.

### **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 on the financial statements can be found following the financial statements 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 Oak Island's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on Exhibit A-1 of this report.

### **Interdependence with Other Entities**

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

**Government-Wide Financial Analysis**

**Town of Oak Island's Net Position**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 78,298,625	\$ 67,250,108	\$ 45,238,535	\$ 45,683,447	\$ 123,537,160	\$ 112,933,555
Capital assets	27,753,356	27,887,962	86,172,541	89,702,488	113,925,897	117,590,450
Deferred outflows of resources	3,295,004	3,736,732	1,066,902	1,210,703	4,361,906	4,947,435
Total assets and deferred outflows of resources	109,346,985	98,874,802	132,477,978	136,596,638	241,824,963	230,524,005
Long-term liabilities outstanding	8,575,004	8,511,915	54,745,340	62,731,911	63,320,344	71,243,826
Other liabilities	1,998,409	1,753,464	5,870,766	5,871,973	7,869,175	7,625,437
Deferred inflows of resources	2,158,190	2,516,074	400,687	411,849	2,558,877	2,927,923
Total liabilities and deferred inflows of resources	12,731,603	12,781,453	61,016,793	69,015,733	73,748,396	81,797,186
Net position:						
Net investment in capital assets	26,109,629	26,143,134	29,065,008	25,193,311	55,174,637	51,336,445
Restricted	1,013,515	37,406,879	105,849	78,266	1,119,364	37,485,145
Unrestricted	69,492,237	22,543,336	42,290,328	42,387,594	111,782,566	64,930,929
Total net position	\$ 96,615,381	\$ 86,093,349	\$ 71,461,185	\$ 67,659,171	\$ 168,076,566	\$ 153,752,519

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 Oak Island exceeded liabilities and deferred inflows by \$168,076,566 as of June 30, 2025. The Town's net position increased by \$14,324,047 for the fiscal year ended June 30, 2025. By far the largest portion of the Town's net position, 32.7%, reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less than any related debt used to acquire those assets that are still outstanding. The Town of Oak Island uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Oak Island's net investment in 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 themselves cannot be used to liquidate these liabilities.

The restricted portion of net position, \$1,119,364 or 1%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$111,782,566 or 67% of the total.

(continued on next page)

**Town of Oak Island's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,093,439	\$ 1,886,017	\$ 24,226,076	\$ 24,329,683	\$ 25,319,515	\$ 26,215,700
Operating grants and contributions	3,960,512	11,669,398	-	-	3,960,512	11,669,398
Capital grants and contributions	-	1,034,093	930,587	870,487	930,587	1,904,580
General revenues:						
Property taxes	11,741,653	10,932,909	-	-	11,741,653	10,932,909
Local Option Tax	4,143,058	3,975,706	-	-	4,143,058	3,975,706
Accommodations Tax	5,745,750	5,290,317	-	-	5,745,750	5,290,317
Other	4,711,679	4,238,866	56,481	-	4,768,160	4,238,866
<b>Total revenues</b>	<b>31,396,091</b>	<b>39,027,306</b>	<b>25,213,144</b>	<b>25,200,170</b>	<b>56,609,235</b>	<b>64,227,476</b>
<b>Expenses:</b>						
General government	4,822,881	3,412,863	-	-	4,822,881	3,412,863
Public safety	9,889,826	7,805,064	-	-	9,889,826	7,805,064
Transportation	3,635,792	3,331,200	-	-	3,635,792	3,331,200
Environmental protection	1,394,386	2,952,986	-	-	1,394,386	2,952,986
Cultural and recreation	1,545,419	853,397	-	-	1,545,419	853,397
Interest on long-term debt	79,914	310,351	-	-	79,914	310,351
Water	-	-	4,536,128	5,541,348	4,536,128	5,541,348
Wastewater	-	-	11,590,442	10,308,188	11,590,442	10,308,188
Non Major funds	-	-	4,712,133	4,380,670	4,712,133	4,380,670
<b>Total expenses</b>	<b>21,368,218</b>	<b>18,665,861</b>	<b>20,838,703</b>	<b>20,230,206</b>	<b>42,206,921</b>	<b>38,896,067</b>
Increase in net position before transfers	10,027,873	20,361,445	4,374,441	4,969,964	14,402,314	25,331,409
Transfers	494,161	(788,329)	(494,161)	788,329	-	-
Extraordinary item: gain on insurance recovery	-	-	-	-	-	-
<b>Increase in net position</b>	<b>10,522,034</b>	<b>19,573,116</b>	<b>3,880,280</b>	<b>5,758,293</b>	<b>14,402,314</b>	<b>25,331,409</b>
Beginning net position	86,093,349	66,520,233	67,580,905	61,822,612	153,674,254	-
Net position, beginning, as restated	86,093,349	66,520,233	67,580,905	61,822,612	153,674,254	128,342,845
<b>Net position, June 30</b>	<b>\$ 96,615,383</b>	<b>\$ 86,093,349</b>	<b>\$ 71,461,185</b>	<b>\$ 67,580,905</b>	<b>\$ 168,076,568</b>	<b>\$ 153,674,254</b>

**Governmental activities**

Governmental activities increased the Town's net position by \$10,522,034. An increase in tax revenues and a decrease in environmental protection expenses are the main factors in the increase of net position.

**Business-type activities**

Business-type activities increased the Town of Oak Island's net position by \$3,880,280. An increase in revenue was the key component of the increase in net position.

## **Financial Analysis of the Government's Funds**

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

### **Governmental Funds**

The focus of the Town of Oak Island'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 Oak Island's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

On June 30, 2025, the governmental funds of Town of Oak Island reported a combined fund balance of \$75,857,524 with a net increase in fund balance of \$10,651,414. Included in this change in fund balance are increases in the fund balance of the General Fund and the Town's Other Government Funds. The General Fund is the chief operating fund of the Town of Oak Island. At the end of the 2025 fiscal year, the fund balance for the Town of Oak Island's General Fund reached \$33,101,683. Of This, \$1,158,395 was restricted, \$20,235 represented non-spendable inventories and prepaid expenditures leaving an unassigned fund balance of \$31,923,053 available for spending at the Town's discretion. The Governing Body of Town of Oak Island has determined that the Town should maintain an available fund balance of no less than 25% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town's general fund currently has an available balance of 159% of governmental fund expenditures.

### **General Fund Budgetary Highlights**

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

1. Amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available.
2. Amendments made to recognize new funding amounts from external sources, such as federal and State Grants.
- 3 Increases in appropriations that become necessary to maintain services and obligations from prior years not completed.

### **Proprietary Funds**

The Town of Oak Island's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Town's proprietary funds at the end of the fiscal year amounted to \$42,290,328. The change in net position for the Water, Wastewater, and Other Enterprise Funds was \$1,025,574 (1,628,824), and \$584,250, respectively. The change in net position for the Water Fund is a result of lowered deferred outflows and liabilities. Since the Water and Wastewater operations together form the Town's Utility System, the excess Water Fund revenues help to offset those in the Wastewater Fund for bond covenant coverage test purposes.

## Capital Asset and Debt Administration Capital Cost

The Town of Oak Island’s investments in capital assets for its governmental and business–type activities as of June 30, 2025, totals \$113,925,897 (net of accumulated depreciation). The investments in capital assets include land, buildings, improvements, furniture and equipment, infrastructure (including distribution system), park facilities, and vehicles.

### Town of Oak Island’s Capital Assets (Net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land and CIP	\$ 9,954,457	\$ 9,980,564	\$ 6,567,019	\$ 6,324,617	\$ 16,521,476	\$ 16,305,181
Buildings	10,006,977	10,456,500	8,719,651	9,159,719	18,726,628	19,616,219
Improvements	2,027,041	1,862,027	-	-	2,027,041	1,862,027
Motor Vehicles	826,377	1,045,548	250,355	514,842	1,076,732	1,560,390
Heavy Motor Vehicles	2,069,407	2,069,407	695,674	774,391	2,765,081	2,843,798
Equipment	876,606	352,682	3,555,064	3,655,602	4,431,670	4,008,284
Office Equipment	4,462	4,462	-	-	4,462	4,462
Computers and Electrical Equipment	172,162	172,162	117,087	117,087	289,249	289,249
Infrastructure	1,815,867	1,944,610	57,589,326	61,713,952	59,405,193	63,658,562
Intangible Assets			8,678,365	8,240,090	8,678,365	8,240,090
<b>Total</b>	<b>\$ 27,753,356</b>	<b>\$ 27,887,962</b>	<b>\$ 86,172,541</b>	<b>\$ 90,500,300</b>	<b>\$ 113,925,897</b>	<b>\$ 118,388,262</b>

Additional information on the Town’s capital assets can be found in Note 5 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2025, the Town of Oak Island had total bonded debt outstanding of \$49,540,000. 100% of that amount represents bonds secured solely by specified revenue sources (e.g., revenue bonds.) The Town of Oak Island has no outstanding bonded debt backed by the full faith and credit of the Town.

**Outstanding Debt  
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Installment Purchases	\$ 1,181,487	\$ 1,744,828	\$ -	\$ -	\$ 1,181,487	\$ 1,744,828
Revolving bonds	-	-	3,702,534	4,483,482	3,702,534	4,483,482
Revenue bonds	-	-	53,404,999	60,025,695	53,404,999	60,025,695
Compensated absences	622,747	551,756	260,091	172,979	882,838	724,735
Total OPEB liability	2,144,347	1,608,447	742,965	1,343,386	2,887,312	2,951,833
Net pension liability (LGERS)	4,723,321	4,588,249	1,643,564	1,580,295	6,366,885	6,168,544
Total pension liability (LEO)	1,105,980	1,124,470	-	-	1,105,980	1,124,470
	-	-	-	-	-	-
<b>Total</b>	<b>\$ 9,777,882</b>	<b>\$ 9,617,750</b>	<b>\$ 59,754,153</b>	<b>\$ 67,605,837</b>	<b>\$ 69,532,035</b>	<b>\$ 77,223,587</b>

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 Town of Oak Island is \$84,598,313 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information regarding the Town of Oak Island’s long-term debt can be found in the notes of this report.

**Economic Factors and Next Year’s Budgets and Rates**

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

In July 2022, the State of North Carolina DENR Division of Water Resources allocated \$20,000,000 to the Town which is to be spent during the construction phase of the initial beach renourishment project planned for the Oak Island Beach Management Plan (OIBMP).

In preparing the Fiscal Year 2025-2026 Budget, staff worked closely with Town Council to develop a budget that balances existing Town programs and services with the development of new plans and projects for the future. Town Council created a 3-year Strategic Plan with identified goals and priorities for the Town and staff prepared a budget consistent with the goals of that plan. The Fiscal Year 2025-2026 is a balanced budget totaling \$111,058,235 for all Town operations. The budget is balanced with a tax rate of \$0.20 per \$100

valuation. Appropriated Fund Balance is used for one-time capital needs in the amount of \$607,740 in the General Fund.

The Town of Oak Island continues to experience growth in primary revenue sources, which are Ad Valorem tax and Sales Tax.

The town continues to fully fund all debt service payments as required by North Carolina State Law.

### **Budget Highlights for the Fiscal Year Ending June 30, 2026**

Property taxes (benefiting from the economic growth) and revenues from permits and fees are expected to lead to an increase in budgeted revenue by 2%. The Town will use these increases in revenues to finance programs currently in place. Management has seen some improvement in areas that were affected by the recession and anticipate more growth in coming years.

Budgeted expenditures in the General Fund are expected to rise 11.2% to \$26,385,340. The largest increments are in employee compensation, including compensation and benefits adjustments.

Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

**Business-type Activities:** The water and sewer base rate in the Town will remain the same. General operating expenses will increase by 4% to cover increased personnel costs, and 8.7% to cover increased costs of material, supplies, and other operating expenses.

### **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:

Helen Brank, Finance Director

Town of Oak Island

4601 E. Oak Island Drive

Oak Island, NC 28465

One can also call (910) -278-5011 or visit the Town's website at [www.oakislandnc.com](http://www.oakislandnc.com) for more information.

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2025**

**Exhibit 1**

	Primary Government			Oak Island ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 73,059,686	\$ 34,546,495	\$ 107,606,181	\$ 750,603
Taxes receivables (net)	539,128	-	539,128	-
Assessments receivable (net)	14,920		14,920	-
Accounts receivable (net)	864	2,098,311	2,099,175	-
Due from other governments	101,092	266,442.00	367,534	-
Inventories	20,235	1,253,840	1,274,075	322,448
Prepaid items	-	128,080	128,080	22,205
Total current assets	73,735,925	38,293,168	112,029,093	1,095,256
Non-current assets:				
Restricted cash and cash equivalents	4,562,701	6,457,742	11,020,443	-
Restricted receivables	-	422,505	422,505	-
Accrued interest on restricted assets	-	65,120	65,120	-
Capital assets:				
Land, non-depreciable improvements and construction in progress	9,954,458	6,281,620	16,236,078	631,174
Other capital assets, net of depreciation	17,798,898	79,890,921	97,689,819	131,525
Total capital assets	27,753,356	86,172,541	113,925,897	762,699
Total non-current assets	32,316,057	93,117,908	125,433,965	762,699
Total assets	106,051,982	131,411,076	237,463,058	1,857,955
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB deferrals	666,345	156,137	822,482	-
Pension deferrals	2,628,659	910,765	3,539,424	95,713
Total deferred outflows of resources	3,295,004	1,066,902	4,361,906	95,713

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Statement of Net Position (Continued)**  
**June 30, 2025**

**Exhibit 1**

	Primary Government			Oak Island ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	581,909	\$ 661,916	\$ 1,243,825	\$ 199,017
Accrued interest payable	85,141	94,188	179,329	-
Customer deposits	128,481	105,849	234,330	-
Due to primary government	-	-	-	134,945
Current portion of long-term liabilities	1,202,878	5,008,813	6,211,691	33,874
Total current liabilities	1,998,409	5,870,766	7,869,175	367,836
Long-term liabilities:				
Net pension liability	4,723,321	1,643,564	6,366,885	113,189
Total pension liability	1,105,980	-	1,105,980	-
OPEB liability	2,144,347	742,965	2,887,312	50,381
Due in more than one year	601,356	52,358,811	52,960,167	289,724
Total long-term liabilities	8,575,004	54,745,340	63,320,344	453,294
Total liabilities	10,573,413	60,616,106	71,189,519	821,130
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	1,191,583	106,317	1,297,900	-
Pension deferrals	19,071	6,609	25,680	2,975
OPEB deferrals	947,536	287,761	1,235,297	9,364
Total deferred inflows of resources	2,158,190	400,687	2,558,877	12,339
<b>NET POSITION</b>				
Net investment in capital assets	26,109,629	29,065,008	55,174,637	439,101
Restricted for:				
Stabilization by State Statute	1,013,515	-	1,013,515	-
Streets	-	-	-	-
Environmental protection	-	-	-	-
Other functions	-	105,849	105,849	631,596
Unrestricted	69,492,239	42,290,328	111,782,567	49,502
Total net position	\$ 96,615,383	\$ 71,461,185	\$ 168,076,568	\$ 1,120,199

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Statement of Activities**  
**For the Year Ended June 30, 2025**

**Exhibit 2**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 4,822,881	\$ 2,462	\$ 618,315	\$ -
Public safety	9,889,826	914,147	2,883,434	-
Transportation	3,635,792	-	452,623	-
Environmental protection	1,394,386	4,150	6,140	-
Cultural and recreation	1,545,419	172,680	-	-
Interest on long-term debt	79,914	-	-	-
Total governmental activities	<u>21,368,218</u>	<u>1,093,439</u>	<u>3,960,512</u>	<u>-</u>
Business-type activities:				
Water operations	4,536,128	5,296,258	-	443,839
Wastewater operations	11,590,442	13,328,134	-	486,748
Solid waste operations	2,365,978	2,330,228	-	-
Golf course operations	530,089	288,597	-	-
Stormwater operations	1,006,604	1,093,742	-	-
Pier complex	732,431	624,236	-	-
Parking fund	77,031	1,264,881	-	-
Total business-type activities	<u>20,838,703</u>	<u>24,226,076</u>	<u>-</u>	<u>930,587</u>
Total primary government	<u>\$ 42,206,921</u>	<u>\$ 25,319,515</u>	<u>\$ 3,960,512</u>	<u>\$ 930,587</u>
Component unit:				
ABC Board	<u>\$ 5,273,533</u>	<u>\$ 5,321,882</u>	<u>\$ -</u>	<u>\$ -</u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2025**

**Exhibit 2**

<b>Functions/Programs</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>			<b>Town of Oak Island ABC Board</b>
	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Primary government:</b>				
Governmental activities:				
General government	\$ (4,202,104)	\$ -	\$ (4,202,104)	\$ -
Public safety	(6,092,245)	-	(6,092,245)	-
Transportation	(3,183,169)	-	(3,183,169)	-
Environmental protection	(1,384,096)	-	(1,384,096)	-
Cultural and recreation	(1,372,739)	-	(1,372,739)	-
Interest on long-term debt	(79,914)	-	(79,914)	-
Total governmental activities	(16,314,267)	-	(16,314,267)	-
Business-type activities:				
Water operations	-	1,203,969	1,203,969	-
Wastewater operations	-	2,224,440	2,224,440	-
Solid waste operations	-	(35,750)	(35,750)	-
Golf course operations	-	(241,492)	(241,492)	-
Stormwater operations	-	87,138	87,138	-
Pier complex	-	(108,195)	(108,195)	-
Parking fund	-	1,187,850	1,187,850	-
Total business-type activities	-	4,317,960	4,317,960	-
Total primary government	(16,314,267)	4,317,960	(11,996,307)	-
Component unit:				
ABC Board				48,349
General revenues:				
Taxes:				
Property taxes, levied for general purpose	11,741,653	-	11,741,653	-
Local option sales taxes	4,143,058	-	4,143,058	-
Accommodations taxes	5,745,750	-	5,745,750	-
Other taxes	1,177,365	-	1,177,365	-
Unrestricted investment earnings	3,264,524	48,617	3,313,141	8,088
Miscellaneous	266,960	7,864	274,824	-
Sale of capital assets and materials	2,830	-	2,830	-
Transfers	494,161	(494,161)	-	-
Total general revenues and transfers	26,836,301	(437,680)	26,398,621	8,088
Change in net position	10,522,034	3,880,280	14,402,314	56,437
Net position, beginning	86,093,349	67,580,905	153,674,254	1,063,762
Net position, ending	\$ 96,615,383	\$ 71,461,185	\$ 168,076,568	\$ 1,120,199

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2025**

**Exhibit 3**

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Accommodations Tax</u>	<u>Beach Renourishment</u>	<u>Beach Tax</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 30,295,481	\$ 9,342,525	\$ 28,712,824	\$ 4,708,856	\$ 73,059,686
Restricted cash	4,555,460	-	7,241	-	4,562,701
Receivables (net):					
Taxes	355,374	-	183,754	-	539,128
Assessments	14,920	-	-	-	14,920
Accounts	864	-	-	-	864
Due from other governments	100,836	255	-	-	101,091
Due from other funds	-	-	-	-	-
Inventories	20,235	-	-	-	20,235
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 35,343,170</u>	<u>\$ 9,342,780</u>	<u>\$ 28,903,819</u>	<u>\$ 4,708,856</u>	<u>\$ 78,298,625</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 566,049	\$ 3,649	\$ 12,211	\$ -	\$ 581,909
Customer deposits	128,481	-	-	-	128,481
Total liabilities	<u>694,530</u>	<u>3,649</u>	<u>12,211</u>	<u>-</u>	<u>710,390</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	1,191,583	-	-	-	1,191,583
Property taxes receivable	355,374	-	183,754	-	539,128
Total deferred inflows of resources	<u>1,546,957</u>	<u>-</u>	<u>183,754</u>	<u>-</u>	<u>1,730,711</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories	20,235	-	-	-	20,235
Restricted:					
Stabilization by State Statute	1,013,515	-	-	-	1,013,515
Streets - Powell Bill	144,880	-	-	-	144,880
Environmental protection	-	9,339,131	28,707,854	4,708,856	42,755,841
Assigned:					
Subsequent year's expenditures	-	-	-	-	-
Unassigned	31,923,053	-	-	-	31,923,053
Total fund balances	<u>33,101,683</u>	<u>9,339,131</u>	<u>28,707,854</u>	<u>4,708,856</u>	<u>75,857,524</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 35,343,170</u>	<u>\$ 9,342,780</u>	<u>\$ 28,903,819</u>	<u>\$ 4,708,856</u>	<u>\$ 78,298,625</u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Reconciliation of the Balance Sheet - Governmental Funds to the**  
**Statement of Net Position**  
**June 30, 2025**

**Exhibit 3**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balance, Governmental Funds		\$ 75,857,524
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	47,135,084	
Accumulated depreciation	<u>(19,381,728)</u>	27,753,356
Deferred outflows of resources related to pensions are not reported in the funds		2,628,659
Deferred outflows of resources related to OPEB are not reported in the funds		666,345
Earned revenues considered deferred inflows of resources in fund statements.		539,128
Long-term liabilities used in governmental activities are not financial uses 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).		
Installment purchases	(1,181,487)	
Compensated absences payable	(622,747)	
Net pension liability	(4,723,321)	
Total pension liability	(1,105,980)	
OPEB liability	<u>(2,144,347)</u>	(9,777,882)
Deferred inflows of resources related to pensions are not reported in the funds		(19,071)
Deferred inflows of resources related to OPEB are not reported in the funds		(947,536)
Other liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		<u>(85,140)</u>
Net position of governmental activities		<u>\$ 96,615,383</u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2025**

**Exhibit 4**

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Accommodations Tax</u>	<u>Beach Renourishment</u>	<u>Beach Tax</u>	<u>Governmental Funds</u>
<b>REVENUES</b>					
Ad valorem taxes	\$ 9,197,654	\$ -	\$ 2,004,871	\$ -	\$ 11,202,525
Other taxes and licenses	4,143,058	3,449,366	-	2,296,384	9,888,808
Unrestricted intergovernmental	1,821,885	-	-	-	1,821,885
Restricted intergovernmental	3,309,852	-	6,140	-	3,315,992
Permits and fees	902,138	-	3,450	-	905,588
Sales and services	187,331	-	-	-	187,331
Investment earnings	2,212,928	686	1,050,910	-	3,264,524
Miscellaneous	162,438	-	-	-	162,438
Total revenues	<u>21,937,284</u>	<u>3,450,052</u>	<u>3,065,371</u>	<u>2,296,384</u>	<u>30,749,091</u>
<b>EXPENDITURES</b>					
Current:					
General government	3,509,116	-	-	-	3,509,116
Public safety	9,497,065	-	-	-	9,497,065
Transportation	3,742,044	-	-	-	3,742,044
Environmental protection	-	143,400	1,250,985	-	1,394,385
Cultural and recreational	1,204,996	-	-	-	1,204,996
Debt service:					
Principal	563,341	-	-	-	563,341
Interest	79,914	-	-	-	79,914
Total expenditures	<u>18,596,476</u>	<u>143,400</u>	<u>1,250,985</u>	<u>-</u>	<u>19,990,861</u>
Excess (deficiency) of revenues over expenditures	<u>3,340,808</u>	<u>3,306,652</u>	<u>1,814,386</u>	<u>2,296,384</u>	<u>10,758,230</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from other funds	965,000	-	3,809,410	-	4,774,410
Transfer to other funds	(470,839)	(2,259,410)	-	(1,550,000)	(4,280,249)
Sales of materials and capital assets	2,830	-	-	-	2,830
Proceeds from insurance	109,339	-	-	-	109,339
Total other financing sources (uses)	<u>606,330</u>	<u>(2,259,410)</u>	<u>3,809,410</u>	<u>(1,550,000)</u>	<u>606,330</u>
Net change in fund balance	3,947,138	1,047,242	5,623,796	746,384	11,364,560
Fund balances, beginning as previously stated	29,867,691	8,291,889	23,084,058	3,962,472	65,206,110
Restatement	(713,146)	-	-	-	(713,146)
Fund balances, beginning as restated	<u>29,154,545</u>	<u>8,291,889</u>	<u>23,084,058</u>	<u>3,962,472</u>	<u>64,492,964</u>
Fund balances, ending	<u>\$ 33,101,683</u>	<u>\$ 9,339,131</u>	<u>\$ 28,707,854</u>	<u>\$ 4,708,856</u>	<u>\$ 75,857,524</u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA** **Exhibit 4**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2025**

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

Net changes in fund balances- total governmental funds		\$ 11,364,560
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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.

Gain (loss) on disposal of fixed assets	(4,883)	
Capital outlay expenditures which were capitalized	1,127,007	
Depreciation expense for governmental assets	<u>(1,718,973)</u>	(596,849)

LEOSSA benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		(101,902)
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		(148,999)
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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.

New long-term debt issues	-	
Principal payments on long-term debt	<u>563,341</u>	563,341

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

Change in unavailable revenue for tax revenues		(120,548)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(70,991)	
Pension expense	(420,513)	
OPEB plan expense	<u>(346,359)</u>	<u>(837,863)</u>

Total changes in net position of governmental activities		<u>\$ 10,121,740</u>
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The accompanying notes to the financial statements are an integral part of these statements.

**TOWN OF OAK ISLAND, NORTH CAROLINA  
General Fund**

**Exhibit 5**

**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual  
For the Year Ended June 30, 2025**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 9,066,220	\$ 9,066,220	\$ 9,197,654	\$ 131,434
Other taxes and licenses	3,555,810	3,555,810	4,143,058	587,248
Unrestricted intergovernmental	1,397,820	1,397,820	1,821,885	424,065
Restricted intergovernmental	3,179,177	3,179,177	3,309,852	130,675
Permits and fees	733,500	733,500	902,138	168,638
Sales and services	135,800	135,800	187,331	51,531
Investment earnings	1,000,000	1,000,000	2,212,928	1,212,928
Miscellaneous	89,500	94,500	162,438	67,938
Total revenues	<u>19,157,827</u>	<u>19,162,827</u>	<u>21,937,284</u>	<u>2,774,457</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	4,452,677	4,445,596	3,509,116	936,480
Public safety	8,825,137	9,845,529	9,497,065	348,464
Transportation	4,940,800	6,883,047	3,742,044	3,141,003
Cultural and recreational	1,878,226	1,370,536	1,204,996	165,540
Debt service:	654,314	643,255	643,255	-
Total expenditures	<u>20,751,154</u>	<u>23,187,963</u>	<u>18,596,476</u>	<u>4,591,487</u>
Revenues over (under) expenditures	<u>(1,593,327)</u>	<u>(4,025,136)</u>	<u>3,340,808</u>	<u>7,365,944</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	1,229,824	1,229,824	965,000	(264,824)
Transfers to other funds	(540,000)	(465,000)	(470,839)	(5,839)
Sales of materials and fixed assets	15,000	15,000	2,830	(12,170)
Proceeds from insurance			109,339	
Fund balance appropriated	888,503	3,245,312	-	(3,245,312)
Total other financing sources (uses)	<u>1,593,327</u>	<u>4,025,136</u>	<u>606,330</u>	<u>(3,528,145)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,947,138</u>	<u>\$ 3,837,799</u>
Fund balance, beginning as restated			<u>29,154,545</u>	
Fund balance, ending			<u>\$ 33,101,683</u>	

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

TOWN OF OAK ISLAND, NORTH CAROLINA

Exhibit 6

Accommodations Tax Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual  
For the Year Ended June 30, 2025

	Accommodations Tax Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Other taxes and licenses	\$ 2,626,500	\$ 2,626,500	\$ 3,449,366	\$ 822,866
Interest	-	-	686	686
Total revenues	<u>2,626,500</u>	<u>2,626,500</u>	<u>3,450,052</u>	<u>823,552</u>
Expenditures:				
Current:				
Environmental protection	367,090	367,090	143,400	223,690
Total expenditures	<u>367,090</u>	<u>367,090</u>	<u>143,400</u>	<u>223,690</u>
Revenues over (under) expenditures	<u>2,259,410</u>	<u>2,259,410</u>	<u>3,306,652</u>	<u>1,047,242</u>
Other financing sources (uses):				
Transfers to other funds	(2,259,410)	(2,259,410)	(2,259,410)	-
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>(2,259,410)</u>	<u>(2,259,410)</u>	<u>(2,259,410)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,047,242	<u>\$ 1,047,242</u>
Fund balance, beginning			<u>8,291,889</u>	
Fund balance, ending			<u>\$ 9,339,131</u>	

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

TOWN OF OAK ISLAND, NORTH CAROLINA

Exhibit 7

Beach Renourishment Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual  
For the Year Ended June 30, 2025

	Beach Renourishment Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,970,390	\$ 1,970,390	\$ 2,004,871	\$ 34,481
Restricted intergovernmental	-	440,000	6,140	(433,860)
Permits and fees	-	-	3,450	3,450
Investment earnings	-	-	1,050,910	1,050,910
Total revenues	<u>1,970,390</u>	<u>2,410,390</u>	<u>3,065,371</u>	<u>654,981</u>
Expenditures:				
Current:				
Environmental protection	<u>5,779,800</u>	<u>6,659,800</u>	<u>1,250,985</u>	<u>5,408,815</u>
Total expenditures	<u>5,779,800</u>	<u>6,659,800</u>	<u>1,250,985</u>	<u>5,408,815</u>
Revenues over (under) expenditures	<u>(3,809,410)</u>	<u>(4,249,410)</u>	<u>1,814,386</u>	<u>6,063,796</u>
Other financing sources (uses):				
Transfers from other funds	3,809,410	3,809,410	3,809,410	-
Appropriated fund balance	-	440,000	-	(440,000)
Total other financing sources (uses)	<u>3,809,410</u>	<u>4,249,410</u>	<u>3,809,410</u>	<u>(440,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>5,623,796</u>	<u>\$ 5,623,796</u>
Fund balance, beginning			<u>23,084,058</u>	
Fund balance, ending			<u>\$ 28,707,854</u>	

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2025**

**Exhibit 8**

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	<u>Total</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Other Enterprise Funds</u>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 18,984,411	\$ 12,449,606	\$ 3,112,478	\$ 34,546,495
Accounts receivable (net)	1,233,574	497,848	366,889	2,098,311
Due from other governments	88,834	146,143	31,465	266,442
Inventories	596,488	641,023	16,329	1,253,840
Prepaid items	-	128,080	-	128,080
Total current assets	<u>20,903,307</u>	<u>13,862,700</u>	<u>3,527,161</u>	<u>38,293,168</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	78,496	6,351,893	27,353	6,457,742
Assessments receivable (net)	-	234,942	-	234,942
Sewer district fees receivable (net)	-	187,563	-	187,563
Accrued interest receivable	-	65,120	-	65,120
Total restricted assets	<u>78,496</u>	<u>6,839,518</u>	<u>27,353</u>	<u>6,945,367</u>
Other assets:				
Prepaid bond insurance costs	-	-	-	-
Capital assets:				
Land and construction in progress	145,068	3,654,611	2,481,941	6,281,620
Other capital assets, net of depreciation	<u>3,116,556</u>	<u>73,857,244</u>	<u>2,917,121</u>	<u>79,890,921</u>
Total capital assets	<u>3,261,624</u>	<u>77,511,855</u>	<u>5,399,062</u>	<u>86,172,541</u>
Total noncurrent assets	<u>3,340,120</u>	<u>84,351,373</u>	<u>5,426,415</u>	<u>93,117,908</u>
Total assets	<u>\$ 24,243,427</u>	<u>\$ 98,214,073</u>	<u>\$ 8,953,576</u>	<u>\$ 131,411,076</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	268,773	336,063	305,929	910,765
OPEB deferrals	46,077	57,613	52,447	156,137
Total deferred outflows of resources	<u>\$ 314,850</u>	<u>\$ 393,676</u>	<u>\$ 358,376</u>	<u>\$ 1,066,902</u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Statement of Net Position (Continued)**  
**Proprietary Fund**  
**June 30, 2025**

**Exhibit 8**

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	<u>Total</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Other Enterprise Funds</u>	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 2,526	\$ 418,691	\$ 82,801	\$ 504,018
Salaries payable	43,577	55,601	58,720	157,898
Accrued interest payable	-	94,188	-	94,188
Due to other funds	-	-	-	-
Customer deposits	78,496	-	27,353	105,849
Compensated absences, payable, current	75,298	116,813	67,980	260,091
Revenue notes payable, current	-	798,722	-	798,722
Revenue bonds payable, current	-	3,950,000	-	3,950,000
Total current liabilities	<u>199,897</u>	<u>5,434,015</u>	<u>236,854</u>	<u>5,870,766</u>
Noncurrent liabilities:				
Other postemployment benefits	219,253	274,148	249,564	742,965
Net pension liability	482,946	603,858	556,760	1,643,564
Revenue notes payable, noncurrent	-	2,903,812	-	2,903,812
Revenue bonds payable, noncurrent	-	49,454,999	-	49,454,999
Total noncurrent liabilities	<u>702,199</u>	<u>53,236,817</u>	<u>806,324</u>	<u>54,745,340</u>
Total liabilities	<u>902,096</u>	<u>58,670,832</u>	<u>1,043,178</u>	<u>60,616,106</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue	106,317	-	-	106,317
Pension deferrals	1,950	2,438	2,221	6,609
OPEB deferrals	84,920	106,181	96,660	287,761
Total deferred inflows of resources	<u>193,187</u>	<u>108,619</u>	<u>98,881</u>	<u>400,687</u>
<b>NET POSITION</b>				
Net investment in capital assets	3,261,624	20,404,322	5,399,062	29,065,008
Restricted customer deposits	78,496	-	27,353	105,849
Unrestricted	20,122,874	19,423,976	2,743,478	42,290,328
Total net position	<u>\$ 23,462,994</u>	<u>\$ 39,828,298</u>	<u>\$ 8,169,893</u>	<u>\$ 71,461,185</u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2025**

**Exhibit 9**

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	<u>Total</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Other Enterprise Funds</u>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,296,258	\$ 13,328,134	\$ 5,601,684	\$ 24,226,076
Other operating revenues	-	-	-	-
Total operating revenues	<u>5,296,258</u>	<u>13,328,134</u>	<u>5,601,684</u>	<u>24,226,076</u>
<b>OPERATING EXPENSES</b>				
Administration	1,394,044	-	1,131,779	2,525,823
Water purchases	2,561,134	-	-	2,561,134
Waste collection and treatment	-	8,326,367	1,461,528	9,787,895
Maintenance	259,616	-	464,721	724,337
Other operating	-	-	1,030,189	1,030,189
Depreciation	321,334	3,371,931	499,595	4,192,860
Total operating expenses	<u>4,536,128</u>	<u>11,698,298</u>	<u>4,587,812</u>	<u>20,822,238</u>
Operating income (loss)	<u>760,130</u>	<u>1,629,836</u>	<u>1,013,872</u>	<u>3,403,838</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest	(280)	42,126	6,771	48,617
Other	-	-	7,864	7,864
System development fees	85,139	486,748	-	571,887
Interest and other charges	-	(2,518,253)	-	(2,518,253)
Amortization of bond premiums	-	2,821,737	-	2,821,737
Bond issuance costs	-	(195,628)	-	(195,628)
Lease revenues	358,700	-	-	358,700
Total nonoperating revenues (expenses)	<u>443,559</u>	<u>636,730</u>	<u>14,635</u>	<u>1,094,924</u>
<b>Income (loss) before contributions and transfers</b>	1,203,689	2,266,566	1,028,507	4,498,762
Capital contributions	-	-	-	-
Write offs	-	-	(124,321)	(124,321)
Transfer from other funds	-	8,685,691	353,647	9,039,338
Transfer to other funds	(499,219)	(8,184,280)	(850,000)	(9,533,499)
<b>Change in net position</b>	704,470	2,767,977	407,833	3,880,280
<b>Total net position, beginning</b>	22,758,524	37,060,321	7,762,060	67,580,905
<b>Total net position, ending</b>	<u>\$ 23,462,994</u>	<u>\$ 39,828,298</u>	<u>\$ 8,169,893</u>	<u>\$ 71,461,185</u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2025**

**Exhibit 10**

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 5,052,532	\$ 14,474,257	\$ 5,557,804	\$ 25,084,593
Cash paid for goods and services	(4,507,626)	(8,776,592)	(2,458,567)	(15,742,785)
Cash paid to or on behalf of employees for services	(332,962)	(18,139)	(1,395,898)	(1,746,999)
Customer deposits	230	-	-	230
Other operating revenues	-	-	-	-
Net cash provided (used) by operating activities	<u>212,174</u>	<u>5,679,526</u>	<u>1,703,339</u>	<u>7,595,039</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Lease revenues	358,700	-	-	358,700
Transfers from other funds	-	8,685,691	353,647	9,039,338
Transfers to other funds	(499,219)	(8,184,280)	(850,000)	(9,533,499)
Write offs	-	-	(124,321)	(124,321)
Total cash flow from noncapital financing activities	<u>(140,519)</u>	<u>501,411</u>	<u>(620,674)</u>	<u>(259,782)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	-	(367,087)	(295,825)	(662,912)
Other	-	-	7,864	7,864
Principal paid on debt	-	(33,590,947)	-	(33,590,947)
Issuance of new debt	-	29,125,003	-	29,125,003
Interest and other charges	-	(2,513,177)	-	(2,513,177)
Bond issuance and insurance costs	-	148,718	-	148,718
Contributions	85,139	486,748	-	571,887
Net cash provided (used) by capital and related financing activities	<u>85,139</u>	<u>(6,710,742)</u>	<u>(287,961)</u>	<u>(6,913,564)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	(280)	42,126	6,771	48,617
Net increase (decrease) in cash and cash equivalents	156,514	(487,679)	801,475	470,310
Balances, beginning	<u>18,906,393</u>	<u>19,289,178</u>	<u>2,338,356</u>	<u>40,533,927</u>
Balances, ending	<u>\$ 19,062,907</u>	<u>\$ 18,801,499</u>	<u>\$ 3,139,831</u>	<u>\$ 41,004,237</u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Statement of Cash Flows (Continued)**  
**Proprietary Fund**  
**For the Year Ended June 30, 2025**

**Exhibit 10**

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	<u>Total</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Other Enterprise Funds</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 760,130	\$ 1,629,836	\$ 1,013,872	\$ 3,403,838
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	321,334	3,371,931	499,595	4,192,860
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(154,892)	1,292,266	83,297	1,220,671
Decrease (increase) in due from other governments	(88,834)	(146,143)	-	(234,977)
Decrease (increase) in inventory	(293,211)	(120,508)	7,941	(405,778)
Decrease (increase) in prepaid items	-	(128,080)	-	(128,080)
Decrease (increase) in deferred outflows of resources for pensions	36,019	49,802	(21,164)	64,657
Decrease (increase) in deferred outflows of resources for OPEB	(46,077)	28,764	96,457	79,144
Increase (decrease) in net pension liability	(1,334)	(32,039)	96,642	63,269
Increase (decrease) in deferred inflows of resources for pensions	(16,207)	(7,889)	2,772	(21,324)
Increase (decrease) in deferred inflows of resources - OPEB	84,920	98,268	(173,026)	10,162
Increase (decrease) in accounts payable	379	(59,156)	10,098	(48,679)
Increase (decrease) in customer deposits	230	-	27,353	27,583
Increase (decrease) in unearned revenue	-	-	-	-
Increase (decrease) in accrued interest	-	(142,481)	-	(142,481)
Increase (decrease) in accrued wages	8,229	7,558	11,696	27,483
Increase (decrease) in accrued vacation pay	22,043	39,969	25,100	87,112
Increase (decrease) in OPEB liability	(420,555)	(202,572)	22,706	(600,421)
Total adjustments	(547,956)	4,049,690	689,467	4,191,201
Net cash provided (used) by operating activities	<u>\$ 212,174</u>	<u>\$ 5,679,526</u>	<u>\$ 1,703,339</u>	<u>\$ 7,595,039</u>

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Oak Island (the “Town”) and its discretely presented component unit, the Town of Oak Island ABC Board, 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 Oak Island is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town’s financial statements in order to emphasize that it is legally separate from the Town.

**Town of Oak Island ABC Board**

The members of the ABC Board’s governing board are appointed by the Town. In addition, the ABC Board is required by State Statute to distribute its surpluses, if any, to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at Oak Island ABC Board, 5402 East Oak Island Drive, Oak Island, North Carolina 28465.

**B. Basis of Presentation**

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government and its component unit. 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, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for 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, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**I. Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (Continued)**

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.

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants and various other taxes and licenses. The primary expenditures are for administration, police, inspections, and parks and recreation. Additionally, the Town has legally adopted Capital Reserve Fund. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve fund has been included in the supplemental information.

**Accommodations Tax Special Revenue Fund.** This fund is used to account for part of the accommodations tax revenues that are restricted for use for a particular purpose.

**Beach Renourishment Special Revenue Fund.** This fund is used to account for the continued environmental protection projects for our beaches.

The Town reports the following non-major governmental fund:

**Beach Tax Special Revenue Fund.** This fund was developed after a Council approved split of the Accommodations tax fund and is used to account for the restricted tax revenues for beach re-nourishment.

**Beach Preservation Special Revenue Fund.** This fund is used to account for the donations that are restricted for publicizing and preserving the beach.

The Town reports the following major enterprise funds:

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

**Wastewater Fund.** This fund is used to account for the Town's wastewater operations.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**I. Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation (Continued)

The Town reports the following non-major enterprise funds:

**Solid Waste Fund.** This fund is used to account for the Town's solid waste operations.

**Oak Island Par 3 Golf Course Fund.** This fund is used to account for the Town's maintenance and operation of the golf course.

**Sewer District Fee Fund.** This fund is used to account for fees charged for the availability of sewer service. These fees can only be used for payment of debt of the wastewater system. The Sewer District Fee Fund is consolidated with the Wastewater Fund for presentation purposes.

**Storm Water Fund.** This fund is used to account for fees charged for the Town's storm water operations.

**Pier Complex Fund.** This fund is used to account for the Town's maintenance and operation of the pier complex.

**Parking Fund.** This fund is used to account for fees charged for the Town's parking registrations.

C. Measurement Focus and Basis of Accounting

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

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**I. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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 fund 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 the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 for the fiscal year in which they are received. Uncollected taxes that were billed during this period prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Oak Island 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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**I. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve Fund, Accommodations Tax Fund, Beach Preservation Fund, Beach Tax Fund, Pier Project Fund, Water Fund, Wastewater Fund, Solid Waste Fund, Oak Island Par 3 Golf Course Fund, Stormwater Fund, and Sewer District Fee Fund. All annual appropriations lapse at the fiscal year-end. Project budget ordinances are adopted for the Capital Project funds. The Wastewater Capital Project Fund and the Sewer District Fee Fund are consolidated with the Wastewater Fund 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 project level for the multi-year funds. The Town Manager is authorized to transfer appropriations within a fund as he sees necessary; however, the governing board must approve any revisions that alter the total expenditures of any fund or change functional appropriations by more than \$1,000. 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**

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust ("NCCMT"). The City's and the ABC Board's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government and term portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Town and ABC Board consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**I. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**3. Restricted Assets**

Certain proceeds of the Town’s enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. As a part of the 2011 Series, 2015 Series, and 2017 Series Enterprise System Bond issuances, the Town established funds that could be drawn from as an assurance of the system’s ability to meet annual debt payments. Those funds are held in special accounts that may be only used for this purpose should system revenues not be adequate to provide for the payments. These accounts are designated Debt Service Reserve accounts. Additionally, there are Interest Accounts where the interest drawn on these reserve accounts is deposited. The earnings in these accounts offset a portion of the interest expense associated with the related bond’s next scheduled debt service payment. Customer deposits in the held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per NC G.S. 136-41.1 through 136-41-4.

**Town of Oak Island’s Restricted Cash**

Governmental activities	
General Fund:	
Streets	\$ 144,880
Capital Reserve	4,268,728
Customer deposits	128,481
Police	13,371
Beach Renourishment Fund:	
Unexpended bond revenue	<u>7,241</u>
Total governmental activities	<u>4,562,701</u>
Business-type activities	
Water Fund:	
Customer deposits	78,496
Pier Complex Fund:	
Customer deposits	27,353
Wastewater Fund:	
Unexpended bond revenue	<u>6,351,893</u>
Total business-type activities	<u>6,457,742</u>
Total Restricted Cash	<u>\$ 11,020,443</u>

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2024. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town’s General Fund, ad valorem tax revenues are reported net of such discounts.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**I. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

**5. Allowances for Doubtful Accounts**

The Town reviews its receivables periodically for accounts that are delinquent. If it is determined that no further collections may be made, an allowance for doubtful accounts is set up for these accounts. If the Board wishes, these accounts are later approved to be written off the books of the Town.

**6. Inventory and Prepaid Items**

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased. The inventories of the Town's general and enterprise funds consist of expendable supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased. The cost of these inventories is expensed when sold rather when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$5,000. 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. General infrastructure assets acquired prior to July 1, 2003, consisting mainly of road networks, are not reported, because the Town is a Phase III town under GASB 34, and is not required to report those assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 years
Utility systems I	40 years
Utility systems II	50 years
Utility systems III	60 years
Buildings	40 years
Improvements	10-25 years
Motor vehicles	5 years
Heavy motor vehicles	10 years
Computer and electric equipment	5 years
Office equipment	10 years
Equipment	10 years
Intangible assets	30 years

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**I. Summary of Significant Accounting Policies (Continued)**

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

7. Capital Assets (Continued)

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings	30-40 years
Furniture and equipment	5-10 years
Paving	15 years

The Town and ABC Board evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the Town are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the Town are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town currently has two items that meet this criterion, contributions made to the pension plan in the 2018 fiscal year and OPEB benefits paid. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, prepaid assessments, assessments receivable, and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and 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.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**I. Summary of Significant Accounting Policies (Continued)**

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

9. Long-Term Obligations (Continued)

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

10. Compensated Absences

The vacation policy of both the Town and the ABC Board provides for the accumulation of up to two hundred forty (240) hours earned vacation leave with such leave being fully vested when earned. 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 compiling 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. Both the Town and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes.

During the year ended June 30, 2025, the School implemented GASB Statement No. 101, *Compensated Absences*. This standard requires recognition of a liability for certain types of compensated absences, including sick leave, when specified criteria are met.

11. 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, or laws or regulations of other governments or imposed by law through State Statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**I. Summary of Significant Accounting Policies (Continued)**

11. Net Position/Fund Balances (Continued)

Prepaid Items – Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid operational expenses on goods and services, which is not a spendable resource.

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

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

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

Restricted for Cultural and Recreation – portion of fund balance that is restricted by revenue source for certain cultural and recreation related purposes. This amount represents the balance of funds restricted by donors for beach preservation as well as the pier project.

Restricted for Environmental Protection – portion of fund balance that is restricted by revenue source for certain environmental protection related purposes. This amount represents the balance of funds restricted for beach re-nourishment.

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

Committed for Capital Projects - portion of fund balance committed by Town Council for certain capital project related purposes. This amount represents the balance in the legally budgeted capital reserve fund.

Committed for Transportation – portion of fund balance committed by Town Council for upcoming vehicle purchases.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**I. Summary of Significant Accounting Policies (Continued)**

11. Net Position/Fund Balances (Continued)

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

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

The Town of Oak Island 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, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed by 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 in the best interest of the Town.

12. Deferred Benefit Cost-Sharing Plans

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

**II. Stewardship, Compliance, and Accountability**

During the year ended June 30, 2025, actual expenditures exceeded budgeted amounts for debt service in the Waste Water Fund by \$2,746,966. This was due to a refinance of the 2015 revenues bonds. Please refer to the Schedule of Findings for additional information.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board 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 or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

A. Assets (Continued)

1. Deposits (Continued)

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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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

At June 30, 2025, the Town's deposits had a carrying amount of \$88,804,787 and a bank balance of \$88,973,482. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$749,103 and the bank balance was \$1,132,973. Of the bank balance, \$500,000 was covered by federal depository insurance and \$632,973 was covered by collateral under the pooling method. At June 30, 2025, the Town's petty cash fund totaled \$2,410.

2. Investments

The Town and the ABC Board have no formal policy regarding credit risk. At June 30, 2025, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at June 30, 2025</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust –				
Government Portfolio	Fair Value Level 1	\$ 7,616,294	Various	AAAm
United States Treasury Bills	Fair Value Level 1	<u>\$22,203,133</u>		N/A
Total:		<u>\$ 29,819,427</u>		

All investments were 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 are 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.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**3. Receivables - Allowances for Doubtful Accounts**

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

General Fund:	
Taxes Receivable	\$ -
Accounts Receivable	-
Assessments Receivable	<u>1,642</u>
 Total General Fund	 <u>1,642</u>
Enterprise Funds:	
Water Fund:	
Accounts receivable	\$ 52,650
Wastewater Fund:	
Accounts receivable	81,901
Sewer district fees	1,020
Stormwater Fund:	60
Solid Waste Fund:	<u>30,707</u>
 Total Enterprise Funds	 <u>166,338</u>
 Total	 <u>\$ 167,980</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

4. Capital Assets

**Primary Government**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:	<i>as restated</i>			
Capital assets not being depreciated:				
Land	\$ 9,254,457	\$ -	\$ -	\$ 9,254,457
Construction in progress	726,107	-	(26,107)	700,000
Total capital assets not being depreciated	<u>9,980,564</u>	<u>-</u>	<u>(26,107)</u>	<u>9,954,457</u>
Capital assets being depreciated:				
Buildings	17,241,548	-	-	17,241,548
Motor vehicles	3,460,351	454,588	(69,488)	3,845,451
Heavy motor vehicles	4,176,716	-	-	4,176,716
Equipment	1,543,948	561,503	7	2,105,458
Office equipment	173,098	-	-	173,098
Other structures/improvements	4,532,343	110,916	26,100	4,669,359
Computers/electrical equipment	1,198,383	-	-	1,198,383
Infrastructure	3,770,616	-	-	3,770,616
Total capital assets being depreciated	<u>36,097,003</u>	<u>1,127,007</u>	<u>(43,381)</u>	<u>37,180,629</u>
Less accumulated depreciation for:				
Buildings	6,785,048	449,523	-	7,234,571
Motor vehicles	2,414,803	668,879	(64,608)	3,019,074
Heavy motor vehicles	2,107,309	-	-	2,107,309
Equipment	1,175,095	53,757	-	1,228,852
Office equipment	168,636	-	-	168,636
Other structures/improvements	2,224,247	418,071	-	2,642,318
Computers/electrical equipment	1,026,221	-	-	1,026,221
Infrastructure	1,826,006	128,743	-	1,954,749
Total accumulated depreciation	<u>17,727,365</u>	<u>1,718,973</u>	<u>(64,608)</u>	<u>19,381,730</u>
Total capital assets being depreciated, net	<u>18,369,638</u>			<u>17,798,899</u>
Governmental activity capital assets, net	<u>\$ 28,350,202</u>			<u>\$ 27,753,356</u>

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

General government	\$ 252,243
Public safety	868,039
Transportation	268,393
Cultural and recreational	330,298
Total depreciation expense	<u>\$ 1,718,973</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

4. Capital Assets (Continued)

Capital asset activity for the Business-type activities for the year ended June 30, 2025, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
<b>Water Fund</b>				
Capital assets not being depreciated:				
Land	\$ 145,068	\$ -	\$ -	\$ 145,068
Total capital assets not being depreciated	<u>145,068</u>	<u>-</u>	<u>-</u>	<u>145,068</u>
Capital assets being depreciated:				
Buildings	134,596	-	-	134,596
Motor vehicles	489,412	-	-	489,412
Equipment	3,246,872	-	-	3,246,872
Computers/electrical equipment	93,727	-	-	93,727
Utility systems I	1,973,903	-	-	1,973,903
Utility systems II	4,631,870	-	-	4,631,870
Total capital assets being depreciated	<u>10,570,380</u>	<u>-</u>	<u>-</u>	<u>10,570,380</u>
Less accumulated depreciation for:				
Buildings	90,580	2,073	-	92,653
Motor vehicles	255,506	76,921	-	332,427
Equipment	1,125,836	178,796	-	1,304,632
Computers/electrical equipment	93,727	-	-	93,727
Utility systems I	1,475,349	63,544	-	1,538,893
Utility systems II	4,091,492	-	-	4,091,492
Total accumulated depreciation	<u>7,132,490</u>	<u>\$ 321,334</u>	<u>\$ -</u>	<u>7,453,824</u>
Total capital assets being depreciated, net	<u>3,437,890</u>			<u>3,116,556</u>
Water Fund capital assets, net	<u>\$ 3,582,958</u>			<u>\$ 3,261,624</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

4. Capital Assets (Continued)

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Business-type activities:				
<b>Wastewater Fund</b>				
Capital assets not being depreciated:				
Land	\$ 3,654,611	\$ -	\$ -	\$ 3,654,611
Future treatment rights	285,397	-	-	285,397
Total capital assets not being depreciated	3,940,008	-	-	3,940,008
Capital assets being depreciated:				
Buildings	13,295,744	-	-	13,295,744
Motor vehicles	347,886	-	-	347,886
Equipment	10,054,532	367,088	-	10,421,620
Computers/electrical equipment	137,950	-	-	137,950
Utility systems II	84,873,081	-	-	84,873,081
Intangible assets	11,961,437	-	-	11,961,437
Total capital assets being depreciated	120,670,630	367,088	-	121,037,718
Less accumulated depreciation for:				
Buildings	4,268,232	348,241	-	4,616,473
Motor vehicles	224,342	56,932	-	281,274
Equipment	8,834,416	251,718	-	9,086,134
Computers/electrical equipment	20,863	-	-	20,863
Utility systems II	25,941,531	2,317,612	-	28,259,143
Intangible assets	4,804,556	397,428	-	5,201,984
Total accumulated depreciation	44,093,940	\$ 3,371,931	\$ -	47,465,871
Total capital assets being depreciated, net	76,576,690			73,571,847
Wastewater Fund capital assets, net	\$ 80,516,698			\$ 77,511,855

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

4. Capital Assets (Continued)

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Business-type activities:				
<b>Stormwater Fund</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 42,995	\$ -	\$ (42,995)	\$ -
Total capital assets not being depreciated	42,995	-	(42,995)	-
Capital assets being depreciated:				
Buildings	-	-	-	-
Motor vehicles	195,904	-	-	195,904
Heavy motor vehicles	417,435	-	-	417,435
Equipment	392,204	-	-	392,204
Infrastructure	37,154	180,691	-	217,845
Total capital assets being depreciated	1,042,697	180,691	-	1,223,388
Less accumulated depreciation for:				
Motor vehicles	69,405	103,764	-	173,169
Heavy motor vehicles	209,536	-	-	209,536
Equipment	233,768	29,181	-	262,949
Infrastructure	16,616	2,229	-	18,845
Total accumulated depreciation	529,325	\$ 135,174	\$ -	664,499
Total capital assets being depreciated, net	513,372			558,889
Stormwater Fund capital assets, net	\$ 556,367			\$ 558,889

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

4. Capital Assets (Continued)

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Business-type activities:				
<b>Solid Waste Fund</b>				
Capital assets being depreciated:				
Buildings	\$ 5,304	\$ -	\$ -	\$ 5,304
Motor vehicles	52,785	-	-	52,785
Heavy motor vehicles	1,227,017	150,330	-	1,377,347
Total capital assets being depreciated	1,285,106	150,330	-	1,435,436
Less accumulated depreciation for:				
Buildings	5,304	-	-	5,304
Motor vehicles	46,142	-	-	46,142
Heavy motor vehicles	660,525	229,047	-	889,572
Total accumulated depreciation	711,971	\$ 229,047	\$ -	941,018
Total capital assets being depreciated, net	573,135			494,418
Solid Waste Fund capital assets, net	\$ 573,135			\$ 494,418
	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Business-type activities:				
<b>Oak Island Par 3 Fund</b>				
Capital assets not being depreciated:				
Land	\$ 1,404,610	\$ -	\$ -	\$ 1,404,610
Total capital assets not being depreciated	1,404,610	-	-	1,404,610
Capital assets being depreciated:				
Buildings	98,205	-	-	98,205
Motor vehicles	65,511	-	-	65,511
Equipment	327,071	-	-	327,071
Total capital assets being depreciated	490,787	-	-	490,787
Less accumulated depreciation for:				
Buildings	38,054	2,455	-	40,509
Motor vehicles	41,261	26,870	-	68,131
Equipment	185,993	10,304	-	196,297
Total accumulated depreciation	265,308	\$ 39,629	\$ -	304,937
Total capital assets being depreciated, net	225,479			185,850
Oak Island Par 3 Fund capital assets, net	\$ 1,630,089			\$ 1,590,460

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

4. Capital Assets (Continued)

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Business-type activities:				
<b>Pier Complex Fund</b>				
Capital assets not being depreciated:				
Land	\$ 1,077,333	\$ -	\$ -	\$ 1,077,333
Total capital assets not being depreciated	1,077,333	-	-	1,077,333
Capital assets being depreciated:				
Buildings	233,383	-	-	233,383
Equipment	29,204	7,799	-	37,003
Infrastructure	33,845	-	-	33,845
Pier structure	1,842,612	-	-	1,842,612
Total capital assets being depreciated	2,139,044	7,799	-	2,146,843
Less accumulated depreciation for:				
Buildings	205,343	87,299	-	292,642
Equipment	14,268	5,426	-	19,694
Infrastructure	6,117	3,020	-	9,137
Pier structure	147,408	-	-	147,408
Total accumulated depreciation	373,136	\$ 95,745	\$ -	468,881
Total capital assets being depreciated, net	1,765,908			1,677,962
Pier Complex Fund capital assets, net	\$ 2,843,241			\$ 2,755,295
 <b>Business-type activities capital assets, net</b>	 \$ 89,702,488			 \$ 86,172,541

**Construction Commitments**

At June 30, 2025, the Town has a commitment related to a dredging project in the amount of \$6,600,000. As of year-end, no funds have been expended related to this contract.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

4. Capital Assets (Continued)

**Discretely presented component unit**

Activity for the ABC Board for the year ended June 30, 2025, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 631,174	\$ -	\$ -	\$ 631,174
Capital assets being depreciated:				
Buildings	330,523	-	-	330,523
Other improvements	15,000	-	-	15,000
Equipment and furniture	128,216	-	-	128,216
Total capital assets being depreciated	<u>473,739</u>	<u>-</u>	<u>-</u>	<u>473,739</u>
Less accumulated depreciation for:				
Buildings	190,735	8,263	-	198,998
Other improvements	15,000	-	-	15,000
Equipment and furniture	110,295	17,921	-	128,216
Total accumulated depreciation	<u>316,030</u>	<u>26,184</u>	<u>-</u>	<u>342,214</u>
Total capital asset, net	<u>\$ 788,883</u>			<u>\$ 762,699</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters).

Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Oak Island 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 Oak Island's contractually required contribution rate for the year ended June 30, 2025, was 15.10% 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 Oak Island were \$1,438,247 for the year ended June 30, 2025.

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

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

At June 30, 2025, the Town reported a liability of \$6,359,836 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset 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 asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024, the Town's proportion was 0.09434%, which was an increase of 0.0012% from its proportion as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of \$1,923,222. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,114,484	\$ 7,493
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	864,616	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	122,078	18,186
Town contributions subsequent to the measurement date	1,438,247	-
Total	\$ 3,539,425	\$ 25,679

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

\$1,438,247 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2026	\$ 645,088
2027	1,298,940
2028	229,235
2029	(97,764)
2030	-
Thereafter	-

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

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2023 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. All rates of return and inflation are annualized.

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

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

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 11,269,816	\$ 6,359,836	\$ 2,320,702

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

**b. Law Enforcement Officers Special Separation Allowance**

*1. Plan Description.*

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2024, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Active plan members	<u>27</u>
Total	<u><u>32</u></u>

A separate report was not issued for the plan.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**b. Law Enforcement Officers Special Separation Allowance (Continued)**

*2. Summary of Significant Accounting Policies:*

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

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

*3. Actuarial Assumptions*

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

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

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index from an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

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

*4. Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$101,902 as benefits came due for the reporting period.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**b. Law Enforcement Officers Special Separation Allowance (Continued)**

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

At June 30, 2025, the Town reported a total pension liability of \$1,105,980. The total pension liability was measured as of December 31, 2023 based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$89,648.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 135,407	\$ -
Changes of assumptions and other inputs	80,297	116,997
Benefit payments and administrative expenses subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 215,704</b>	<b>\$ 116,997</b>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2026	\$	53,754
2027		28,604
2028		222
2029		1,167
2030		960
Thereafter		-

*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:

	<b>1% Decrease (3.28%)</b>	<b>Discount Rate (4.28%)</b>	<b>1% Increase (5.28%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 1,189,216	\$ 1,105,980	\$ 1,029,511

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**b. Law Enforcement Officers Special Separation Allowance (Continued)**

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

Beginning balance	\$	1,124,469
Service Cost		45,497
Interest on the total pension liability		42,941
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the total pension liability		17,583
Changes of assumptions or other inputs		(22,608)
Benefit payments		(101,902)
Other changes		-
Total	\$	1,105,980

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 1,923,222	\$ 137,405	\$ 2,060,627
Pension Liability	6,359,836	1,105,980	7,465,816
Proportionate share of the net pension liability	0.09434%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	1,114,484	135,407	1,249,891
Changes of assumptions	-	80,297	80,297
Net difference between projected and actual earnings on plan investments	864,616	-	864,616
Changes in proportion and differences between Town contributions and proportionate share of contributions	122,078	-	122,078
Town contributions subsequent to the measurement date	1,438,247	-	1,438,247
Deferred Inflows of Resources			
Differences between expected and actual experience	7,493	-	7,493
Changes of assumptions	-	116,997	116,997
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	18,186	-	18,186

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. In addition, the Town has elected to match up to two percent of the contributions made by the employees not engaged in law enforcement to the Supplemental Retirement Income Plan. Contributions for the year ended June 30, 2025 were \$128,909, which consisted of \$80,660 from the Town and \$48,249 from the law enforcement officers.

**d. Other Postemployment Benefits**

**Healthcare Benefits**

*Plan Description.* Under the terms of a Town resolution, the Town administers a single employer defined benefit Healthcare Benefits Plan (the “HCB Plan”). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefits Provided.* Prior to July 1, 2007, retirees qualified for benefits similar to those of employees after a minimum of five years of creditable service with the Town. The Town pays the full cost of coverage for employees’ benefits through private insurers and employees have the option of purchasing dependent coverage at the Town’s group rates. Employees hired on or after July 1, 2007 who retire with a minimum of 20 years of creditable service also have the option of purchasing coverage for themselves and dependents at the Town’s group rate. Employees hired on or after July 1, 2007 who retire with less than 20 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**d. Other Postemployment Benefits (Continued)**

**Healthcare Benefits (Continued)**

An employee who has a minimum of fifteen years in the North Carolina Local Government Employees Retirement System (“NCLGERS”), and a minimum of five years of creditable service to the Town and are fifty-five years of age or older may continue health insurance with the Town until age sixty-five. The retiree shall share the cost of coverage at the rate of 5% for every year of service to the NCLGERS below twenty-five years. Medicare supplemental insurance shall be offered to retirees sixty-five or older who meet the above criteria with all costs being borne by the retiree. Continuation of coverage for the retiree’s spouse or family may be allowed until the retiree reaches age sixty-five, provided all costs are borne by the retiree.

An employee retiring from the Town of Oak Island who has a minimum of twenty-five years in the NCLGERS, a minimum five years of creditable service with the Town and who is fifty years of age or older, may continue health insurance coverage with the Town until age sixty-five at no cost to the retiree. Medicare supplemental insurance shall be offered to retirees sixty-five or older who meet the above criteria with all costs being borne by the retiree. Continuation of coverage for the retiree’s spouse or family shall be available until the retiree reaches age sixty-five, provided all costs are borne by the retiree.

An employee retiring from the Town of Oak Island who has five continuous years of service with the Town, and thirty continuous years of service to the NCLGERS, regardless of age, may continue health insurance coverage with the Town until age sixty-five at no cost to the retiree. Medicare supplemental insurance shall be offered to retirees sixty-five or older who meet the above criteria with all costs being borne by the retiree. Continuation of coverage for the retiree’s spouse or family may be allowed until the retiree reaches age sixty-five, provided all costs are borne by the retiree.

Under either of the above, service with the Town of Long Beach or Town of Yaupon Beach will qualify as service to the Town of Oak Island. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2024, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	12	5
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	33	11
Total	45	16

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

d. Other Postemployment Benefits (Continued)

Healthcare Benefits (Continued)

**Total OPEB Liability**

The Town's total OPEB liability of \$2,887,312 was measured as of June 30, 2024 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.25 – 8.41% percent, average, including inflation
Discount rate	3.93 percent
Healthcare cost trend rates	Pre-Medicare – 7.0% for 2023 decreasing to an ultimate Rate of 4.5% by 2033

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

**Changes in the Total OPEB Liability**

Beginning balance	\$ 2,951,833
Service Cost	67,327
Interest	106,917
Changes of benefit terms	-
Differences between expected and actual experience	2,782
Changes of assumptions or other inputs	(60,065)
Benefit payments	(181,483)
Total	<u>\$ 2,887,311</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.65% to 3.93%.

Mortality rates were based on the RP-2014 mortality tables, with adjustment for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**d. Other Postemployment Benefits (Continued)**

**Healthcare Benefits (Continued)**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

	<b>1% Decrease (2.93%)</b>	<b>Discount Rate (3.93%)</b>	<b>1% Increase (4.93%)</b>
Total OPEB Liability	\$ 3,109,372	\$ 2,887,311	\$ 2,685,493

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

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 2,629,068	\$ 2,887,311	\$ 3,183,018

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2025, the Town recognized OPEB expense of \$19,605. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 21,113	\$ 692,251
Changes of assumptions and other inputs	585,664	426,050
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	\$ 606,777	\$ 1,118,301

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan and Postemployment Obligations (Continued)**

**d. Other Postemployment Benefits (Continued)**

**Healthcare Benefits (Continued)**

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>		
2026	\$	(134,973)
2027		(124,721)
2028		(117,769)
2029		(94,044)
2030		(40,017)
Thereafter		-

**2. Other Employment Benefits**

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**3. Deferred Outflows and Inflows of Resources**

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

Differences between expected and actual experience	\$ 1,271,004
Benefit payments made and administrative expenses for LEOSSA	-
Benefit payments and administrative costs paid subsequent to the measurement date for LGERS	-
Contributions to pension plan in current fiscal year	1,438,247
Changes of assumptions and other inputs	665,961
Net difference between projected and actual earnings	864,616
Changes in proportion and differences between Town contributions and proportionate share of contributions	122,078
Total	<u>\$ 4,361,906</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ 355,374
Prepaid assessments (Water Fund)	-	-
Taxes receivable, less penalties (General Fund and Beach Renourishment Fund)	106,317	183,754
Unearned revenue (General Fund)	1,191,583	1,191,583
Changes in assumptions	543,047	-
Differences between expected and actual experience	699,744	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	18,186	-
Total	<u>\$ 2,558,877</u>	<u>\$ 1,730,711</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and workers' compensation in excess of \$1,000,000 and property in excess of \$500,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town provides health, dental, vision and life insurance through a commercial vendor. Employee health claims are insured to with no lifetime limit. Employees can provide dependent if desired.

The Town carries commercial coverage 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 Program ("NFIP") for Town Hall. Town Hall was required to obtain flood insurance as part of their installment purchase agreement. The Town does not feel that additional flood insurance is necessary because the danger of flooding as defined by the insurance companies is low.

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 and tax collector are bonded for \$1,000,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

The Town of Oak Island ABC Board 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 ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. 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.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**5. Claims, Judgments and Contingent Liabilities**

At June 30, 2025, the Town was a not a defendant to any claims or lawsuits. In the opinion of the Town’s management and the Town Attorney, they are not aware of any unasserted claims or assessments that must be disclosed.

**6. Long-Term Obligations**

**a. Installment Purchases**

On August 18, 2023, the Town obtained a loan from a local bank to purchase a 2023 Pierce Enforcer Pumper Fire Truck. The loan carries an interest rate of 5.30% and is payable in annual payments of \$313,364 which includes principal and interest beginning August 2024. The loan is secured by the truck. The principal balance at June 30, 2025 was \$580,205.

On August 18, 2023, the Town obtained a loan from a local bank to purchase a 2024 Pierce Enforcer Pumper Fire Truck. The loan carries an interest rate of 5.30% and is payable in annual payments of \$329,890 which includes principal and interest beginning September 2024. The loan is secured by the truck. The principal balance at June 30, 2025 was \$601,282.

Annual debt service requirements of the installment purchases as of June 30, 2025, including \$95,500 of interest, are as follows:

<b>Year ended June 30:</b>	Governmental Activities	
	Notes Payable	
	Principal	Interest
2026	\$ 580,131	\$ 63,124
2027	601,356	32,376
2028	-	-
2029	-	-
2030	-	-
2031-2035	-	-
2036-2039	-	-
	\$ 1,181,487	\$ 95,500

The Town has a legal debt margin of \$490,047,750 at June 30, 2025.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

b. Revolving Loans

In January 2008, the Town entered into a \$9,000,000 revolving loan from the North Carolina Department of Environment and Natural Resources for a sanitary sewer project. The revolving loan requires bi-annual interest payments due on November 1 and May 1 and an annual principal payment due on May 1; interest is at 2.10%. Through June 30, 2013, the Town had drawn \$7,525,146. The period for withdrawals has expired and there will be no future withdrawals.

Additionally, in March 2009, the Town was approved for a second revolving loan from the North Carolina Department of Environment and Natural Resources in the amount of \$8,500,000 for a sanitary sewer project. The revolving loan requires bi-annual interest payments due on November 1 and May 1 and an annual principal payment due on May 1; interest is at 2.48%. Through June 30, 2013, the Town had drawn \$6,579,167. The period for withdrawals has expired and there will no future withdrawals.

Annual debt service payments of the revolving loans as of June 30, 2025, including \$240,006 of interest, are as follows:

<b>Year ended June 30:</b>	Business-type Activities Revolving Loans	
	Principal	Interest
	2026	\$ 798,722
2027	816,904	66,976
2028	835,504	48,376
2029	842,317	29,351
2030	409,087	10,145
2031-2035	-	-
2036-2039	-	-
	\$ 3,702,534	\$ 240,006

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**6. Long-Term Obligations (Continued)**

**c. Revenue Bonds**

\$35,070,000 Enterprise System Bonds, series 2015, net of \$3,114,390 issuance premium issued for wastewater system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 2.25% to 5.00%. The principal balance at June 30, 2025 was \$0. The bonds were refinanced during the year ended June 30, 2025.

\$27,645,000 Enterprise System Bonds, series 2017, net of \$2,153,566 issuance premium issued for wastewater system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 3.00% to 5.00%. The principal balance at June 30, 2025 was \$22,605,000.

\$26,935,000 Enterprise System Bonds, series 2025, net of \$2,190,003 issuance premium issued as refinancing the 2015 bond series. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 5.00%. The principal balance at June 30, 2025 was \$26,935,000.

The future payments of the revenue bonds, including \$10,703,544 of interest, are as follows:

<b>Year ended June 30:</b>	Business-type Activities Revenue Bonds	
	Principal	Interest
	2026	\$ 3,950,000
2027	4,100,000	2,092,938
2028	4,305,000	1,886,807
2029	4,515,000	1,670,368
2030	4,710,000	1,486,071
2031-2035	26,845,000	4,101,747
2036-2039	1,115,000	54,692
	\$ 49,540,000	\$ 13,541,152

The Town has been in compliance with the covenants as to rates, fees, rental, and charges in Section 704 of the Bond Order, authorizing the issuance of the Enterprise System Bonds, Series 2008A, 2009, 2011, 2015, 2017 and 2025. Section 704(A) of the Bond Order requires the sum of (i) Income available for debt service for such fiscal year and (ii) 15% of the balance in the Revenue Fund as of the last day of the preceding fiscal year will not be less than the sum of (1) 120% of the long-term debt service requirement for parity indebtedness for such fiscal year and (2) 100% of the long-term debt service requirement for subordinated indebtedness, System G.O. indebtedness and System Other Indebtedness for such fiscal year. Section 704(B) requires income available for debt service for such fiscal year will not be less than 100% of the long-term debt service requirement for parity indebtedness, subordinated indebtedness, System G.O. indebtedness and System Other Indebtedness for such fiscal year.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

c. Revenue Bonds (Continued)

The debt service coverage calculation for the year ended June 30, 2025, is as follows:

Operating and nonoperating revenues	12,998,075
Sewer district fee	6,596,745
Sewer assessment revenue	2,005
Total revenues*	19,596,825
Current expenses**	(12,541,161)
Income available for debt service	7,055,664
15% of the balance of the revenue fund	5,974,245
Total	13,029,909
100% of the long-term debt service requirement for parity indebtedness, subordinated indebtedness, System G.O. indebtedness, and System Other indebtedness for 2025	7,547,830
Additional 20% of the long-term debt service requiremnt for parity indebtedness for 2025	1,509,566
Total	\$ 9,057,396
Coverage test 704(a)	144%
Coverage test 704(b)	128%

\*In accordance with the Revenue Bond trust agreement assessment revenues shall be included in revenues if and to the extent specified in the Officer's Certificate filed in such fiscal year. In the current year \$2,005 in assessment revenue was included.

\*\*Per rate covenants, this does not include depreciation expense of \$3,693,265.

\*\*Per rate covenants, this does not include revenue bond interest expense of \$2,518,253.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**B. Liabilities (Continued)**

**6. Long-Term Obligations (Continued)**

**c. Revenue Bonds (Continued)**

The Town has pledged future water and wastewater customer revenues, net of specified current expenses, to repay \$62,005,000 in water and wastewater revenue bonds issued in June 2025 and February 2017. Proceeds from the bonds provided financing for the extension to the wastewater system to the entire island. The bonds are payable solely from water and wastewater income available for debt service and are payable through 2036. The total principal and interest remaining to be paid on the bonds, net of issuance premium, is \$63,081,153 as of June 30, 2025. Principal and interest paid for the current year was \$6,335,318. Section 706 (b) of the Bond Order requires that the amount held by the Trustee be reported in the audit report.

At June 30, 2025, US Bank as trustee for the Town of Oak Island held the following deposits:

Enterprise systems bonds, Series 2015 Special Reserve Account	\$ 3,565,323
Enterprise systems bonds, Series 2017 Special Reserve Account	<u>2,786,570</u>
Total on deposit with trustee	<u><u>\$ 6,351,893</u></u>

**e. Change in Long-Term Liabilities**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<i>Governmental activities:</i>					
Installment purchases	\$ 1,744,828	\$ -	\$ 563,341	\$ 1,181,487	\$ 580,131
Compensated absences	551,756	70,991	-	622,747	622,747
Other postemployment benefits	1,608,447	535,900	-	2,144,347	-
Net pension liability (LGERS)	4,588,249	135,072	-	4,723,321	-
Total pension liability	<u>1,124,470</u>	<u>-</u>	<u>18,490</u>	<u>1,105,980</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 9,617,750</u>	<u>\$ 741,963</u>	<u>\$ 581,831</u>	<u>\$ 9,777,882</u>	<u>\$ 1,202,878</u>
<i>Business-type activities:</i>					
State revolving loan	\$ 4,483,482	\$ -	\$ 780,948	\$ 3,702,534	\$ 798,722
Revenue bonds, net	60,025,695	29,125,003	35,745,699	53,404,999	3,950,000
Compensated absences	172,979	87,112	-	260,091	260,091
Other postemployment benefits	1,343,386	-	600,421	742,965	-
Net pension liability (LGERS)	<u>1,580,295</u>	<u>63,269</u>	<u>-</u>	<u>1,643,564</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 67,605,837</u>	<u>\$ 29,275,384</u>	<u>\$ 37,127,068</u>	<u>\$ 59,754,153</u>	<u>\$ 5,008,813</u>

The ABC Board had no long-term debt at June 30, 2025.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**C. Net Investment in Capital Assets**

Governmental activities:	
Total capital assets	\$ 27,753,356
Less: Long-term debt	<u>1,181,487</u>
	<u>\$ 26,109,629</u>
Business-type activities:	
Total capital assets	\$ 86,172,541
Less: Long-term debt	<u>57,107,533</u>
	<u>\$ 29,065,008</u>

**D. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2025, consist of the following:

From the General Fund to the Capital Reserve Fund	\$ 110,638
From the Paid Parking Fund to the Oak Island Par 3 Golf Course Fund	350,255
From the Paid Parking Fund to the General Fund	850,000
From the Accommodations Tax Fund to the Beach Nourishment Fund	2,259,410
From the Beach Tax Fund to the Beach Nourishment Fund	1,550,000
From the Sewer District Fee Fund to the Wastewater Fund	7,184,280
From the Sewer Assessment Fund to the Wastewater Fund	1,000,000
From the Water Fund to the Wastewater Fund	<u>500,000</u>
	<u>\$ 13,804,583</u>

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

During the 2025 fiscal year, the Town made a one-time transfer from the General Fund to the Capital Reserve Fund of \$110,638 for future capital projects.

During the 2025 fiscal year, the Town made a one-time transfer from the General Funds to the Oak Island Par 3 Gold Course Fund of \$350,255 to assist with the funding of the maintenance of the Golf Course.

During the 2025 fiscal year, the Town made a one-time transfer from the Paid Parking Fund to the General Fund of \$850,000 to assist with cost of paving and maintaining streets.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**D. Interfund Balances and Activity (Continued)**

During the 2025 fiscal year, the Town made a one-time transfer from the Accommodations Tax Fund to the Beach Nourishment Fund of \$2,259,410 to set aside for the future Beach Nourishment Project.

During the 2025 fiscal year, the Town made a one-time transfer from the Beach Tax Fund to the Beach Nourishment Fund of \$1,550,000 to set aside for the future Beach Nourishment Project.

During the 2025 fiscal year, the Town made a one-time transfer from the Sewer District Fee Fund to the Wastewater Fund of \$7,184,280 to assist in the funding of the debt service of the Wastewater Fund.

During the 2025 fiscal year, the Town made a one-time transfer from the Sewer Assessment Fund to the Wastewater Fund of \$1,000,000 to assist in the funding of the debt service of the Wastewater Fund.

During the 2025 fiscal year, the Town made a one-time transfer from the Water Fund to the Wastewater Fund of \$500,000 to assist in the funding of the debt service of the Wastewater Fund.

**E. Fund Balance**

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

Total fund balance-General Fund	\$33,081,266
Less:	
Non spendable – inventories	20,235
Stabilization by State Statute	1,013,515
Streets-Powell Bill	144,880
Public Safety	-
General Government	-
Appropriated Fund Balance in 2023 budget	-
Remaining Fund Balance	\$ 31,923,053

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**III. Detail Notes on All Funds (Continued)**

**IV. Jointly Governed Organization**

**A. Cape Fear Council of Governments**

The Town in Conjunction with four counties and forty other municipalities established 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 board. The Town paid membership fees of \$1,982 to the Council during the fiscal year ended June 30, 2025. Complete financial information for the Council can be obtained from the Council’s administrative offices at 1480 Harbour Drive, Wilmington, NC 28401.

**B. Brunswick County Airport Commission**

The Town in conjunction with Brunswick County and the Town of Southport established the Brunswick County Airport Commission. The purpose of the Commission is to acquire land, establish, construct, own, control, lease, equip, improve, maintain, operate, and regulate airports or landing fields within the County, to provide and maintain an airport facility for the use of the general aviation public and to promote the economic development of Brunswick County. The Town of Oak Island appoints two members and the Town of Southport appoints one member to the Commission while Brunswick County appoints a total of four. The Town is not obligated to furnish any funds to the Commission, but in the past has made contributions. During the year ended June 30, 2025, the Town made contributions of \$22,000 to the Commission. The participating governments do not have any equity interest in the Commissions, so no equity interest has been reflected in the Town’s financial statements at June 30, 2025. Complete financial information for the Airport Commission can be obtained at the airport’s administrative offices at 380 Long Beach Road, Southport, NC 28461.

**C. West Brunswick Regional Water Reclamation Facility**

The Facility is owned, operated, and maintained by Brunswick County. The Town of Oak Island, Town of Holden Beach, Town of Shallotte and the County have entered into a wastewater service agreement for a portion of the treatment capacity in the plant. Currently the Town of Oak Island is allocated treatment of three million gallons per day. Each participant is charged capacity service fees based on their share of capacity in the plant. Participants are also charged treatment service fees based on their share of capacity in the plant. Participants are also charged treatment service fees based on metered flow they send to the plant. The participant fees and costs allocation to the County for their flow are combined so that the operating and maintenance costs of the plant are recovered by county retail revenues and participant service fees on a proportional and breakeven basis. Each participant can appoint one representative and one alternate to an Oversight Committee. This committee makes budget and operating recommendations to the County Commissioners. During the year ended June 30, 2025, the Town of Oak Island recorded \$930,931 in capacity fees and \$540 in service fees to Brunswick County.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**V. Summary Disclosure of Commitments and 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.

Encumbrances

Encumbrances are amounts needed to pay any commitment related to purchase orders and contracts that remain unperformed at year-end. The Town's outstanding encumbrances at June 30, 2025 are as follows:

General Fund	\$ 896,895
Water Fund	53,572
Wastewater Fund	915,396
Nonmajor Funds	1,464,314
Total encumbrances	<u>\$ 3,330,177</u>

**VI. Restatement**

It was discovered that due to issues with capital assets recorded in the incorrect accounting period and issues with fund balance, the prior General Fund balance required restating by decreasing previously reported fund balance by \$713,146. \$462,240 related to capital assets and \$250,906 related to fund balance.

**VII. Significant Effects of Subsequent Events**

Subsequent events have been evaluated February 2, 2026, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

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**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Town of Oak Island's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Ten Fiscal Years\***

**Schedule 1**

**Local Government Employees' Retirement System**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Oak Island's proportion of the net pension liability (asset) (%)	0.0943%	0.0931%	0.0907%	0.0939%	0.0956%
Oak Island's proportion of the net pension liability (asset) (\$)	\$ 6,359,836	\$ 6,168,545	\$ 5,116,775	\$ 1,440,047	\$ 3,416,910
Oak Island's covered-employee payroll	\$ 9,164,184	\$ 9,164,184	\$ 8,102,490	\$ 7,098,025	\$ 6,884,317
Oak Island's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	69.40%	67.31%	63.15%	20.29%	49.63%
Plan fiduciary net position as a percentage of the total pension liability **	83.30%	82.49%	84.14%	95.51%	88.61%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Oak Island's proportion of the net pension liability (asset) (%)	0.0925%	0.0880%	0.0865%	0.0870%	0.0950%
Oak Island's proportion of the net pension liability (asset) (\$)	\$ 2,525,010	\$ 2,087,901	\$ 1,320,717	\$ 1,846,219	\$ 426,265
Oak Island's covered-employee payroll	\$ 6,736,735	\$ 6,312,651	\$ 5,743,021	\$ 5,266,305	\$ 5,453,950
Oak Island's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.48%	33.07%	23.00%	35.06%	7.82%
Plan fiduciary net position as a percentage of the total pension liability **	90.86%	91.63%	94.18%	91.47%	98.09%

\* The amount 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 OAK ISLAND, NORTH CAROLINA**  
**Town of Oak Island's Contributions**  
**Required Supplementary Information**  
**Last Ten Fiscal Years**

**Schedule 2**

**Local Government Employees' Retirement System**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 1,438,247	\$ 1,188,605	\$ 997,776	\$ 818,968	\$ 714,093
Contributions in relation to the contractually required contribution	<u>1,438,247</u>	<u>1,188,605</u>	<u>997,776</u>	<u>818,968</u>	<u>714,093</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Oak Island's covered-employee payroll	\$10,353,674	\$ 9,164,184	\$ 8,102,490	\$ 7,098,025	\$ 6,884,317
Contribution as a percentage of covered-employee payroll	13.89%	12.97%	12.31%	11.54%	10.37%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 606,649	\$ 502,111	\$ 444,399	\$ 397,390	\$ 372,877
Contributions in relation to the contractually required contribution	<u>606,649</u>	<u>502,111</u>	<u>444,399</u>	<u>397,390</u>	<u>371,073</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,804</u>
Oak Island's covered-employee payroll	\$ 6,736,735	\$ 6,312,651	\$ 5,743,021	\$ 5,266,305	\$ 5,453,950
Contribution as a percentage of covered-employee payroll	9.01%	7.95%	7.74%	6.84%	6.80%

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2025**

**Schedule 3**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 1,124,469	\$ 1,021,701	\$ 1,160,835	\$ 1,053,145	\$ 703,191
Service Cost	45,497	38,764	48,863	58,246	30,625
Interest on the total pension liability	42,941	42,218	25,280	19,979	22,434
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	17,583	81,936	31,868	95,906	49,420
Changes of assumptions or other inputs	(22,608)	24,202	(170,592)	(30,532)	277,523
Benefit payments	(101,902)	(84,352)	(74,553)	(35,909)	(30,048)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,105,980</u>	<u>\$ 1,124,469</u>	<u>\$ 1,021,701</u>	<u>\$ 1,160,835</u>	<u>\$ 1,053,145</u>

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 724,322	\$ 682,477	\$ 519,423	\$ 518,458
Service Cost	27,677	30,143	27,560	26,520
Interest on the total pension liability	25,716	21,002	19,651	17,963
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(59,124)	52,430	95,673	-
Changes of assumptions or other inputs	20,290	(26,040)	40,811	(12,934)
Benefit payments	(35,690)	(35,690)	(20,641)	(30,584)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 703,191</u>	<u>\$ 724,322</u>	<u>\$ 682,477</u>	<u>\$ 519,423</u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2025**

**Schedule 4**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 1,105,980	\$ 1,124,469	\$ 1,021,701	\$ 1,160,835	\$ 1,053,145
Covered payroll	1,627,189	1,406,634	1,157,531	1,333,502	1,260,047
Total pension liability as a percentage of covered payroll	67.97%	79.94%	88.27%	87.05%	83.58%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Total pension liability	\$ 703,191	\$ 724,322	\$ 682,477	\$ 519,423	
Covered payroll	1,121,785	1,188,110	1,168,794	1,083,115	
Total pension liability as a percentage of covered payroll	62.69%	60.96%	58.39%	47.96%	

Notes to the schedules:

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**June 30, 2025**

**Schedule 5**

<b>Total OPEB Liability</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Service cost	\$ 67,327	\$ 193,387	\$ 251,631	\$ 314,080	\$ 232,627
Interest	106,917	151,480	102,874	110,479	146,043
Changes of benefit terms	-	(1,147,890)	-	-	-
Differences between expected and actual experience	2,782	(303,416)	12,518	(1,101,053)	(10,244)
Changes of assumptions	(60,065)	63,669	(612,773)	672,651	532,407
Benefit payments	(181,483)	(180,626)	(179,176)	(161,043)	(150,374)
<b>Net change in total OPEB liability</b>	<b>(64,522)</b>	<b>(1,223,396)</b>	<b>(424,926)</b>	<b>(164,886)</b>	<b>750,459</b>
<b>Total OPEB liability - beginning</b>	<b>2,951,833</b>	<b>4,175,229</b>	<b>4,600,155</b>	<b>4,765,041</b>	<b>4,014,582</b>
<b>Total OPEB liability - ending</b>	<b>\$ 2,887,311</b>	<b>\$ 2,951,833</b>	<b>\$ 4,175,229</b>	<b>\$ 4,600,155</b>	<b>\$ 4,765,041</b>
<b>Covered payroll</b>	<b>2,174,125</b>	<b>2,174,125</b>	<b>5,998,120</b>	<b>5,998,120</b>	<b>6,033,368</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>132.80%</b>	<b>135.77%</b>	<b>69.61%</b>	<b>76.69%</b>	<b>78.98%</b>

<b>Total OPEB Liability</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service cost	\$ 178,525	\$ 184,147	\$ 198,295
Interest	142,463	129,385	111,618
Changes of benefit terms	-	-	-
Differences between expected and actual experience	37,311	8,969	(146)
Changes of assumptions	73,552	(117,515)	(198,451)
Benefit payments	(157,625)	(196,375)	(174,331)
<b>Net change in total OPEB liability</b>	<b>274,226</b>	<b>8,611</b>	<b>(63,015)</b>
<b>Total OPEB liability - beginning</b>	<b>3,740,356</b>	<b>3,731,745</b>	<b>3,794,760</b>
<b>Total OPEB liability - ending</b>	<b>\$ 4,014,582</b>	<b>\$ 3,740,356</b>	<b>\$ 3,731,745</b>
<b>Covered payroll</b>	<b>6,033,368</b>	<b>4,408,979</b>	<b>4,408,979</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>66.54%</b>	<b>84.83%</b>	<b>84.64%</b>

**Notes to Schedule**

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

<b>Fiscal year</b>	<b>Rate</b>
2025	3.93%
2024	3.65%
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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**INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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**TOWN OF OAK ISLAND, NORTH CAROLINA  
General Fund**

**Schedule 6**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2025**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes:			
Taxes - current year	\$ 8,522,520	\$ 8,630,632	\$ 108,112
Taxes - prior years	50,000	148,602	98,602
Motor vehicle tax	443,700	332,028	(111,672)
Interest and penalties	50,000	86,392	36,392
Total	9,066,220	9,197,654	131,434
Other taxes and licenses:			
Local option sales tax 1%	1,650,000	1,679,051	29,051
Local option sales tax 1/2% 40	659,310	841,514	182,204
Local option sales tax 1/2% 42	671,500	932,168	260,668
Local option sales tax 1/2% 44	575,000	690,325	115,325
Total	3,555,810	4,143,058	587,248
Unrestricted intergovernmental:			
Utility franchise tax	633,750	1,013,955	380,205
Beer and wine tax	36,800	38,835	2,035
Telecommunications tax	9,500	11,007	1,507
Video programming revenue	84,400	110,260	25,860
NC control substance distribution	-	2,458	2,458
Planning board	-	850	850
ABC Board profit distribution	633,370	644,520	11,150
Total	1,397,820	1,821,885	424,065
Restricted intergovernmental:			
Brunswick county fire district fees	2,773,207	2,817,262	44,055
State street aid allocation	405,970	452,623	46,653
FEMA reimbursement	-	39,967	39,967
Total	3,179,177	3,309,852	130,675
Permits and fees:			
Building permits	500,000	527,759	27,759
Inspection fees	165,000	222,310	57,310
Other permits and fees	68,500	152,069	83,569
Total	733,500	902,138	168,638

TOWN OF OAK ISLAND, NORTH CAROLINA

Schedule 6

General Fund (Continued)

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2025

	Budget	Actual	Positive (Negative)
Sales and services:			
Recreation department fees	\$ 95,000	\$ 101,410	\$ 6,410
Fire service fees	-	880	880
Police service fees	1,000	11,129	10,129
Weight room fees	35,000	50,202	15,202
Merchandising	3,000	14,870	11,870
Mosquito control	-	700	700
Late listings revenue	-	2,462	2,462
Rental fees	1,800	5,678	3,878
Total	135,800	187,331	51,531
Investment earnings	1,000,000	2,212,928	1,212,928
Miscellaneous:			
Summer concert series sponsorships	21,000	28,500	7,500
Sunset on summer music festival	25,000	14,430	(10,570)
Fundraisers	-	48,473	48,473
Veterans park brick donations	2,000	520	(1,480)
Donations	13,000	17,495	4,495
Miscellaneous	33,500	53,020	19,520
Total	94,500	162,438	67,938
Total revenues	19,162,827	21,937,284	2,774,457
<b>Expenditures</b>			
General government:			
Governing body:			
Salaries and benefits	53,386	53,243	143
Operating expenditures	279,500	159,859	119,641
Donations:			
Brunswick family assistance	2,000	2,000	-
Chamber of commerce	2,500	2,500	-
Brunswick county literacy council	1,500	1,500	-
Sea Biscuit wildlife shelter	3,000	3,000	-
Oak Island water rescue	30,000	30,000	-
OKI senior citizens	4,500	4,500	-
Oak Island beautification	1,500	1,500	-
Brunswick county airport	22,000	22,000	-
Total	399,886	280,102	119,784

**TOWN OF OAK ISLAND, NORTH CAROLINA  
General Fund (Continued)**

**Schedule 6**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2025**

	Budget	Actual	Variance Positive (Negative)
Administration:			
Salaries and benefits	\$ 1,861,895	\$ 1,652,784	\$ 209,111
Operating expenditures	1,338,325	872,102	466,223
Capital outlay	183,268	130,113	53,155
Total	<u>3,383,488</u>	<u>2,654,999</u>	<u>728,489</u>
Facilities management:			
Salaries and benefits	161,740	157,258	4,482
Operating expenditures	358,482	294,044	64,438
Capital outlay	70,000	50,820	19,180
Total	<u>590,222</u>	<u>502,122</u>	<u>88,100</u>
Animal control:			
Operating expenditures	72,000	71,893	107
Total	<u>72,000</u>	<u>71,893</u>	<u>107</u>
Total general government	<u>4,445,596</u>	<u>3,509,116</u>	<u>936,480</u>
Public safety:			
Police:			
Salaries and benefits	2,981,698	2,977,980	3,718
Operating expenditures	414,735	475,101	(60,366)
Capital outlay	351,776	249,291	102,485
Total	<u>3,748,209</u>	<u>3,702,372</u>	<u>45,837</u>
Fire:			
Salaries and benefits	3,055,471	3,027,666	27,805
Operating expenditures	673,800	784,701	(110,901)
Capital outlay	215,501	181,971	33,530
Total	<u>3,944,772</u>	<u>3,994,338</u>	<u>(49,566)</u>
Zoning:			
Salaries and benefits	899,598	812,310	87,288
Operating expenditures	64,620	36,772	27,848
Capital outlay	-	-	-
Total	<u>964,218</u>	<u>849,082</u>	<u>115,136</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA  
General Fund (Continued)**

**Schedule 6**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2025**

	Budget	Actual	Variance Positive (Negative)
Planning:			
Salaries and benefits	\$ 762,075	\$ 661,332	\$ 100,743
Operating expenditures	327,255	199,034	128,221
Capital outlay	99,000	90,907	8,093
Total	<u>1,188,330</u>	<u>951,273</u>	<u>237,057</u>
Total public safety	<u>9,845,529</u>	<u>9,497,065</u>	<u>348,464</u>
Transportation:			
Public works:			
Administration:			
Salaries and benefits	243,390	241,478	1,912
Operating expenditures	17,000	14,213	2,787
Capital outlay	-	-	-
Total	<u>260,390</u>	<u>255,691</u>	<u>4,699</u>
Operations:			
Salaries and benefits	531,620	515,925	15,695
Operating expenditures	1,436,950	936,577	500,373
Capital outlay	690,010	209,823	480,187
Total	<u>2,658,580</u>	<u>1,662,325</u>	<u>996,255</u>
Street repair and construction:			
Salaries and benefits	656,350	632,442	23,908
Operating expenditures	1,989,097	711,811	1,277,286
Capital outlay	540,000	151,263	388,737
Total	<u>3,185,447</u>	<u>1,495,516</u>	<u>1,689,931</u>
Fleet maintenance:			
Salaries and benefits	272,395	270,317	2,078
Operating expenditures	43,435	50,196	(6,761)
Capital outlay	462,800	7,999	454,801
Total	<u>778,630</u>	<u>328,512</u>	<u>450,118</u>
Total transportation	<u>6,883,047</u>	<u>3,742,044</u>	<u>3,141,003</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA  
General Fund (Continued)**

**Schedule 6**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2025**

	Budget	Actual	Variance Positive (Negative)
Cultural and recreational:			
Recreation:			
Salaries and benefits	\$ 601,074	\$ 573,172	\$ 27,902
Operating expenditures	534,811	499,277	35,534
Capital outlay	83,899	1	83,898
Total	1,219,784	1,072,450	147,334
Community resource center:			
Salaries and benefits	132,402	122,725	9,677
Operating expenditures	18,350	9,821	8,529
Capital outlay	-	-	-
Total	150,752	132,546	18,206
Total cultural and recreation	1,370,536	1,204,996	165,540
Debt service:			
Principal	554,326	563,341	(9,015)
Interest	88,929	79,914	9,015
Total	643,255	643,255	-
Total expenditures	23,187,963	18,596,476	4,591,487
Revenues over (under) expenditures	(4,025,136)	3,340,808	7,365,944
Other financing sources (uses):			
Transfers from other funds	850,000	850,000	-
Transfers (to) from other funds:	(465,000)	(470,839)	(5,839)
Proceeds from insurance		109,339	109,339
Sale of materials and fixed assets	15,000	2,828	(12,172)
Total	400,000	491,328	91,328
Fund balance appropriated	3,625,136	-	3,625,136
Net change in fund balance	\$ -	3,832,136	\$ 3,832,136
Fund balance, beginning		25,000,820	
Fund balance, ending		\$ 28,832,956	

TOWN OF OAK ISLAND, NORTH CAROLINA

Schedule 7

Capital Reserve Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2025

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -
Total revenues	-	-	-
<b>Other Financing Sources (Uses)</b>			
Transfer from other funds	379,824	115,002	(264,822)
Total other financing sources (uses)	379,824	115,002	(264,822)
Fund balance appropriated	(379,824)	-	(379,824)
Revenues and other financing sources over (under) expenditures	\$ -	115,002	\$ (644,646)
Fund balance, beginning		4,153,725	
Fund balance, ending		\$ 4,268,727	

**TOWN OF OAK ISLAND, NORTH CAROLINA**

**Schedule 8**

**Accommodations Tax Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
For the Year Ended June 30, 2025**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Other taxes and licenses:			
Accommodations tax receipts	\$ 2,626,500	\$ 3,449,366	\$ 822,866
Total other taxes and licenses	<u>2,626,500</u>	<u>3,449,366</u>	<u>822,866</u>
<b>Nonoperating revenues</b>			
Interest earnings	<u>-</u>	<u>686</u>	<u>686</u>
Total revenues	<u>2,626,500</u>	<u>3,450,052</u>	<u>823,552</u>
<b>Expenditures</b>			
Environmental protection:			
Salaries and wages	97,100	75,094	22,006
Fringe benefits	12,990	12,860	130
Tourism and marketing development	20,000	1,440	18,560
Bulkheading repairs	175,000	116	174,884
Utilities	6,000	5,870	130
Contracted services	56,000	48,020	7,980
Total environmental protection	<u>367,090</u>	<u>143,400</u>	<u>223,690</u>
Total expenditures	<u>367,090</u>	<u>143,400</u>	<u>223,690</u>
Revenues over (under) expenditures	<u>2,259,410</u>	<u>3,306,652</u>	<u>1,047,242</u>
<b>Other Financing Sources (Uses)</b>			
Transfer to other funds	<u>(2,259,410)</u>	<u>(2,259,410)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,259,410)</u>	<u>(2,259,410)</u>	<u>-</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>1,047,242</u>	<u>\$ 1,047,242</u>
Fund balance, beginning		<u>8,291,889</u>	
Fund balance, ending		<u>\$ 9,339,131</u>	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Special Revenue – Beach Renourishment Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
**For the Year Ended June 30, 2025**

**Schedule 9**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Restricted intergovernmental:			
NCDEQ grant	\$ -	\$ 6,140	\$ 6,140
Coastal storm mitigation grant	440,000	-	(440,000)
Permits and fees	-	3,450	3,450
Other taxes and licenses:			
Restricted ad valorem tax receipts	1,970,390	2,004,871	34,481
Total restricted intergovernmental	<u>2,410,390</u>	<u>2,014,461</u>	<u>(395,929)</u>
<b>Nonoperating revenues</b>			
Interest earnings	-	1,050,910	1,050,910
Total revenues	<u>2,410,390</u>	<u>3,065,371</u>	<u>654,981</u>
<b>Expenditures</b>			
Environmental protection:			
Engineering - Oak Island master plan	1,237,500	482,151	755,349
Lockwood Folly inlet dredging	160,000	90,281	69,719
Federal beach project	600,000	551,000	49,000
Annual beach monitoring	67,090	66,127	963
Beach renourishment	3,513,380	10	3,513,370
Contract services	125,000	18,065	106,935
Beach maintenance	880,000	-	880,000
Wilmington Harbor dredging	15,000	-	15,000
SVL update beach mgt plan	61,830	-	61,830
Brokerage fees	-	43,351	(43,351)
Total environmental protection	<u>6,659,800</u>	<u>1,250,985</u>	<u>5,408,815</u>
Total expenditures	<u>6,659,800</u>	<u>1,250,985</u>	<u>5,408,815</u>
Revenues over (under) expenditures	<u>(4,249,410)</u>	<u>1,814,386</u>	<u>6,063,796</u>
<b>Other Financing Sources (Uses)</b>			
Transfer from other funds:			
Beach tax fund	1,550,000	1,550,000	-
Accommodations tax fund	2,259,410	2,259,410	-
Total other financing sources (uses)	<u>3,809,410</u>	<u>3,809,410</u>	<u>-</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ (440,000)</u>	<u>5,623,796</u>	<u>\$ 6,063,796</u>
Fund balance, beginning		<u>23,084,058</u>	
Fund balance, ending		<u>\$ 28,707,854</u>	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Special Revenue – Beach Tax Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
**For the Year Ended June 30, 2025**

**Schedule 10**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Other taxes and licenses:			
Accommodations tax 2%	\$ 1,750,000	\$ 2,296,384	\$ 546,384
Total other taxes and licenses	1,750,000	2,296,384	546,384
Total revenues	1,750,000	2,296,384	546,384
<b>Expenditures</b>			
Environmental protection:			
Other operating expenditures	200,000	-	200,000
Total environmental protection	200,000	-	200,000
Total expenditures	200,000	-	200,000
Revenues over (under) expenditures	1,550,000	2,296,384	746,384
<b>Other Financing Sources (Uses)</b>			
Transfer to other funds	(1,550,000)	(1,550,000)	-
Total other financing sources (uses)	(1,550,000)	(1,550,000)	-
Fund balance appropriated	-	-	-
Revenues and other financing sources over (under) expenditures	\$ -	746,384	\$ 746,384
Fund balance, beginning		3,962,472	
Fund balance, ending		\$ 4,708,856	

TOWN OF OAK ISLAND, NORTH CAROLINA

Schedule 11

Water Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues:			
Charges for services:			
Utility charges	\$ 4,463,520	\$ 4,920,027	\$ 456,507
Reconnect fees	75,000	31,156	(43,844)
Late fees	30,000	111,463	81,463
Water taps	250,000	233,611	(16,389)
Other operating revenues	390,200	358,700	(31,500)
Total operating revenues	<u>5,208,720</u>	<u>5,654,957</u>	<u>446,237</u>
Nonoperating revenues:			
System development fees	150,000	85,139	(64,861)
Interest earnings	-	(280)	(280)
Total nonoperating revenues	<u>150,000</u>	<u>84,859</u>	<u>(65,141)</u>
Total revenues	<u>5,358,720</u>	<u>5,739,816</u>	<u>445,957</u>
<b>Expenditures</b>			
Water administrative:			
Salaries and wages	216,841	218,258	(1,417)
Employee benefits	95,000	92,855	2,145
Cost of water	2,703,000	2,561,134	141,866
Other operating expenditures	90,039	71,320	18,719
Total water administrative	<u>3,104,880</u>	<u>2,943,567</u>	<u>161,313</u>
Water maintenance:			
Salaries and wages	626,000	235,786	390,214
Employee benefits	255,160	249,069	6,091
Other operating expenditures	957,213	745,850	211,363
Capital outlay	330,000	-	330,000
Total water maintenance	<u>2,168,373</u>	<u>1,230,705</u>	<u>937,668</u>
Total expenditures	<u>5,273,253</u>	<u>4,174,272</u>	<u>1,098,981</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Water Fund (Continued)**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2025**

**Schedule 11**

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ 85,467	\$ 1,565,544	\$ 1,480,077
Other financing sources (uses):			
Transfers to other funds	(500,000)	(499,219)	781
Total other financing sources (uses)	(500,000)	(499,219)	781
Fund balance appropriated	0	-	-
Revenues and other sources over (under) expenditures and other uses	\$ (414,533)	1,066,325	\$ 1,480,858
<b>Reconciliation from budgetary basis (modified accrual)</b>			
<b>to full accrual:</b>			
Revenues and other sources under expenditures and other uses		\$ 1,066,325	
Reconciling items:			
Capital outlay		-	
Depreciation expense		(321,334)	
Change in deferred outflows of resources - pensions		(36,019)	
Change in net pension liability		1,334	
Change in deferred inflows of resources - pensions		16,207	
Change in accrued vacation payable		(22,043)	
Total reconciling items		(361,855)	
Change in net position		\$ 704,470	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Wastewater Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2025**

**Schedule 12**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues:			
Charges for services:			
Utility charges	\$ 5,020,200	\$ 5,505,320	\$ 485,120
Caswell Beach utility charges	300,000	289,551	(10,449)
Sewer taps	400,000	315,126	(84,874)
Total operating revenues	5,720,200	6,109,997	389,797
Nonoperating revenues:			
System development fees	550,000	486,748	(63,252)
Assessments	-	2,005	2,005
Interest earnings	-	28,662	28,662
Total nonoperating revenues	550,000	517,415	(32,585)
Total revenues	6,270,200	6,627,412	418,459
<b>Expenditures</b>			
Waste collection:			
Salaries and wages	603,910	476,168	127,742
Employee benefits	231,789	237,721	(5,932)
Other operating expenditures	1,017,614	739,657	277,957
Maintenance and repair	595,961	911,592	(315,631)
Capital outlay	1,009,754	367,088	642,666
Total waste collection	3,459,028	2,732,226	726,802
Waste treatment:			
Salaries and wages	441,371	444,824	(3,453)
Employee benefits	163,096	160,482	2,614
County treatment capital charge	2,816,266	2,952,876	(136,610)
County treatment service fees	955,100	835,017	120,083
Other operating expenditures	532,986	335,634	197,352
Maintenance and repair	130,000	98,444	31,556
Total waste treatment	5,693,731	4,827,277	866,454
Debt service:			
Principal payments, net	4,700,947	7,401,644	(2,700,697)
Interest	2,518,253	2,564,522	(46,269)
Total debt service	7,219,200	9,966,166	(2,746,966)
Total expenditures	16,371,959	17,525,669	1,546,987

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Wastewater Fund (Continued)**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2025**

**Schedule 12**

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ (10,101,759)	\$ (10,898,257)	\$ (796,498)
Other financing sources (uses):			
Transfers from other funds	9,284,732	8,685,691	(599,041)
Bond issuance cost	-	(426,012)	(426,012)
Write offs	-	(956,831)	(956,831)
Total other financing sources (uses)	9,284,732	7,302,848	(1,981,884)
Fund balance appropriated	0	-	-
Revenues and other sources over (under) expenditures and other uses	\$ (817,027)	(3,595,409)	\$ (2,778,382)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources under expenditures and other uses		\$ (3,595,409)	
Reconciling items:			
Principal retirement		7,401,644	
Amortization of premium and discount		2,821,737	
Write offs		956,831	
Capital outlay		367,088.00	
Depreciation expense		(3,371,931)	
Change in deferred outflows of resources - pensions		(49,802)	
Change in net pension liability		32,039	
Change in deferred inflows of resources - pensions		7,889	
Change in accrued vacation payable		(39,969)	
Change in accrued interest payable		149,375	
Sewer assessment:			
Transfer to Wastewater fund		(1,000,000)	
Sewer district fees:			
Sewer district fees		7,216,132	
SDF interest		13,464	
Transfer to Wastewater fund		(7,184,280)	
Other		(2,146)	
Total reconciling items		7,318,071	
Change in net position		\$ 3,722,662	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2025**

**Schedule 13**

	<b>Nonmajor Enterprise Funds</b>					
	<b>Solid Waste Fund</b>	<b>Oak Island Par 3 Golf Course Fund</b>	<b>Stormwater Fund</b>	<b>Pier Complex Fund</b>	<b>Parking Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 86,511	\$ 279,139	\$ 869,697	\$ 545,426	\$ 1,359,058	\$ 3,139,831
Accounts receivable (net)	191,848	-	175,041	-	-	366,889
Due from other governments	7,752	13,768	6,455	2,554	936	31,465
Inventories	-	1,984	-	14,345	-	16,329
Total current assets	286,111	294,891	1,051,193	562,325	1,359,994	3,554,514
Noncurrent assets:						
Capital assets:						
Land and improvements	-	1,404,610	-	1,077,331	-	2,481,941
Buildings	5,304	98,205	-	233,384	-	336,893
Motor vehicles	52,784	65,511	195,905	-	-	314,200
Heavy vehicles	1,377,347	-	417,435	-	-	1,794,782
Equipment	-	327,071	392,204	37,004	-	756,279
Other structures	-	-	217,844	33,845	-	251,689
Pier structure	-	-	-	1,842,612	-	1,842,612
Less: accumulated depreciation	(941,017)	(304,937)	(664,499)	(468,881)	-	(2,379,334)
Total noncurrent assets	494,418	1,590,460	558,889	2,755,295	-	5,399,062
Total assets	\$ 780,529	\$ 1,885,351	\$ 1,610,082	\$ 3,317,620	\$ 1,359,994	\$ 8,953,576
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension deferrals	75,078	49,734	138,319	42,798	-	305,929
OPEB deferrals	12,871	8,526	23,713	7,337	-	52,447
Total deferred outflows of resources	\$ 87,949	\$ 58,260	\$ 162,032	\$ 50,135	\$ -	\$ 358,376

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2025**

**Schedule 13**

	<b>Nonmajor Enterprise Funds</b>					
	<b>Solid Waste Fund</b>	<b>Oak Island Par 3 Golf Course Fund</b>	<b>Stormwater Fund</b>	<b>Pier Complex Fund</b>	<b>Parking Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 66,927	\$ 1,178	\$ 3,900	\$ 4,390	\$ 6,406	\$ 82,801
Salaries payable	12,241	10,739	22,802	12,938	-	58,720
Customer deposits	-	-	-	27,353	-	27,353
Compensated absences	29,259	15,415	15,861	7,445	-	67,980
Total current liabilities	108,427	27,332	42,563	52,126	6,406	236,854
Noncurrent liabilities:						
Other postemployment benefits	61,245	40,571	112,835	34,913	-	249,564
Net pension liability	134,904	96,415	248,539	76,902	-	556,760
Total noncurrent liabilities	196,149	136,986	361,374	111,815	-	806,324
Total liabilities	\$ 304,576	\$ 164,318	\$ 403,937	\$ 163,941	\$ 6,406	\$ 1,043,178
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension deferrals	545	361	1,004	311	-	2,221
OPEB deferrals	23,721	15,714	43,703	13,522	-	96,660
Total deferred inflows of resources	\$ 24,266	\$ 16,075	\$ 44,707	\$ 13,833	\$ -	\$ 98,881
<b>NET POSITION</b>						
Net investment in capital assets	494,418	1,590,460	558,889	2,755,295	-	5,399,062
Unrestricted	45,218	172,758	764,581	434,686	1,353,588	2,770,831
Total net position	539,636	1,763,218	1,323,470	3,189,981	1,353,588	8,169,893
Total liabilities, deferred inflows of resources, and net position	\$ 868,478	\$ 1,943,611	\$ 1,772,114	\$ 3,367,755	\$ 1,359,994	\$ 9,311,952

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures, and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2025**

Schedule 14

	<b>Nonmajor Enterprise Funds</b>					<b>Total Nonmajor Enterprise Funds</b>
	<b>Solid Waste Fund</b>	<b>Oak Island Par 3 Golf Course Fund</b>	<b>Stormwater Fund</b>	<b>Pier Complex Fund</b>	<b>Parking Fund</b>	
<b>OPERATING REVENUES</b>						
Charges for services:						
Charges for collection	\$ 2,330,228	\$ 288,597	\$ 1,093,742	\$ 624,236	\$ 1,264,881	\$ 5,601,684
Total operating revenues	<u>2,330,228</u>	<u>288,597</u>	<u>1,093,742</u>	<u>624,236</u>	<u>1,264,881</u>	<u>5,601,684</u>
<b>OPERATING EXPENSES</b>						
Administration	-	99,596	649,320	382,863	-	1,131,779
Waste collection and treatment	1,461,528	-	-	-	-	1,461,528
Repairs and maintenance	-	226,570	161,120	-	77,031	464,721
Other operating expenditures	551,082	164,294	60,990	253,823	-	1,030,189
Depreciation	229,047	39,629	135,174	95,745	-	499,595
Total operating expenses	<u>2,241,657</u>	<u>530,089</u>	<u>1,006,604</u>	<u>732,431</u>	<u>77,031</u>	<u>4,587,812</u>
Operating income (loss)	<u>88,571</u>	<u>(241,492)</u>	<u>87,138</u>	<u>(108,195)</u>	<u>1,187,850</u>	<u>1,013,872</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest	6,771	-	-	-	-	6,771
Other	7,864	-	-	-	-	7,864
Total nonoperating revenues (expenses)	<u>14,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,635</u>
<b>Income (loss) before contributions and transfers</b>	<u>103,206</u>	<u>(241,492)</u>	<u>87,138</u>	<u>(108,195)</u>	<u>1,187,850</u>	<u>1,028,507</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>						
Transfers from other funds	1,685	350,255	1,707	-	-	353,647
Transfers to other funds	-	-	-	-	(850,000)	(850,000)
Write offs	(124,321)	-	-	-	-	(124,321)
Total contributions and transfers	<u>(122,636)</u>	<u>350,255</u>	<u>1,707</u>	<u>-</u>	<u>(850,000)</u>	<u>(620,674)</u>
Change in net position	(19,430)	108,763	88,845	(108,195)	337,850	407,833
Net position, beginning	<u>559,066</u>	<u>1,654,455</u>	<u>1,234,625</u>	<u>3,298,176</u>	<u>1,015,738</u>	<u>7,762,060</u>
Net position, ending	<u>\$ 539,636</u>	<u>\$ 1,763,218</u>	<u>\$ 1,323,470</u>	<u>\$ 3,189,981</u>	<u>\$ 1,353,588</u>	<u>\$ 8,169,893</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2025**

**Schedule 15**

	<b>Nonmajor Enterprise Funds</b>					
	<b>Solid Waste</b>	<b>Oak Island</b>	<b>Stormwater</b>	<b>Pier Complex</b>	<b>Parking</b>	<b>Total Nonmajor</b>
	<b>Fund</b>	<b>Par 3 Golf</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Enterprise</b>
	<b>Fund</b>	<b>Course Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 2,311,437	\$ 282,872	\$ 1,075,767	\$ 663,978	\$ 1,264,848	\$ 5,598,902
Cash paid for goods and services	(1,747,892)	(168,142)	(219,221)	(246,281)	(77,031)	(2,458,567)
Cash paid to employees	(218,703)	(260,725)	(602,696)	(354,872)	-	(1,436,996)
Net cash provided (used) by operating activities	<u>344,842</u>	<u>(145,995)</u>	<u>253,850</u>	<u>62,825</u>	<u>1,187,817</u>	<u>1,703,339</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from other funds	1,685	350,255	1,707	-	-	353,647
Transfers to other funds	-	-	-	-	(850,000)	(850,000)
Interest income	6,771	-	-	-	-	6,771
Write offs	(124,321)	-	-	-	-	(124,321)
Net cash provided (used) by noncapital financing activities	<u>(115,865)</u>	<u>350,255</u>	<u>1,707</u>	<u>-</u>	<u>(850,000)</u>	<u>(613,903)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	(150,330)	-	(137,696)	(7,799)	-	(295,825)
Other	7,864	-	-	-	-	7,864
Net cash provided (used) by capital and related financing activities	<u>(142,466)</u>	<u>-</u>	<u>(137,696)</u>	<u>(7,799)</u>	<u>-</u>	<u>(287,961)</u>
Net increase (decrease) in cash and cash equivalents	<u>86,511</u>	<u>204,260</u>	<u>117,861</u>	<u>55,026</u>	<u>337,817</u>	<u>801,475</u>
Cash and cash equivalents, beginning	-	74,879	751,836	490,400	1,021,241	2,338,356
Cash and cash equivalents, ending	<u>\$ 86,511</u>	<u>\$ 279,139</u>	<u>\$ 869,697</u>	<u>\$ 545,426</u>	<u>\$ 1,359,058</u>	<u>\$ 3,139,831</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Combining Statement of Cash Flows (Continued)**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2025**

**Schedule 15**

	<u>Nonmajor Enterprise Funds</u>					<u>Total Nonmajor Enterprise Funds</u>
	<u>Solid Waste Fund</u>	<u>Oak Island Par 3 Golf Course Fund</u>	<u>Stormwater Fund</u>	<u>Pier Complex Fund</u>	<u>Parking Fund</u>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 88,571	\$ (241,492)	\$ 87,138	\$ (108,195)	\$ 1,187,850	\$ 1,013,872
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	229,047	39,629	135,174	95,745	-	499,595
Changes in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	108,386	(5,725)	(17,975)	(1,356)	(33)	83,297
Inventory	-	1,507	-	6,434	-	7,941
Prepaid items	-	-	-	-	-	-
Deferred outflows of resources - pensions	31,326	6,637	(34,876)	(24,251)	-	(21,164)
Deferred outflows of resources - OPEB	22,774	(8,526)	89,546	(7,337)	-	96,457
Increase (decrease) in:						
Net pension liability	(21,556)	13,323	55,409	49,466	-	96,642
Deferred inflows of resources - pensions	(12,007)	(7,977)	28,305	(5,549)	-	2,772
Deferred inflows of resources - OPEB	(126,589)	15,714	(75,673)	13,522	-	(173,026)
Accounts payable	38,809	(5,355)	2,889	1,108	-	37,451
Customer deposits	-	-	-	-	-	-
Accrued wages	2,567	1,874	6,375	880	-	11,696
Accrued vacation pay	6,876	3,825	6,954	7,445	-	25,100
OPEB liability	(23,362)	40,571	(29,416)	34,913	-	22,706
Total adjustments	<u>256,271</u>	<u>95,497</u>	<u>166,712</u>	<u>171,020</u>	<u>(33)</u>	<u>689,467</u>
Net cash provided (used) by operating activities	<u>\$ 344,842</u>	<u>\$ (145,995)</u>	<u>\$ 253,850</u>	<u>\$ 62,825</u>	<u>\$ 1,187,817</u>	<u>\$ 1,703,339</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Solid Waste Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2025**

**Schedule 16**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues:			
Charges for services:			
Refuse and recycle service fee	\$ 1,694,450	\$ 1,884,465	\$ 190,015
Yard debris collection fee	409,840	445,763	35,923
Total operating revenues	2,104,290	2,330,228	225,938
Nonoperating revenues:			
Solid waste disposal tax	5,000	7,446	2,446
Sale of materials	-	418	418
Interest earnings	-	6,771	6,771
Total nonoperating revenues	5,000	14,635	9,635
Total revenues	2,109,290	2,344,863	235,573
<b>Expenditures</b>			
Salaries and wages	233,250	233,196	54
Employee benefits	118,400	(11,926)	130,326
Operating expenditures	561,640	551,082	10,558
Maintenance and repair	-	-	-
Recycling program	1,092,470	1,152,591	(60,121)
Yard waste recycling	83,200	83,028	172
Capital outlay	150,330	150,330	-
Total expenditures	2,239,290	2,158,301	80,989

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Solid Waste Fund (Continued)**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2025**

**Schedule 16**

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ (130,000)	\$ 186,562	\$ 316,562
Other financing sources (uses):			
Write offs	-	(124,321)	(124,321)
Transfers from other funds	-	1,685	1,685
Total other financing sources (uses)	-	(122,636)	(122,636)
Fund balance appropriated	130,000	-	130,000
Revenues and other sources over (under) expenditures and other uses	\$ -	63,926	\$ 63,926
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources under expenditures and other uses		\$ 63,926	
Reconciling items:			
Depreciation expense		(229,047)	
Capital outlay		150,330	
Write offs		(124,321)	
Change in accrued vacation pay		(6,876)	
Change in deferred outflows of resources - pensions		(31,326)	
Change in net pension liability		21,556	
Change in deferred inflows of resources - pensions		12,007	
Change in deferred outflows of resources - OPEB		(22,774)	
Change in deferred inflows of resources - OPEB		126,589	
Change in OPEB liability		23,362	
Other		(2,856)	
Total reconciling items		(83,356)	
Change in net position		\$ (19,430)	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Oak Island Par 3 Golf Course Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2025**

**Schedule 17**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues:			
Charges for services:			
Annual membership	\$ 30,000	\$ 44,700	\$ 14,700
Green fee play	158,000	220,999	62,999
Merchandise sales	9,000	11,819	2,819
Food and beverage sales	-	5,829	5,829
Sponsorships	-	5,250	5,250
Total operating revenues	197,000	288,597	91,597
Total revenues	197,000	288,597	91,597
<b>Expenditures</b>			
Administration:			
Salaries and wages	57,754	48,178	9,576
Employee benefits	4,300	3,659	641
Operating expenditures	55,500	43,881	11,619
Total administration	117,554	95,718	21,836
Maintenance:			
Salaries and wages	158,800	154,587	4,213
Employee benefits	66,816	56,175	10,641
Operating expenditures	121,150	120,413	737
Capital outlay	82,680	-	82,680
Total maintenance	429,446	331,175	98,271
Total expenditures	547,000	426,893	120,107

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Oak Island Par 3 Golf Course Fund (Continued)**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2025**

**Schedule 17**

	Budget	Actual	Variance Positive (Negative)
Revenues over (under) expenditures	\$ (350,000)	\$ (138,296)	\$ 211,704
Other financing sources (uses):			
Transfers from other funds	350,000	350,255	255
Total other financing sources (uses)	350,000	350,255	255
Fund balance appropriated	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	211,959	\$ 211,959
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources under expenditures and other uses		\$ 211,959	
Reconciling items:			
Depreciation expense		(39,629)	
Capital outlay		-	
Change in accrued vacation pay		(3,825)	
Change in deferred outflows of resources - pensions		(6,637)	
Change in net pension liability		(13,323)	
Change in deferred inflows of resources - pensions		7,977	
Change in deferred outflows of resources - OPEB		8,526	
Change in deferred inflows of resources - OPEB		(15,714)	
Change in OPEB liability		(40,571)	
Total reconciling items		(103,196)	
Change in net position		\$ 108,763	

TOWN OF OAK ISLAND, NORTH CAROLINA

Schedule 18

Stormwater Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2025

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues:			
Charges for services:			
Stormwater fees - residential	\$ 848,548	\$ 950,864	\$ 102,316
Stormwater fees - commercial	31,546	33,783	2,237
Stormwater fees - review	181,614	89,950	(91,664)
Miscellaneous	-	19,145	19,145
Total operating revenues	<u>1,061,708</u>	<u>1,093,742</u>	<u>32,034</u>
Total revenues	<u>1,061,708</u>	<u>1,093,742</u>	<u>32,034</u>
<b>Expenditures</b>			
Salaries and wages	430,620	423,790	6,830
Employee benefits	181,028	192,235	(11,207)
Operating expenditures	297,044	60,990	236,054
Maintenance and repair	80,000	161,120	(81,120)
Capital outlay	714,100	137,695	576,405
Total expenditures	<u>1,702,792</u>	<u>975,830</u>	<u>726,962</u>
Revenues over (under) expenditures	(641,084)	117,912	758,996
Other financing sources (uses):			
Transfers from other funds	-	1,707	1,707
Total other financing sources (uses)	<u>-</u>	<u>1,707</u>	<u>1,707</u>
Fund balance appropriated	<u>641,084</u>	<u>-</u>	<u>641,084</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>119,619</u>	<u>\$ 119,619</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources under expenditures and other uses		<u>\$ 119,619</u>	
Reconciling items:			
Depreciation expense		(135,174)	
Capital outlay		137,695	
Change in accrued vacation pay		-	
Change in deferred outflows of resources - pensions		34,876	
Change in net pension liability		(55,409)	
Change in deferred inflows of resources - pensions		(28,305)	
Change in deferred outflows of resources - OPEB		(89,546)	
Change in deferred inflows of resources - OPEB		75,673	
Change in OPEB liability		29,416	
Total reconciling items		<u>(30,774)</u>	
Change in net position		<u>\$ 88,845</u>	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Pier Complex Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2025**

**Schedule 19**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues:			
Charges for services:			
Facility rental	\$ 172,250	\$ 188,670	\$ 16,420
Merchandise sales	150,000	200,638	50,638
Fishing passes	170,000	152,066	(17,934)
Food and beverage sales	83,265	82,862	(403)
Miscellaneous	-	-	-
Total operating revenues	575,515	624,236	48,721
Total revenues	575,515	624,236	48,721
<b>Expenditures</b>			
Salaries and wages	256,480	256,365	115
Employee benefits	59,617	58,289	1,328
Operating expenditures	259,418	253,823	5,595
Capital outlay	-	7,799	(7,799)
Total expenditures	575,515	576,276	(761)
Revenues over (under) expenditures	-	47,960	47,960
Fund balance appropriated	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	47,960	\$ 47,960
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources under expenditures and other uses		\$ 47,960	
Reconciling items:			
Depreciation expense		(95,745)	
Capital outlay		7,799	
Change in accrued vacation pay		(7,445)	
Change in deferred outflows of resources - pensions		24,251	
Change in net pension liability		(49,466)	
Change in deferred inflows of resources - pensions		5,549	
Change in deferred outflows of resources - OPEB		7,337	
Change in deferred inflows of resources - OPEB		(13,522)	
Change in OPEB liability		(34,913)	
Total reconciling items		(156,155)	
Change in net position		\$ (108,195)	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Parking Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2025**

**Schedule 20**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues:			
Charges for services:			
Parking revenue	\$ 940,000	\$ 1,093,345	\$ 153,345
Parking tickets collected	60,000	171,536	111,536
Total operating revenues	1,000,000	1,264,881	264,881
Total revenues	1,000,000	1,264,881	264,881
<b>Expenditures</b>			
Repairs and maintenance	159,492	77,031	82,461
Total expenditures	159,492	77,031	82,461
Revenues over (under) expenditures	840,508	1,187,850	347,342
Other financing sources (uses):			
Transfers to other funds	(850,000)	(850,000)	-
Total other financing sources (uses)	(850,000)	(850,000)	-
Fund balance appropriated	9,492	-	9,492
Revenues and other sources over (under) expenditures and other uses	\$ -	337,850	\$ 337,850
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues and other sources under expenditures and other uses		\$ 337,850	
Reconciling items:			
Depreciation expense		-	
Capital outlay		-	
Total reconciling items		-	
Change in net position		\$ 337,850	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Sewer District Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2025**

**Schedule 21**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Nonoperating revenues:			
Sewer district fees - current	\$ 7,188,394	\$ 7,091,637	\$ (96,757)
Sewer district fees - prior years	30,806	124,495	93,689
Total operating revenues	7,219,200	7,216,132	(3,068)
Nonoperating revenues:			
Interest earnings	-	13,464	13,464
Total nonoperating revenues	-	13,464	13,464
Total revenues	7,219,200	7,229,596	10,396
<b>Expenditures</b>			
Total expenditures	-	-	-
Revenues over (under) expenditures	7,219,200	7,229,596	10,396
Other financing sources (uses):			
Transfers to other funds	(7,219,200)	(7,184,280)	34,920
Total other financing sources (uses)	(7,219,200)	(7,184,280)	34,920
Fund balance appropriated	-	-	-
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 45,316	\$ 45,316

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## **OTHER SCHEDULES**

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2025**

**Schedule 22**

Fiscal Year	Uncollected Balance June 30, 2024	Additions	Collections And Credits	Uncollected Balance June 30, 2025
2024-2025	\$ -	\$ 11,202,525	\$ 11,064,455	\$ 138,070
2023-2024	178,439	-	132,910	45,529
2022-2023	28,796	-	20,214	8,582
2021-2022	18,131	-	8,675	9,456
2020-2021	8,028	-	2,117	5,911
2019-2020	1,669	-	140	1,529
2018-2019	6,257	-	155.00	6,102
2017-2018	5,687	-	165.00	5,522
2016-2017	3,319	-	129.00	3,190
2015-2016	3,833	-	578	3,255
2014-2015	3,469	-	14,913	(11,444)
2013-2014	1,754	-	4,426	(2,672)
	<u>\$ 259,382</u>	<u>\$ 11,202,525</u>	<u>\$ 11,248,877</u>	<u>213,030</u>
Uncollected taxes at June 30, 2025				
	Less: allowance for uncollectible accounts:			
	General Fund			-
	Ad valorem taxes receivable - net			\$ 213,030
<u>Reconciliation with revenues:</u>				
	Ad valorem taxes - General Fund and Beach Renourishment			\$ 11,202,525
Reconciling items:				
	Interest collected			105
	Penalties collected			51,526
	Tax releases, written off and adjustments			(5,279)
	Subtotal			46,352
	Total collections and credits			\$ 11,248,877

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Analysis of Current Year Tax Levy**  
**For the Year ended June 30, 2025**

**Schedule 23**

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 6,854,206,875	0.1600	\$ 11,202,086	\$ 10,870,058	\$ 332,028
Discoveries - current and prior years	\$ 19,369	0.1600	3,099	3,099	-
Releases	(16,625)	0.1600	(2,660)	(2,660)	-
Total Property Valuation	<u>\$ 6,854,209,619</u>				
Net levy			11,202,525	10,870,497	332,028
Uncollected taxes at June 30, 2025			<u>(138,070)</u>	<u>(138,070)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 11,064,455</u>	<u>\$ 10,732,427</u>	<u>\$ 332,028</u>
Current levy collection percentage			<u>98.77%</u>	<u>98.73%</u>	<u>100.00%</u>

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## **COMPLIANCE SECTION**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor  
and Members of the Town Council  
Town of Oak Island  
Oak Island, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Oak Island, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Town of Oak Island's basic financial statements, and have issued our report thereon dated February 2, 2026.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies as items 2025-001 and 2025-002 that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Oak Island's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002.

## **Town of Oak Island's Response to Findings**

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

## **Purpose of This Report**

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

*Sharpe Patel PLLC*

Raleigh, North Carolina  
February 2, 2026



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH STATE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OBM UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Honorable Mayor  
and Members of the Town Council  
Town of Oak Island  
Oak Island, North Carolina

**Report on Compliance for Each Major State Program**

***Opinion on Each Major State Program***

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

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

***Basis for Opinion on Each Major State Program***

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

We are required to be independent of Town of Oak Island 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 State program. Our audit does not provide a legal determination of Town of Oak Island’ compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

## Report on Internal Control over Compliance

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

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.

*Sharpe Patel PLLC*

Raleigh, North Carolina

February 2, 2026

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2025**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

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**Financial Statements**

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

Internal control over financial reporting:

Material weaknesses identified?	<u>  x  </u>	yes	<u>      </u>	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	<u>      </u>	yes	<u>  x  </u>	none reported
Noncompliance material to financial statements noted	<u>      </u>	yes	<u>  x  </u>	no

**Federal Awards**

Identification of major Federal programs:

There are no major Federal awards.

**State Awards**

Internal control over major State programs:

Material weaknesses identified?	<u>      </u>	yes	<u>  x  </u>	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	<u>      </u>	yes	<u>  x  </u>	none reported

Type of auditors' report issued on compliance for major State Programs: Unmodified

Any audit finding disclosed that required to be reported in accordance with the State Single Audit Implementation Act	<u>      </u>	yes	<u>  x  </u>	no
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Identificaiton of major State programs:

<b><u>Program Name</u></b>	
Powell Bill	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended June 30, 2025**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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**Finding 2025-001**

**MATERIAL WEAKNESS**

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

**Condition:** The Town expended amounts over budget for debt expenditures in the Waste Water Fund. Overall, the over expenditure of the budget in total was deemed to be material to the financial statements.

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

**Cause:** The Town did not amend the budget for the revenue bond refinance that occurred in June 2025.

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

**Name of Contact Person:** Helen Brank, Finance Director

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Schedule of Findings and Responses (Continued)**  
**For the Year Ended June 30, 2025**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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**Finding 2025-002 - Material Weakness**

**Criteria:** The Town is required to maintain a sound financial management system and set of internal controls regarding the financial close and reporting process.

**Condition:** As a result of audit procedures, material adjustments were proposed in order for the financial statements of the Town to be materially correct.

**Effect:** The unadjusted financial statements were materially incorrect. In part, this caused the budget to be over expended as noted in finding 2025-002. In addition, this led to a restatement of General Fund fund balance as previously stated.

**Cause:** The Town refinanced the 2015 revenue bonds in June 2025, but the transactions were not properly recorded.

**Recommendation:** :The Town review its financial reporting and close out procedures to ensure proper reviews and protocols are followed that results in a materially correct set of books.



Corrective Action Plan  
For Fiscal Year Ended June 30, 2025

**Section II-Financial Statement Findings**

**Finding: 2025-001**

Name of Contact person: Helen Brank, Finance Director

**Condition:** The Town expended amounts over budget for debt expenditures in the Wastewater Fund. Overall, the over-expenditure of the budget in total was deemed to be material to the financial statements.

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

**Corrective Action:** The Town will ensure that, going forward, budget amendments will be adopted prior to occurring an obligation that will exceed the amount previously approved in the budget ordinance. Emergencies that require expenses in excess of the approved budget amounts shall be brought to the Town Council at its next scheduled meeting for the appropriate budget amendment to be adopted.

**Proposed Completion Date:** Effective immediately.



Corrective Action Plan  
For Fiscal Year Ended June 30, 2025

**Section II-Financial Statement Findings**

**Finding: 2025-002**

Name of Contact person: Helen Brank, Finance Director

**Condition:** As a result of audit procedures, material adjustments were proposed in order for the financial statements of the Town to be materially correct.

**Recommendation:** The Town reviews its financial reporting and close out procedures to ensure reviews and protocols are followed that results in a materially correct set of books.

**Corrective Action:** The Town will take active steps to ensure that it reviews its financial reporting and close out procedures and protocols are followed that results in a materially correct set of books.

**Proposed Completion Date:** Effective immediately.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Summary Schedule of Prior Year Audit Finding**  
**For the Year Ended June 30, 2025**

There were no findings for the year ended June 30, 2024.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2025**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
<b>STATE GRANTS</b>			
Cash Assistance:			
<u>N.C. Department of Transportation</u>			
Powell Bill		DOT-4	\$ 518,541
Total State assistance			<u>518,541</u>
Total federal and State assistance			<u>\$ 518,541</u>

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

**Note 1: Basis of Presentation**

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

**Note 2: Summary of Significant Accounting Policies**

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

**Note 3: Indirect Cost Rate**

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