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**TOWN OF HOLDEN BEACH  
NORTH CAROLINA**

Financial Statements and  
Supplementary Information

For the Year Ended June 30, 2019



**Rives & Associates, LLP**  
Certified Public Accountants and Consultants

**TOWN OF HOLDEN BEACH  
NORTH CAROLINA**

Financial Statements and  
Supplementary Information

For The Year Ended June 30, 2019

Governing Board

J. Alan Holden, Mayor

Mike Sullivan

Pat Kwiatkowski

Peter J Freer

Joe Butler

John Fletcher

Town Officials

David W. Hewett, Town Manager/Finance Director

Heather Finnell, Town Clerk

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Table of Contents**  
**June 30, 2019**

**Exhibit**

**Page**

<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	4

**Basic Financial Statements:**

**Government-wide Financial Statements:**

1	Statement of Net Position .....	13
2	Statement of Activities .....	14

**Fund Financial Statements:**

3	Balance Sheet – Governmental Funds .....	15
3	Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....	16
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	17
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund.....	19
6	Statement of Net Position – Proprietary Funds .....	21
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....	22
8	Statement of Cash Flows – Proprietary Funds .....	23
	Notes to the Financial Statements.....	24

**Schedule**

**Required Supplemental Financial Data:**

1	Schedule of the Proportionate Share of Net Pension Liability (Asset). ....	53
2	Schedule of Contributions.....	54
3	Schedule of Changes in Total Pension Liability – Law Enforcement Officer's Separation Allowance .....	55
4	Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officer's Special Separation Allowance .....	56

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Table of Contents**  
**June 30, 2019**

<b><u>Schedule</u></b>		<b><u>Page</u></b>
<b>Individual Fund Statements and Schedules:</b>		
5	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	57
6	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund – BPART Tax Fund .....	60
7	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Canal Dredging Funds .....	61
8	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Reserve Fund.....	63
9	Budget and Actual (Non-GAAP) – Water and Sewer Fund .....	64
<b>Other Schedules:</b>		
10	Schedule of Ad Valorem Taxes Receivable .....	66
11	Analysis of Current Tax Levy – Town-wide Levy .....	67
<b>Compliance Section:</b>		
	Independent Auditors’ Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	68
	Schedule of Findings and Questioned Costs.....	70
	Summary Schedule of Prior Year Audit Findings .....	73

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## **FINANCIAL SECTION**

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**Rives & Associates, LLP**  
Certified Public Accountants

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Certified Public Accountants

Member:  
North Carolina Association of  
Certified Public Accountants

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden Beach, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, based on our audit, the 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 Holden Beach, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund, BPART Tax Fund, Canal Dredging Fund and Capital Reserve Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 53 through 54, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 55 and 56, be presented to supplement the basic financial statements. Such information, 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.

### ***Supplementary and Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2019 on our consideration of the Town of Holden Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Holden Beach's internal control over financial reporting and compliance.

*River & Associates LLP*

Raleigh, North Carolina  
October 10, 2019



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **Town of Holden Beach, North Carolina Management's Discussion and Analysis**

As management of the Town of Holden Beach, we offer readers of the Town of Holden Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Holden Beach for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### **Financial Highlights**

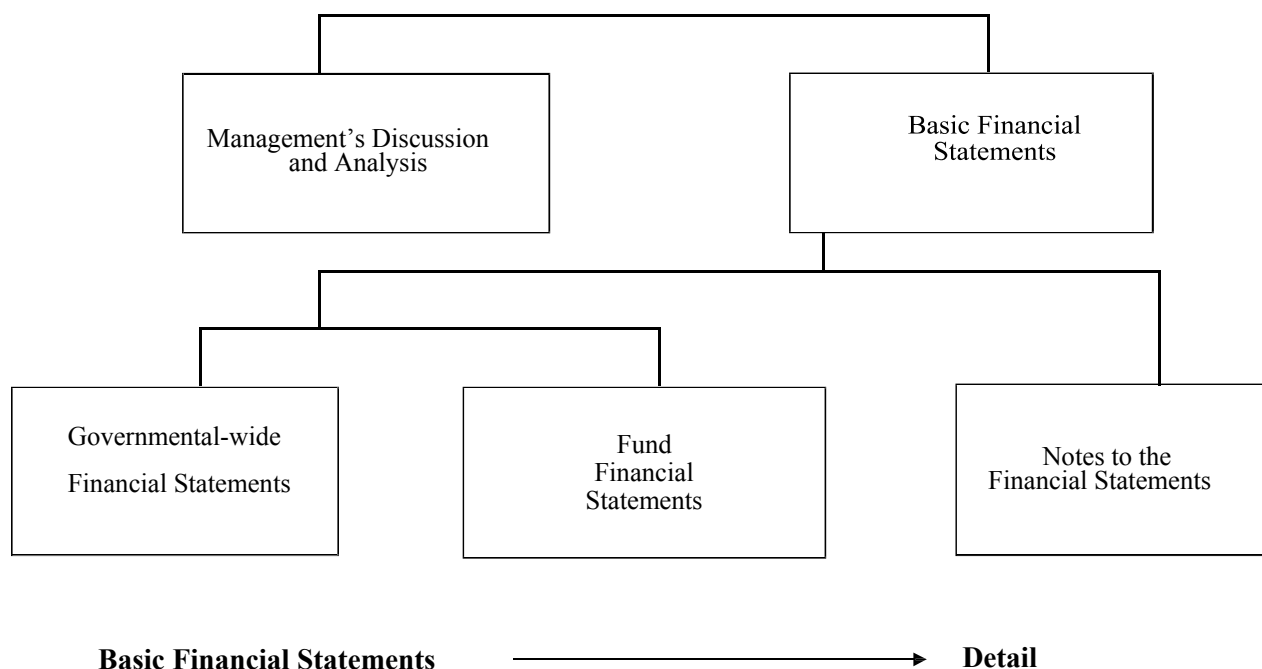
- The assets and deferred outflows of resources of the Town of Holden Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$27,419,542 (*net position*).
- The government's total net position increased by \$1,467,932 due to an increase in the governmental activities of \$1,345,206 and increases in the business-type activities of \$122,723, after a restatement.
- As of the close of the current fiscal year, the Town of Holden Beach governmental funds reported combined ending fund balances of \$11,467,493, an increase of \$424,820 in comparison with the prior year. Of this total amount, \$2,285,688 is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,285,688 or 89% percent of total general fund expenditures for the fiscal year.

### **Overview of the Financial Statements**

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

## Required Components of Annual Financial Report

**Figure 1**



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

The next statements (Exhibits 3 through 8) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary 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 General Statutes also can be found in this part of the statements.

### **Government-Wide Financial Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow directly behind the basic financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Holden Beach. Required supplementary information follows directly behind the notes to the financial statements.

## Government-Wide Financial Analysis

### Town of Holden Beach Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 11,816,522	\$ 11,295,765	\$ 3,693,065	\$ 5,339,323	\$ 15,509,587	\$ 16,635,088
Capital Assets	7,279,520	7,774,345	17,777,672	16,589,587	25,057,192	24,363,932
Deferred outflows of resources	345,319	242,922	44,349	32,486	389,668	275,408
Total Assets and Deferred Outflows	19,441,361	19,313,032	21,515,086	21,961,396	40,956,447	41,274,428
Long-term liabilities	10,477,940	12,310,462	523,609	701,113	11,001,549	13,011,575
Other liabilities	1,610,274	1,624,591	846,140	736,751	2,456,414	2,361,342
Deferred inflows of resources	76,329	40,798	2,613	1,905	78,942	42,703
Total Liabilities & deferred inflows	12,164,543	13,975,851	1,372,362	1,439,769	13,536,905	15,415,620
Net position:						
Net investment in capital assets	5,687,566	5,372,189	16,615,268	15,311,965	22,302,834	20,684,154
Restricted	124,472	256,810	-	-	124,472	256,810
Unrestricted	1,464,780	(291,818)	3,527,456	5,209,662	4,992,236	4,917,844
Total net position	\$ 7,276,818	\$ 5,337,181	\$ 20,142,724	\$ 20,521,627	\$ 27,419,542	\$ 25,858,808

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Holden Beach exceeded liabilities and deferred inflows by \$27,419,542 as of June 30, 2019. The Town's net position increased by \$1,467,932 for the fiscal year ended June 30, 2019. However, the largest portion (81%) of net position reflects the Town's net investment in capital assets (e.g. land, construction in progress, buildings, machinery, and equipment). The Town of Holden Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Holden Beach's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$124,472 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,992,236 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.05% which is greater than the statewide average in 2018 of 99.23%.

### Town of Holden Beach Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 357,687	\$ 321,054	\$ 1,982,652	\$ 2,181,252	\$ 2,340,339	\$ 2,502,306
Operating grants and contributions	136,274	257,060	9,316	-	145,590	257,060
Capital grants and contributions	-	-	1,610,610	1,579,905	-	1,579,905
General Revenues:						
Property Taxes	2,769,825	2,745,690	-	-	2,769,825	2,745,690
Other Taxes	2,931,730	2,916,210	-	-	2,931,730	2,916,210
Other	943,902	93,380	63,550	206	1,007,452	93,586
Total revenues:	\$ 7,139,418	\$ 6,333,394	\$ 3,666,128	\$ 3,761,363	\$ 9,194,936	\$10,094,757
Expenses:						
General government	1,348,055	939,886	-	-	1,348,055	2,287,941
Public Safety	1,041,948	912,401	-	-	1,041,948	912,401
Transportation	297,635	298,277	-	-	297,635	298,277
Environmental protection	112,511	106,264	-	-	112,511	106,264
Beach renourishment	2,702,366	1,388,739	-	-	2,702,366	1,388,739
Interest on long-term debt	291,694	229,730	-	-	291,694	229,730
Water and sewer	-	-	3,543,405	3,296,155	3,543,405	3,296,155
Total expenses	5,794,209	3,875,297	3,543,405	3,296,155	9,337,614	8,519,507
Increase in net position before transfers	1,345,209	2,458,097	\$ 122,723	\$ 465,208	1,467,932	2,923,305
Transfers	-	93,335	-	(93,335)	-	-
Increase in net position	1,345,209	2,551,432	122,723	371,873	1,467,932	2,923,305
Net position, July 1	5,337,181	2,785,749	20,521,627	20,149,754	25,858,808	22,935,503
Restatement	594,428	-	(501,626)	-	92,802	-
Net position, restated	5,931,609	-	20,020,001	-	25,951,610	-
	\$ 7,276,818	\$ 5,337,181	\$ 20,142,724	\$20,521,627	\$ 27,419,542	\$25,858,808

**Governmental activities.** Governmental activities increased the Town's net position by \$1,345,209.

**Business-type activities:** Business-type activities decreased the Town of Holden Beach's net position by \$371,873. Key elements of this increase are as follows:

- Appropriation of fund balance for Sewer Pump Capital Project

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

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

**Governmental Funds.** The focus of the Town of Holden Beach governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Holden Beach financing requirements.

The general fund is the chief operating fund of the Town of Holden Beach. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,285,688, while total fund balance of the general fund was \$2,610,160. The Governing Body of the Town of Holden Beach has determined that the Town should maintain an available fund balance of 40% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 89% of general fund expenditures, while total fund balance represents 102% of the same amount.

At June 30, 2019, the governmental funds of Town of Holden Beach reported a combined fund balance of \$11,467,493 with an increase in fund balance of \$424,820.

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

The budgetary amendments for FY 18-19 were due to necessary increases in appropriations in order to meet and maintain service needs of the Town's departments.

**Proprietary Funds.** The Town of Holden Beach's proprietary fund provides the same type of information found in the government- wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,527,456. The total change in net position in the Water and Sewer fund was an increase of \$122,723. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Holden Beach's business-type activities.

## Capital Assets and Debt Administration

**Capital Assets.** The Town of Holden Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$25,057,192 (net of accumulated depreciation). These assets include buildings, land, construction in progress, machinery and equipment, and vehicles.

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

- Purchase of Vehicles
- Capitalization of Sewer Pump Project

**Town of Holden Beach Capital Assets (net of depreciation)**  
**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land & Constr. In Progress	\$ 2,648,983	\$ 2,648,983	\$ 140,296	\$ 140,296	\$ 2,789,279	\$ 2,789,279
Buildings and distribution systems	3,478,509	3,944,646	17,158,473	15,975,257	20,636,982	19,919,903
Improvements and infrastructure	999,656	1,027,083	132,786	136,467	1,132,442	1,163,550
Machinery and equipment	62,538	54,094	265,938	300,000	328,476	354,094
Vehicles	89,834	99,539	80,179	37,567	170,013	137,106
Total	<u>\$ 7,279,520</u>	<u>\$ 7,774,345</u>	<u>\$ 17,777,672</u>	<u>\$ 16,589,587</u>	<u>\$ 25,057,192</u>	<u>\$ 24,363,932</u>

Additional information on the Town's capital assets can be found in Note III.4 of the Basic Financial Statements.

## Long-Term Debt

As of June 30, 2019, the Town had total debt of \$13,049,711 (excluding compensated absences). There was a net decrease in total debt of \$2,009,227. The key factors of this decrease was the scheduled repayment of debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Holden Beach is \$85,859,769. There were no authorized bonds that had not been issued as of June 30, 2019.

Additional information regarding the Town's debt can be found in Note III.6.A.

**Town of Holden Beach Outstanding Debt**  
**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Direct Placement Installment Purchase	\$ 11,191,954	\$ 12,607,728	\$ -	\$ -	\$ 11,191,954	\$ 12,607,728
Direct Placement Bond Anticipation Notes	-	-	1,162,404	1,872,051	1,162,404	1,872,051
Net Pension Liability (LGERS)	422,043	294,317	57,170	44,838	479,213	339,155
Net Pension Liability (LEO)	216,140	240,004	-	-	216,140	240,004
Compensated Absences	70,803	93,709	31,821	12,350	102,624	106,059
Total	<u>\$ 11,900,940</u>	<u>\$ 13,235,758</u>	<u>\$ 1,251,395</u>	<u>\$ 1,929,239</u>	<u>\$ 13,152,335</u>	<u>\$ 15,164,997</u>



## **Economic Factors and Next Year's Budgets and Rates**

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

- Unemployment rates. The Town of Holden Beach's unemployment rate of 5.2% which is slightly higher than the State average of 4.2%.  
The Town does continue to have a steady revenue stream of tourism dollars despite the overall sluggish economy in Southeastern North Carolina.

## **Budget Highlights for the Fiscal Year Ending June 30, 2020**

**Governmental Activities:** The Town's ad valorem tax rate for the fiscal year ending June 30, 2019 will remain at 22 cents per one hundred dollars of valuation. Fund balance in the BPART fund was appropriated to balance the budget for the year ended June 30, 2020 in the amount of \$316,559.

**Business –Type Activities:** Almost a year after increasing both water and sewer rates, revenues continue to trend upward as conservation seems to be down. Concerns over the viability of the sewer lift stations have been addressed by the Sewer Vulnerability Committee and an independent engineer. It is recommended to fund the rehabilitation of sewer lift stations 4, 3, and 2 over the course of three years. The appropriation in this year's budget is for station 3 in the amount of \$1,546,050. Additional fund balance appropriation amounts reflect water and sewer capital expenses requested for FY 19-20.

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Holden Beach, P.O. Box 449, Supply, NC 28462. You can also call (910)-842-6488, visit our website [www.hbtownhall.com](http://www.hbtownhall.com) or send an email to [dhewett@hbtownhall.com](mailto:dhewett@hbtownhall.com) for more information.

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF HOLDEN BEACH, NORTH CAROLINA**

**Exhibit 1**

**Statement of Net Position**

**June 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 9,523,743	\$ 2,946,506	\$ 12,470,249
Taxes receivables (net)	115,577	-	115,577
Accounts receivable	655,442	227,128	882,570
Due from other governments	97,067	81,834	178,901
Inventories	-	248,269	248,269
Deposit - interlocal agreement	1,424,693	-	1,424,693
Restricted cash	-	189,328	189,328
Total current assets	<u>11,816,522</u>	<u>3,693,065</u>	<u>15,509,587</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	2,648,983	140,296	2,789,279
Other capital assets, net of depreciation	4,630,537	17,637,376	22,267,913
Total capital assets	<u>7,279,520</u>	<u>17,777,672</u>	<u>25,057,192</u>
Total assets	<u>19,096,042</u>	<u>21,470,737</u>	<u>40,566,779</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	345,319	44,349	389,668
Total deferred outflows of resources	<u>345,319</u>	<u>44,349</u>	<u>389,668</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	94,702	96,985	191,687
Due to other governments	92,572	-	92,572
Accrued interest	-	21,369	21,369
Current portion of long-term liabilities	1,423,000	727,786	2,150,786
Total current liabilities	<u>1,610,274</u>	<u>846,140</u>	<u>2,456,414</u>
Long-term liabilities:			
Compensated absences	47,803	31,821	79,624
Net pension liability	422,043	57,170	479,213
Total pension liability	216,140	-	216,140
Due in more than one year	9,791,954	434,618	10,226,572
Total liabilities	<u>12,088,214</u>	<u>1,369,749</u>	<u>13,457,963</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	18,010	-	18,010
Pension deferrals	58,319	2,613	60,932
Total deferred inflows of resources	<u>76,329</u>	<u>2,613</u>	<u>78,942</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,687,566	16,615,268	22,302,834
Restricted for:			
Stabilization by State Statue	124,472	-	124,472
Unrestricted	1,464,780	3,527,456	4,992,236
Total net position	<u>\$ 7,276,818</u>	<u>\$ 20,142,724</u>	<u>\$ 27,419,542</u>

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**

**Exhibit 2**

**Statement of Activities  
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 1,348,055	\$ 2,752	\$ -	\$ -	\$ (1,345,303)	\$ -	\$ (1,345,303)
Public safety	1,041,948	297,886	-	-	(744,062)	-	(744,062)
Transportation	297,635	-	34,685	-	(262,950)	-	(262,950)
Environmental protection	112,511	40,516	-	-	(71,995)	-	(71,995)
Beach renourishment	2,702,366	16,533	101,589	-	(2,584,244)	-	(2,584,244)
Interest on long-term debt	291,694	-	-	-	(291,694)	-	(291,694)
Total governmental activities	<u>5,794,209</u>	<u>357,687</u>	<u>136,274</u>	<u>-</u>	<u>(5,300,248)</u>	<u>-</u>	<u>(5,300,248)</u>
Business-type activities:							
Water and sewer	<u>3,543,405</u>	<u>1,982,652</u>	<u>9,316</u>	<u>1,610,610</u>	<u>-</u>	<u>59,173</u>	<u>59,173</u>
Total business-type activities	<u>3,543,405</u>	<u>1,982,652</u>	<u>9,316</u>	<u>1,610,610</u>	<u>-</u>	<u>59,173</u>	<u>59,173</u>
Total primary government	<u>\$ 9,337,614</u>	<u>\$ 2,340,339</u>	<u>\$ 145,590</u>	<u>\$ 1,610,610</u>	<u>(5,300,248)</u>	<u>59,173</u>	<u>(5,241,075)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,769,825	-	2,769,825
Sales and use tax					178,597	-	178,597
Other taxes					2,753,133	-	2,753,133
Unrestricted investment earnings					155,968	59,749	215,717
Miscellaneous					787,934	3,801	791,735
Transfers					-	-	-
Total general revenues and transfers					<u>6,645,457</u>	<u>63,550</u>	<u>6,709,007</u>
Change in net position					1,345,209	122,723	1,467,932
Net position, beginning, as previously reported					5,337,181	20,521,627	25,858,808
Restatement					594,428	(501,626)	92,802
Net position, beginning, as restated					<u>5,931,609</u>	<u>20,020,001</u>	<u>25,951,610</u>
Net position, ending					<u>\$ 7,276,818</u>	<u>\$ 20,142,724</u>	<u>\$ 27,419,542</u>

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

## TOWN OF HOLDEN BEACH, NORTH CAROLINA

## Exhibit 3

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	Major Funds				Total Governmental Funds
	General Fund	BPART Tax Fund	Canal Dredging Fund	Capital Reserve Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,566,152	\$ 1,662,452	\$ 2,043,929	\$ 3,251,210	\$ 9,523,743
Taxes receivable - net	115,577	-	-	-	115,577
Accounts receivable - net	42,117	585,157	28,168	-	655,442
Deposit - interlocal agreement	-	1,424,693	-	-	1,424,693
Due from other governments	82,355	14,684	28	-	97,067
Total assets	<u>\$ 2,806,201</u>	<u>\$ 3,686,986</u>	<u>\$ 2,072,125</u>	<u>\$ 3,251,210</u>	<u>\$ 11,816,522</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 62,454	\$ 31,878	\$ 370	\$ -	\$ 94,702
Due to other governments	-	92,572	-	-	92,572
Total liabilities	<u>62,454</u>	<u>124,450</u>	<u>370</u>	<u>-</u>	<u>187,274</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid taxes, licenses and fees	18,010	-	-	-	18,010
Assessments receivable	-	-	28,168	-	28,168
Property taxes receivable	115,577	-	-	-	115,577
Total deferred inflows of resources	<u>133,587</u>	<u>-</u>	<u>28,168</u>	<u>-</u>	<u>161,755</u>
<b>FUND BALANCES</b>					
Restricted					
Stabilization by State Statute	124,472	-	-	-	124,472
Beach renourishment / Beach Inlet	-	3,562,536	2,043,587	3,251,210	8,857,333
Assigned					
Subsequent year's expenditures	-	-	-	-	-
General government debt	260,564	-	-	-	260,564
Unassigned	2,225,124	-	-	-	2,225,124
Total fund balances	<u>2,610,160</u>	<u>3,562,536</u>	<u>2,043,587</u>	<u>3,251,210</u>	<u>11,467,493</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,806,201</u>	<u>\$ 3,686,986</u>	<u>\$ 2,072,125</u>	<u>\$ 3,251,210</u>	<u>\$ 11,816,522</u>

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**June 30, 2019**

**Exhibit 3**

Amounts reported for governmental activities in the Statement of Net Position (exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 11,467,493
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	8,984,330	
Accumulated depreciation	<u>(1,704,810)</u>	7,279,520
Deferred outflows of resources related to pensions are not reported in the funds		241,442
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		103,877
Earned revenues considered deferred inflows of resources in fund statements.		143,745
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).	(11,262,757)	
Net pension liability	(422,043)	
Total pension liability	<u>(216,140)</u>	(11,900,940)
Deferred inflows of resources related to pensions are not reported in the funds		(19,288)
Deferred inflows of resources related to pensions are not reported in the funds - LEOSSA		<u>(39,031)</u>
Net position of governmental activities		<u><u>\$ 7,276,818</u></u>

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

**Exhibit 4**

	<b>Major Fund</b>				<b>Total</b>
	<b>General Fund</b>	<b>BPART Tax Fund</b>	<b>Canal Dredging Fund</b>	<b>Capital Reserve Fund</b>	<b>Governmental Funds</b>
<b>REVENUES</b>					
Ad valorem taxes	\$ 2,753,276	\$ -	\$ -	\$ -	\$ 2,753,276
Other taxes and licenses	178,597	2,104,926	365,418	-	2,648,941
Unrestricted intergovernmental	288,560	-	-	-	288,560
Restricted intergovernmental	133,620	2,654	-	-	136,274
Permits and fees	283,577	-	-	-	283,577
Sales and service	54,825	-	-	-	54,825
Investment earnings	32,748	83,218	30,669	9,333	155,968
Miscellaneous	5,428	63,025	719,275	-	787,728
Total revenues	<u>3,730,631</u>	<u>2,253,823</u>	<u>1,115,362</u>	<u>9,333</u>	<u>7,109,149</u>
<b>EXPENDITURES</b>					
Current:					
General government	790,240	-	-	-	790,240
Public safety	1,027,119	-	-	-	1,027,119
Beach renourishment	-	1,354,215	1,011,676	-	2,365,891
Transportation	299,118	-	-	-	299,118
Environmental protection	112,904	-	-	-	112,904
Debt service:					
Principal	215,774	1,200,000	-	-	1,415,774
Interest	69,407	222,287	-	-	291,694
Capital outlay	47,582	-	-	-	47,582
Total expenditures	<u>2,562,144</u>	<u>2,776,502</u>	<u>1,011,676</u>	<u>-</u>	<u>6,350,322</u>
Excess (deficiency) of revenues over expenditures	<u>1,168,487</u>	<u>(522,679)</u>	<u>103,686</u>	<u>9,333</u>	<u>758,827</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from general fund	-	564,866	-	241,877	806,743
Transfer to BPART Tax Fund	(564,866)	-	-	-	(564,866)
Transfer to Brunswick County	-	(350,753)	-	-	(350,753)
Transfer to general fund	-	-	(61,000)	-	(61,000)
Transfer from Canal Dredging Fund	61,000	-	-	-	61,000
Transfer from BPART Tax Fund	-	-	-	3,000,000	3,000,000
Transfer to Capital Reserve Fund	(241,877)	(3,000,000)	-	-	(3,241,877)
Sales of capital assets	16,746	-	-	-	16,746
Total other financing sources (uses)	<u>(728,997)</u>	<u>(2,785,887)</u>	<u>(61,000)</u>	<u>3,241,877</u>	<u>(334,007)</u>
Net change in fund balance	439,490	(3,308,566)	42,686	3,251,210	424,820
Fund balances, beginning	<u>2,170,670</u>	<u>6,871,102</u>	<u>2,000,901</u>	<u>-</u>	<u>11,042,673</u>
Fund balances, ending	<u>\$ 2,610,160</u>	<u>\$ 3,562,536</u>	<u>\$ 2,043,587</u>	<u>\$ 3,251,210</u>	<u>\$ 11,467,493</u>

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



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

**Exhibit 4**

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

Net changes in fund balances- total governmental funds		\$ 424,820
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$ 58,925	
Depreciation expense for governmental assets	<u>(169,871)</u>	(110,946)
Loss on disposal of capital assets		(383,879)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		99,235
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long-term debt	<u>1,415,774</u>	1,415,774
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	22,906	
Pension expense	<u>(136,231)</u>	(113,325)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax and assessment revenues		<u>13,530</u>
Total changes in net position of governmental activities		<u><u>\$ 1,345,209</u></u>

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2019**

**Exhibit 5**

	General Fund				BPART Tax Fund			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Ad valorem taxes	\$ 2,460,373	\$ 2,702,248	\$ 2,753,276	\$ 51,028	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	145,256	139,511	178,597	39,086	1,924,836	1,919,599	2,104,926	185,327
Unrestricted intergovernmental	211,017	211,017	288,560	77,543	-	-	-	-
Restricted intergovernmental	34,512	117,494	133,620	16,126	-	272	2,654	2,382
Permits and fees	232,029	232,029	283,577	51,548	-	-	-	-
Sales and services	24,210	38,087	54,825	16,738	-	-	-	-
Investment earnings	-	329	32,748	32,419	6,500	6,500	83,218	76,718
Miscellaneous	6,500	7,500	5,428	(2,072)	48,660	48,660	63,025	14,365
Total revenues	<u>3,113,897</u>	<u>3,448,215</u>	<u>3,730,631</u>	<u>282,416</u>	<u>1,979,996</u>	<u>1,975,031</u>	<u>2,253,823</u>	<u>278,792</u>
Expenditures:								
Current:								
General government	824,673	847,129	790,240	56,889	-	-	-	-
Public safety	998,908	1,063,828	1,027,119	36,709	-	-	-	-
Transportation	370,412	370,075	299,118	70,957	-	-	-	-
Environmental protection	122,820	143,518	112,904	30,614	-	-	-	-
Beach renourishment	-	-	-	-	1,155,212	1,697,392	1,354,215	343,177
Debt service:								
Principal	198,867	198,867	215,774	(16,907)	1,200,073	1,200,073	1,200,000	73
Interest	69,407	69,407	69,407	-	222,287	222,287	222,287	-
Capital outlay	64,921	64,921	47,582	17,339	-	-	-	-
Total expenditures	<u>2,650,008</u>	<u>2,757,745</u>	<u>2,562,144</u>	<u>195,601</u>	<u>2,577,572</u>	<u>3,119,752</u>	<u>2,776,502</u>	<u>343,250</u>
Revenues over (under) expenditures	<u>463,889</u>	<u>690,470</u>	<u>1,168,487</u>	<u>478,017</u>	<u>(597,576)</u>	<u>(1,144,721)</u>	<u>(522,679)</u>	<u>622,042</u>
Other financing sources (uses):								
Transfers from other funds	61,000	61,000	61,000	-	564,866	853,161	564,866	(288,295)
Transfers to other funds	(564,866)	(806,743)	(806,743)	-	(3,000,000)	(3,000,000)	(3,000,000)	-
Transfer to Brunswick County	-	-	-	-	(315,000)	(315,000)	(350,753)	(35,753)
Sales of capital assets	5,000	5,000	16,746	11,746	-	-	-	-
Fund balance appropriated	34,977	50,273	-	(50,273)	3,347,710	3,606,560	-	(3,606,560)
Total other financing sources (uses)	<u>(463,889)</u>	<u>(690,470)</u>	<u>(728,997)</u>	<u>(38,527)</u>	<u>597,576</u>	<u>1,144,721</u>	<u>(2,785,887)</u>	<u>(3,930,608)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>439,490</u>	<u>\$ 439,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,308,566)</u>	<u>\$ (3,308,566)</u>
Fund balance, beginning			<u>2,170,670</u>				<u>6,871,102</u>	
Fund balance, ending			<u>\$ 2,610,160</u>				<u>\$ 3,562,536</u>	

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)**  
**For the Year Ended June 30, 2019**

**Exhibit 5**

	Canal Dredging Fund				Capital Reserve Fund			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	370,123	370,123	365,418	(4,705)	-	-	-	-
Unrestricted intergovernmental	-	-	-	-	-	-	-	-
Restricted intergovernmental	-	-	-	-	-	-	-	-
Permits and fees	-	-	-	-	-	-	-	-
Investment earnings	800	800	30,669	29,869	-	-	9,333	9,333
Miscellaneous	134,987	134,987	719,275	584,288	-	-	-	-
Total revenues	505,910	505,910	1,115,362	609,452	-	-	9,333	9,333
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
Beach renourishment	2,487,692	2,487,692	1,011,676	1,476,016	2,953,582	2,953,582	-	2,953,582
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	2,487,692	2,487,692	1,011,676	1,476,016	2,953,582	2,953,582	-	2,953,582
Revenues over (under) expenditures	(1,981,782)	(1,981,782)	103,686	2,085,468	(2,953,582)	(2,953,582)	9,333	2,962,915
Other financing sources (uses):								
Transfers from other funds	-	-	(61,000)	(61,000)	2,953,582	2,953,582	3,241,877	288,295
Transfers to other funds	(63,787)	(63,787)	-	63,787	-	-	-	-
Fund balance appropriated	2,045,569	2,045,569	-	(2,045,569)	-	-	-	-
Total other financing sources (uses)	1,981,782	1,981,782	(61,000)	(2,042,782)	2,953,582	2,953,582	3,241,877	288,295
Net change in fund balance	\$ -	\$ -	42,686	\$ 42,686	\$ -	\$ -	3,251,210	\$ 3,251,210
Fund balance, beginning			2,000,901				-	
Fund balance, ending			\$ 2,043,587				\$ 3,251,210	

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**

**Exhibit 6**

**Statement of Net Position**

**Proprietary Funds**

**June 30, 2019**

	<b>Major Enterprise Fund</b>	<b>Total Non-Major Funds</b>	<b>Total</b>
	<b>Water and Sewer Fund</b>		
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,907,616	\$ 38,890	\$ 2,946,506
Accounts receivable - net	227,128	-	227,128
Due from other governments	81,834	-	81,834
Inventories	248,269	-	248,269
Restricted cash and cash equivalents	189,328	-	189,328
Total current assets	<u>3,654,175</u>	<u>38,890</u>	<u>3,693,065</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	140,296	-	140,296
Other capital assets, net of depreciation	17,637,376	-	17,637,376
Total capital assets	<u>17,777,672</u>	<u>-</u>	<u>17,777,672</u>
Total noncurrent assets	<u>17,777,672</u>	<u>-</u>	<u>17,777,672</u>
Total assets	<u>21,431,847</u>	<u>38,890</u>	<u>21,470,737</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	44,349	-	44,349
	<u>44,349</u>	<u>-</u>	<u>44,349</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	96,985	-	96,985
Accrued interest	21,369	-	21,369
Current portion of long-term debt	727,786	-	727,786
Total current liabilities	<u>846,140</u>	<u>-</u>	<u>846,140</u>
Noncurrent liabilities:			
Compensated absences	31,821	-	31,821
Net pension liability	57,170	-	57,170
Non-current portion of long-term debt	434,618	-	434,618
Total noncurrent liabilities	<u>523,609</u>	<u>-</u>	<u>523,609</u>
Total liabilities	<u>1,369,749</u>	<u>-</u>	<u>1,369,749</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	2,613	-	2,613
<b>NET POSITION</b>			
Net investment in capital assets	16,615,268	-	16,615,268
Unrestricted	3,488,566	38,890	3,527,456
Total net position	<u>\$ 20,103,834</u>	<u>\$ 38,890</u>	<u>\$ 20,142,724</u>

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2019**

**Exhibit 7**

	<b>Major Enterprise Fund</b>		
	<b>Water and Sewer Fund</b>	<b>Total Non-Major Funds</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,796,500	\$ -	\$ 1,796,500
Taps and connections fees	58,925	-	58,925
Impact fees	3,143	-	3,143
Other operating revenues	124,084	-	124,084
<b>Total operating revenues</b>	<u>1,982,652</u>	<u>-</u>	<u>1,982,652</u>
<b>OPERATING EXPENSES</b>			
General operations	127,325	-	127,325
Water and sewer operations	1,711,855	-	1,711,855
Depreciation	508,004	-	508,004
<b>Total operating expenses</b>	<u>2,347,184</u>	<u>-</u>	<u>2,347,184</u>
<b>Operating income (loss)</b>	<u>(364,532)</u>	<u>-</u>	<u>(364,532)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	59,458	291	59,749
Capital charges	1,610,610	-	1,610,610
City capital charges	(1,151,940)	-	(1,151,940)
Interest and other charges	(44,281)	-	(44,281)
FEMA reimbursements	9,316	-	9,316
Sale of capital assets	3,801	-	3,801
<b>Total nonoperating revenues (expenses)</b>	<u>486,964</u>	<u>291</u>	<u>487,255</u>
<b>Income (loss) before contributions and transfers</b>	122,432	291	122,723
Transfer from other funds	-	38,599	38,599
Transfer to other funds	(38,599)	-	(38,599)
<b>Change in net position</b>	83,833	38,890	122,723
<b>Total net position, beginning, previously reported</b>	20,521,627	-	20,521,627
<b>Restatement</b>	(501,626)	-	(501,626)
<b>Total net position, restated</b>	<u>20,020,001</u>	<u>-</u>	<u>20,020,001</u>
<b>Total net position, ending</b>	<u>\$ 20,103,834</u>	<u>\$ 38,890</u>	<u>\$ 20,142,724</u>

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**

**Exhibit 8**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2019**

	<b>Major Enterprise Fund Water and Sewer Fund</b>	<b>Total Non-Major Funds</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 2,159,267	\$ -	\$ 2,159,267
Cash paid for goods and services	(1,684,694)	-	(1,684,694)
Cash paid to or on behalf of employees for services	(243,011)	-	(243,011)
Other operating revenues	124,084	-	124,084
Net cash provided (used) by operating activities	<u>355,646</u>	<u>-</u>	<u>355,646</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Capital charges paid	(1,151,940)	-	(1,151,940)
Capital charges received from customers	1,610,610	-	1,610,610
Transfer (to) from other funds	(38,599)	38,599	-
Total cash flow from noncapital financing activities	<u>420,071</u>	<u>38,599</u>	<u>458,670</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on bonds/loans	(709,646)	-	(709,646)
Interest paid on bonds/loans	(44,281)	-	(44,281)
Acquisition and construction of capital assets	(1,603,287)	-	(1,603,287)
Net cash provided (used) by capital and related financing activities	<u>(2,357,214)</u>	<u>-</u>	<u>(2,357,214)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of capital assets	3,801	-	3,801
Proceeds from FEMA	9,316	-	9,316
Interest on investments	59,458	291	59,749
Net cash provided (used) by investing activities	<u>72,575</u>	<u>291</u>	<u>72,866</u>
Net increase (decrease) in cash and cash equivalents	(1,508,922)	38,890	(1,470,032)
Balances, beginning	4,605,866	-	4,605,866
Balances, ending	<u>\$ 3,096,944</u>	<u>\$ 38,890</u>	<u>\$ 3,135,834</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (364,532)	\$ -	\$ (364,532)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	508,004	-	508,004
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	340,582	-	340,582
Decrease (increase) in due from other governments	(39,883)	-	(39,883)
Increase in net pension liability	12,332	-	12,332
Increase (decrease) in accounts payable and accrued liabilities	15,300	-	15,300
Decrease (increase) in inventories	(124,473)	-	(124,473)
Increase (decrease) in accrued vacation	19,471	-	19,471
(Increase) decrease in deferred outflows of resources for pensions	(11,863)	-	(11,863)
Decrease (increase) in deferred inflows of resources - pensions	708	-	708
Total adjustments	<u>720,178</u>	<u>-</u>	<u>720,178</u>
Net cash provided by operating activities	<u>\$ 355,646</u>	<u>\$ -</u>	<u>\$ 355,646</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 HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Town of Holden Beach is a municipal corporation 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. The Town does not have any component units.

**B. Basis of Presentation**

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, 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, including the fiduciary fund, provide information about the Town’s funds. Separate statements for each fund category – *governmental and proprietary* – 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.

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



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

The Town reports the following major governmental fund:

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

**BPART Tax Fund.** This special revenue fund is used to account for occupancy taxes collected which are used to promote tourism and beach re-nourishment.

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

**Capital Reserve Fund.** This fund was established to provide funding for future sand projects estimated to occur nine or more years in the future.

The Town reports the following major enterprise funds:

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

**C. Measurement Focus and Basis of Accounting**

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

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

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

**I. Summary of Significant Accounting Policies (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 Holden Beach because the tax is levied by Brunswick County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

**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, BPART Fund, Canal Dredging Fund, Capital Reserve Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the remaining Special Revenue Funds and any Enterprise Capital Project Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT).

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

- The North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAm rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported at fair value.

**2. Cash and Cash Equivalents**

The Town pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. All cash is essentially demand deposits and is considered cash and cash equivalents.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

**3. Restricted Assets**

Cash and investments are restricted in the Enterprise Fund for the customer deposits held by the Town for payments on the sewer system, future capital projects, and utility deposits. These deposits 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 maintain, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

**Town of Holden Beach Restricted Cash**

Business-type Activities:

Water and Sewer Fund:

Sewer Share	\$ 189,328
Total Business-type Activities	<u>189,328</u>
Total Restricted Cash	<u><u>\$ 189,328</u></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, 2018.

**5. Allowances for Doubtful Accounts**

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

**6. Inventory**

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and estimated life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Town defines capital assets as assets with an individual cost of \$5,000 or more.

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Building	50 years
Other Improvements	50 years
Infrastructure	30 years
Equipment	10 years
Furniture & Fixtures	10 years
Computer equipment	10 years
Vehicles	6 years
Miscellaneous	3 years

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criterion, contributions made to the pension plan in the 2019 fiscal year and pension deferrals. 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 met this criterion for this category – prepaid property taxes, property taxes receivable and pension deferrals.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

**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.

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

**10. Compensated Absences**

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

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

**11. Net Position/Fund Balances**

**Net Position**

Net position in government-wide 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.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

11. Net Position/Fund Balances (Continued)

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 available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories 35-J-56 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 Beach Re-nourishment / Inlet – Portion of fund balance that is restricted by revenue source.

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 Holden Beach's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

**11. Net Position/Fund Balances (Continued)**

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

Assigned for General Government Debt – portion of fund balance that has been budgeted by the Board for debt payment.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation without limitation within funds..

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

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

**12. Defined Benefit Cost-Sharing Plans**

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



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

**II. Stewardship, Compliance and Accountability**

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made for the Town's General Fund debt service function exceeded authorized appropriations made by the governing board by \$16,907. Management and the Board will more closely review the budget reports to ensure compliance in future years and will make sure all debt payments are accounted for in the correct fund.

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town and in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits.

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$9,339,264 and a bank balance of \$9,632,144. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by the Dedicated Method and monitored by the State Treasurer. At June 30, 2019, the Town's petty cash fund totaled \$100.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

A. Assets (Continued)

2. Investments

At June 30, 2019, the Town of Holden Beach had \$3,320,214 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

3. Receivables – Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$322.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 is net of the following allowances for doubtful accounts:

	<b>Taxes</b>	<b>Accounts</b>	<b>Due from Other Governments</b>	<b>Total</b>
<b>Governmental Activities:</b>				
General Fund	\$ 115,577	\$ 43,567	\$ 82,355	\$ 241,499
Allowance for doubtful accounts	-	(1,450)	-	(1,450)
Total governmental activities	<u>\$ 115,577</u>	<u>\$ 42,117</u>	<u>\$ 82,355</u>	<u>\$ 240,049</u>
<b>Business-Type Activities:</b>				
Water and Sewer Fund:				
Total receivables	-	603,889	81,834	685,723
Allowance for doubtful accounts	-	(376,761)	-	(376,761)
Total business-type activities	<u>\$ -</u>	<u>\$ 227,128</u>	<u>\$ 81,834</u>	<u>\$ 308,962</u>

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

**4. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b><u>July 1, 2018</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>June 30, 2019</u></b>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,648,983	\$ -	\$ -	\$ 2,648,983
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>2,648,983</u>	<u>-</u>	<u>-</u>	<u>2,648,983</u>
<b>Capital assets being depreciated:</b>				
Buildings and structures	5,039,883	-	628,896	4,410,987
Other improvements & infrastructure	1,122,345	-	7,200	1,115,145
Equipment	339,724	22,807	61,957	300,574
Vehicles	585,891	36,118	113,368	508,641
Total capital assets being depreciated	<u>7,087,843</u>	<u>58,925</u>	<u>811,421</u>	<u>6,335,347</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and structures	1,095,237	88,219	250,978	932,478
Other improvements & infrastructure	95,262	22,303	2,076	115,489
Furniture, equipment, and machinery	285,630	14,363	61,957	238,036
Vehicles	486,352	44,986	112,531	418,807
Total accumulated depreciation	<u>1,962,481</u>	<u>169,871</u>	<u>427,542</u>	<u>1,704,810</u>
Total capital assets being depreciated, net	<u>5,125,362</u>			<u>4,630,537</u>
<b>Governmental activities capital assets, net</b>	<u><u>\$ 7,774,345</u></u>			<u><u>\$ 7,279,520</u></u>

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

General government	\$ 110,397
Public safety	48,777
Transportation	3,199
Beach re-nourishment & recreational	7,498
	<u>\$ 169,871</u>

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

**4. Capital Assets (Continued)**

	<b>Balance</b> <b><u>July 1, 2018</u></b> <i>(as restated)</i>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Balance</b> <b><u>June 30, 2019</u></b>
<b><i>Water and Sewer Fund</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 140,296	\$ -	\$ -	\$ 140,296
Construction in progress	92,802	1,536,762	1,629,564	-
Total capital assets not being depreciated	<u>233,098</u>	<u>1,536,762</u>	<u>1,629,564</u>	<u>140,296</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	22,317,453	1,629,564	-	23,947,017
Infrastructure	184,026	-	-	184,026
Furniture and maintenance equipment	755,267	13,545	-	758,344
Vehicles	108,123	53,180	18,432	153,139
Total capital assets being depreciated	<u>23,364,869</u>	<u>1,696,089</u>	<u>18,432</u>	<u>25,042,526</u>
<b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	6,342,196	446,349	-	6,788,544
Infrastructure	47,559	3,681	-	51,240
Furniture and maintenance equipment	455,267	47,406	-	492,406
Vehicles	70,556	10,568	-	72,960
Total accumulated depreciation	<u>6,915,578</u>	<u>508,003</u>	<u>14,718</u>	<u>7,405,150</u>
Total capital assets being depreciated, net	<u>16,449,291</u>			<u>17,637,376</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 16,589,587</u></u>			<u><u>\$ 17,777,672</u></u>

**Construction Commitments**

The government does not have any active projects/commitments as of June 30, 2019.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

**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 of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](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.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Holden Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Holden Beach's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Holden Beach were \$103,877 for the year ended June 30, 2019.

*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, 2019, the Town reported a liability of \$479,213 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2019 (measured as of June 30, 2018), the Town's proportion was 0.0202%, which was an decrease of 0.0020% from its proportion measured as of June 30, 2018 (measured as of June 30, 2017).

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

For the year ended June 30, 2019, the Town recognized pension expense of \$123,375. At June 30, 2019, 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	\$ 73,931	\$ 2,481
Changes of assumptions	127,165	-
Net difference between projected and actual earnings on pension plan investments	65,782	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	986	19,420
Town contributions subsequent to the measurement date	103,877	-
Total	<u>\$ 371,741</u>	<u>\$ 21,901</u>

\$103,877 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$ 121,353
2021	78,171
2022	11,885
2023	34,553
2024	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 percent
Investment rate of return	7.00 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.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 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	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension liability or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 1,151,111	\$ 479,213	\$ (82,236)

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

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

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

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

At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	8
Total	<u>8</u>

*Summary of Significant Accounting Policies.*

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

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

*Actuarial Assumptions.* The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index determined at the end of each month.

Mortality rates are based on the RP-2015 Mortality tables with adjustments for mortality improvements based on Scale AA.

*Contributions.* The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$2,052 as benefits came due for the reporting period.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

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

At June 30, 2019, the Town reported a total pension liability of \$216,140. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$17,338.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,221	\$ 25,463
Changes of assumptions and other inputs	15,757	13,568
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 19,978	\$ 39,031

\$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, 2019. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$ (2,846)
2021	(2,846)
2022	(2,846)
2023	(2,846)
2024	(5,297)
Thereafter	(2,372)
	\$ (19,053)

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

*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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	\$ 241,412	\$ 216,140	\$ 193,563

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

	<b>2019</b>
Beginning balance	\$ 240,004
Service Cost	12,632
Interest on the total pension liability	7,552
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(30,214)
Changes of assumptions or other inputs	(11,782)
Benefit payments	(2,052)
Other changes	-
Ending balance of the total pension liability	<u>\$ 216,140</u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 123,375	\$ 17,338	\$ 140,713
Pension Liability	479,213	216,140	695,353
Proportionate share of the net pension liability	0.02020%	n/a	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	73,931	4,221	78,152
Changes of assumptions	127,165	15,757	142,922
Net difference between projected and actual earnings on plan investments	65,782	-	65,782
Changes in proportion and differences between contributions and proportionate share of contributions	986	-	986
Benefit payments and administrative costs paid subsequent to the measurement date	103,877	-	103,877
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	2,481	25,463	27,944
Changes of assumptions	-	13,568	13,568
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	19,420	-	19,420

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

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires 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. Contributions for the year ended June 30, 2019 were \$26,520, which consisted of \$20,490 from the Town and \$6,030 from the law enforcement officers.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

**2. Other Employment Benefits**

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

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

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

<b><u>Source</u></b>	<b><u>Amount</u></b>
Contributions to pension plan in the current year	\$ 103,877
Pension deferrals – LGERS	267,864
Pension deferrals – LEOSSA	17,927
Total	<u>\$ 389,668</u>

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

<b><u>Source</u></b>	<b><u>Amount</u></b>
Pension deferrals - LGERS	\$ 21,901
Pension deferrals – LEOSSA	39,031
Assessments receivable	28,168
Property taxes receivable	115,577
Prepaid taxes	18,010
Total	<u>\$ 222,687</u>

**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, public officials' liability and auto liability coverage, property coverage up to the total insured values of the property policy and workers' compensation coverage up to statutory limits.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

**4. Risk Management (Continued)**

These pools are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial 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 National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance for another \$5,000,000 of coverage per structure.

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, town and tax collector are all bonded for \$50,000 each through a commercial surety bond. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

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

As of June 30, 2019, the Town was not involved in any civil or legal actions which in the opinion of management and the Town’s attorney would have an adverse or material effect on the Town’s financial position.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

**6. Long-Term Obligations**

**a. Governmental & Business-type Activities Long-Term Debt**

**Governmental Activities:**

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3.81% direct placement note, payable in annual installments of \$200,000, plus interest; final payment due March 2027; secured by real estate.	\$ 1,591,954
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Direct installment purchase, payable in annual installments of \$16,908, including interest, final payment due September 2018; secured by 1 Dodge vehicle. This loan was repaid in its entirety during the year ended June 30, 2019.	-
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2.18% direct placement note, payable in annual installments of \$1,200,000, plus interest; final payment due October 2026; secured by pledged sources	9,600,000
Total governmental activities notes payable	\$ 11,191,954

**Business-type Activities:**

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**Water and Sewer Fund**

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2.420% direct placement note, payable in annual installments of \$93,335 including interest, final payment due July 2024; secured by real estate.	\$ 515,478
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3.79% direct placement note, payable in annual installments of \$459,635, including interest; final payment due November 2019; secured by real estate.	441,368
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3.79% direct placement note, payable in annual installments of \$219,090, including interest; final payment due November 2019; secured by real estate	205,558
Total business-type activities notes payable	\$ 1,162,404



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

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

**A. Governmental & Business-type Activities Long-Term Debt (Continued)**

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

Fiscal Year Ended	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 1,400,000	\$ 269,933	\$ 1,669,933	\$ 727,786	\$ 26,412	\$ 753,928
2021	1,400,000	236,153	1,636,153	82,817	10,518	93,335
2022	1,400,000	202,373	1,602,373	84,821	8,514	93,335
2023	1,400,000	168,593	1,568,593	86,874	6,461	93,335
2024	1,400,000	134,813	1,534,813	88,976	4,359	93,335
2025-2027	4,191,954	201,759	4,399,713	91,130	2,205	93,335
Total	\$ 11,191,954	\$ 1,213,624	\$ 12,405,578	\$ 1,162,404	\$ 58,199	\$ 1,220,603

At June 30, 2019, the Town of Holden Beach had a legal debt margin of \$85,859,769. There were no authorized bonds that had not been issued as of June 30, 2019.

**B. Changes in Long – Term Liabilities**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:	<i>(as restated)</i>				
Direct Notes Payable	\$ 12,591,954	\$ -	\$ 1,400,000	\$ 11,191,954	\$ 1,400,000
Direct Installment/Lease Purchases	15,774	-	15,774	-	-
Net pension liability (LGERS)	294,317	127,726	-	422,043	-
Total pension liability (LEOSSA)	240,004	-	23,864	216,140	-
Compensated absences	93,709	-	22,906	70,803	23,000
Governmental activity long-term liabilities	\$ 13,235,758	\$ 127,726	\$ 1,462,544	\$ 11,900,940	\$ 1,423,000
Business-type activities:					
Water and Sewer Fund					
Direct Notes Payable	\$ 1,872,051	\$ -	\$ 709,647	\$ 1,162,404	\$ 727,786
Net pension liability (LGERS)	44,838	12,332	-	57,170	-
Compensated absences	12,350	19,471	-	31,821	-
Water Sewer Fund long-term liabilities	\$ 1,929,239	\$ 31,803	\$ 709,647	\$ 1,251,395	\$ 727,786
Business activity long-term liabilities	\$ 1,929,239	\$ 31,803	\$ 709,647	\$ 1,251,395	\$ 727,786

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2019, consist of the following:

From General Fund to BPART Fund to pay portion of special obligation debt	\$ 564,866
From General Fund to Capital Reserve Fund to establish the fund for future beach re-nourishment and inlet management	\$ 241,877
From BPART Fund to Capital Reserve Fund to establish the fund for future beach re-nourishment and inlet management	\$ 3,000,000
From Canal Dredging Fund to General Fund reimbursing support of canal dredging	\$ 61,000
From Water and Sewer Fund to Capital Reserve Fund – Water and Capital Reserve fund – sewer to establish fund for future expansion of systems	\$ 38,599

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

**D. Net Investment in Capital Assets**

	Governmental	Business-Type
Capital Assets	\$ 7,279,520	\$ 17,777,672
Less Long Term Debt	(11,191,954)	(1,162,404)
(add back debt not related to capital assets)	9,600,000	-
Net Investment in Capital Assets	\$ 5,687,566	\$ 16,615,268

**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	\$ 2,610,160
Less:	
Stabilization by State Statute	124,472
Streets – Powell Bill	-
Appropriated Fund Balance in 2020 budget	-
General government debt	260,564
Remaining Fund Balance	\$ 2,225,124

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

**E. Fund Balance (Continued)**

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

**IV. Jointly Governed Organization**

The Town, in conjunction with other local governments, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing boards. The Town paid membership fees of \$414 to the Council during the fiscal year ended June 30, 2019.

The Town, in conjunction with Brunswick County and six other municipalities was a member of the Brunswick Beaches Consortium (Consortium). The participating governments established the Consortium to plan and implement programs and projects directed toward preservation and maintenance of the ocean beaches. Each participating government appointed one representative to the policy board. The Town contributed \$0 to the Consortium during the fiscal year ended June 30, 2019.

**V. Contracted Service Agreement**

The Town has entered into a sewer service agreement with Brunswick County for the East/West Brunswick Regional Wastewater Project. The term of the agreement is from July 2002 for thirty (30) years or five years after the last maturity of the bonds issued to finance the project. Brunswick County has financed, constructed, and is operating a regional sewer system and the Town, which is using this system for transmission and treatment of the Town's sewage, has agreed to participate with the County in financing the project. The Town is responsible for assisting in paying for a portion of the operation and maintenance of the system, and the Town also has to pay its share of the financing costs the County incurred for construction. The total amounts that the Town is responsible for are approximately 22.43% of the County's 2004A Revenue Bond of \$31,540,000, 33.33% of the County's 2004 Revolving Loan of \$20,000,000, and 33.33% of the County's 2005 Revolving Loan of \$10,000,000. The Town also has to pay the same percentages of the interest on these debts. The payments made in the current year for the capital charges to Brunswick County totaled \$1,151,940. The subsequent years' payment will decrease gradually over the 25 year life span of the debt to a final payment of \$606,451 in 2029. The Town levies a capital charge to residents in order to fund the payments.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

**VI. Interlocal Agreement with Brunswick County**

The Town entered into an interlocal agreement with Brunswick County to assist in financing a beach renourishment project. The Town borrowed \$12,000,000 to finance the project. Per the agreement, the Town was required to write a check to the County for the largest Debt Service payment required over the subsequent 10 years of the loan. In each fiscal year that the Special Obligation Bonds are outstanding, the County will include in its budget and agrees to appropriate the total amount of Debt Service due in each fiscal year. On each date that Debt Service is due on the Special Obligation Bonds, the County agrees to pay the Town the amount of the Debt Service due on the Special Obligation Bonds. The Town expects to make the payment of debt service due on the Special Obligation Bonds from its other available funds and, to the extent that it does, the County will not be required to make any payment to the Town on such date. The County is only required to make its payment on or after any date the payment of Debt Service on the Special Obligation Bonds is due if the Town has not made the payment. The Town remitted \$1,461,600 to the County on October 20, 2016, and this payment is reflected on the general ledger as a Deposit - Brunswick County Interlocal Agreement. At the end of each fiscal year, the County will remit back to the Town any amount in the reserve fund in excess of the remaining maximum annual Debt Service on the Special Obligation Bonds. The balance of the deposit was \$1,424,693 at June 30, 2019.

**VII. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

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

**VIII. Restatement**

During the management noted that the direct placement note related to the Emergency Operations Center should be included under business-type activities instead of governmental activities. Management has elected to restate beginning balances to correct this loan balance moving forward.

**IX. Significant Effects of Subsequent Events**

Subsequent events have been evaluated through October 10, 2019, 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 HOLDEN BEACH, NORTH CAROLINA**  
**Town of Holden Beach's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Six Fiscal Years**

**Schedule 1**

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Holden Beach's proportion of the net pension liability (asset) (%)	0.0202%	0.0222%	0.02150%	0.02241%	0.02219%	0.02290%
Holden Beach's proportion of the net pension liability (asset) (\$)	\$ 479,213	\$ 339,155	\$ 456,302	\$ 100,575	\$ (130,865)	\$ 276,033
Holden Beach's covered-employee payroll	\$ 1,278,751	\$ 1,310,048	\$ 1,244,202	\$ 1,169,403	\$ 1,122,226	\$ 1,113,573
Holden Beach's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.48%	25.89%	36.67%	8.60%	-11.66%	24.79%
Plan fiduciary net position as a percentage of the total pension liability **	92.00%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Town of Holden Beach's Contributions**  
**Required Supplementary Information**  
**Last Six Fiscal Years**

**Schedule 2**

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 103,877	\$ 99,231	\$ 98,475	\$ 85,145	\$ 84,691	\$ 80,189
Contributions in relation to the contractually required contribution	<u>103,877</u>	<u>99,231</u>	<u>98,475</u>	<u>85,145</u>	<u>84,691</u>	<u>80,189</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Holden Beach's covered-employee payroll	\$ 1,293,634	\$ 1,278,751	\$ 1,310,048	\$ 1,244,202	\$ 1,169,403	\$ 1,122,226
Contribution as a percentage of covered-employee payroll	8.03%	7.76%	7.52%	6.84%	7.24%	7.15%

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2019**

**Schedule 3**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 240,004	\$ 190,466	\$ 178,905
Service Cost	12,632	13,086	11,222
Interest on the total pension liability	7,552	7,352	6,387
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(30,214)	6,147	-
Changes of assumptions or other inputs	(11,782)	22,953	(6,048)
Benefit payments	(2,052)	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 216,140</u>	<u>\$ 240,004</u>	<u>\$ 190,466</u>

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



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2019**

**Schedule 4**

	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Total pension liability	\$ 216,140	\$ 240,004	\$ 190,466
Covered payroll	471,772	489,842	380,126
Total pension liability as a percentage of covered payroll	45.81%	49.00%	50.11%

Notes to the schedules:

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

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## **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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## TOWN OF HOLDEN BEACH, NORTH CAROLINA

## Schedule 5

## General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**

	2019		
	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 2,677,148	\$ 2,703,340	\$ 26,192
Prior year	19,100	34,643	15,543
Interest and penalties	6,000	15,293	9,293
Total	<u>2,702,248</u>	<u>2,753,276</u>	<u>51,028</u>
Other taxes and licenses:			
Local option sales tax	139,511	178,597	39,086
Total	<u>139,511</u>	<u>178,597</u>	<u>39,086</u>
Unrestricted intergovernmental:			
Beer and wine tax	2,600	2,752	152
Telecommunications tax	8,337	(2,708)	(11,045)
Franchise tax	155,060	237,948	82,888
Video program tax	37,520	41,659	4,139
Sales tax refund	7,500	8,909	1,409
Total	<u>211,017</u>	<u>288,560</u>	<u>77,543</u>
Restricted intergovernmental:			
FEMA grant	82,982	98,935	15,953
Powell Bill allocation	34,512	34,685	173
Total	<u>117,494</u>	<u>133,620</u>	<u>16,126</u>
Permits and fees:			
Building permits	223,879	272,122	48,243
CAMA permits and reimbursements	6,000	8,280	2,280
Other permits and fees	2,150	3,175	1,025
Total	<u>232,029</u>	<u>283,577</u>	<u>51,548</u>
Investment earnings	<u>329</u>	<u>32,748</u>	<u>32,419</u>
Sales and services	<u>38,087</u>	<u>54,825</u>	<u>16,738</u>
Miscellaneous	<u>7,500</u>	<u>5,428</u>	<u>(2,072)</u>
Total revenues	<u>3,448,215</u>	<u>3,730,631</u>	<u>282,416</u>

## TOWN OF HOLDEN BEACH, NORTH CAROLINA

## Schedule 5

## General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(Continued)**

	2019		
	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits	\$ 8,400	\$ 8,397	\$ 3
Operating expenses	184,825	148,731	36,094
Total	<u>193,225</u>	<u>157,128</u>	<u>36,097</u>
Administration:			
Salaries and employee benefits	484,404	475,705	8,699
Operating expenses	169,500	157,407	12,093
Total	<u>653,904</u>	<u>633,112</u>	<u>20,792</u>
Total general government	<u>847,129</u>	<u>790,240</u>	<u>56,889</u>
Public safety:			
Inspections, zoning and safety:			
Salaries and employee benefits	226,108	217,952	8,156
Operating expenses	62,100	55,864	6,236
Capital outlay	-	-	-
Total	<u>288,208</u>	<u>273,816</u>	<u>14,392</u>
Police:			
Salaries and employee benefits	669,479	659,247	10,232
Operating expenses	106,140	94,056	12,084
Capital outlay	64,922	47,582	17,340
Total	<u>840,541</u>	<u>800,885</u>	<u>39,656</u>
Total public safety	<u>1,128,749</u>	<u>1,074,701</u>	<u>54,048</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	90,297	85,173	5,124
Operating expenses	279,778	213,945	65,833
Total	<u>370,075</u>	<u>299,118</u>	<u>70,957</u>
Total transportation	<u>370,075</u>	<u>299,118</u>	<u>70,957</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits	67,294	67,216	78
Operating expenses	76,224	45,688	30,536
Total	<u>143,518</u>	<u>112,904</u>	<u>30,614</u>
Total environmental protection	<u>143,518</u>	<u>112,904</u>	<u>30,614</u>

## TOWN OF HOLDEN BEACH, NORTH CAROLINA

## Schedule 5

## General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2019**  
**(Continued)**

	2019		Variance Positive (Negative)
	Budget	Actual	
Debt service:			
Principal	\$ 198,867	\$ 215,774	\$ (16,907)
Interest	69,407	69,407	-
Total	<u>268,274</u>	<u>285,181</u>	<u>(16,907)</u>
Total expenditures	<u>2,757,745</u>	<u>2,562,144</u>	<u>195,601</u>
Revenues over (under) expenditures	690,470	1,168,487	478,017
Other financing sources (uses):			
Transfers from canal dredging fund	61,000	61,000	-
Sale of capital assets	5,000	16,746	11,746
Transfers (to) from other funds:	(806,743)	(806,743)	-
Total	<u>(740,743)</u>	<u>(728,997)</u>	<u>11,746</u>
Fund balance appropriated	<u>50,273</u>	<u>-</u>	<u>50,273</u>
Net change in fund balance	<u>\$ -</u>	439,490	<u>\$ 439,490</u>
Fund balance, beginning		<u>2,170,670</u>	
Fund balance, ending		<u>\$ 2,610,160</u>	

## TOWN OF HOLDEN BEACH, NORTH CAROLINA

## Schedule 6

## Special Revenue Fund - BPART Tax Fund

## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2019

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
Occupancy tax receipts	\$ 1,919,599	\$ 2,104,926	\$ 185,327	\$ 2,138,047
FEMA grants and DENR	272	2,654	2,382	221,989
Investment earnings	6,500	83,218	76,718	26,947
Miscellaneous	48,660	63,025	14,365	45,340
Total	<u>1,975,031</u>	<u>2,253,823</u>	<u>278,792</u>	<u>2,432,323</u>
<b>Expenditures:</b>				
Salaries and employee benefits	219,991	208,024	11,967	191,047
Operating expenditures	1,025,106	714,789	310,317	613,227
FEMA expenditures	-	-	-	65,580
Capital outlay	-	-	-	66,654
Lockwood Folly Dredging and Beach Nourishment	452,295	431,402	20,893	84,000
County's share of occupancy tax	315,000	350,753	(35,753)	357,550
Total	<u>2,012,392</u>	<u>1,704,968</u>	<u>307,424</u>	<u>1,378,058</u>
Debt service	<u>1,422,360</u>	<u>1,422,287</u>	<u>73</u>	<u>1,448,084</u>
Revenues over (under) expenditures	(1,459,721)	(873,432)	586,289	(393,819)
Other financing sources (uses):				
Transfers (to) from other funds:	<u>(2,146,839)</u>	<u>(2,435,134)</u>	<u>(288,295)</u>	<u>806,576</u>
Total	<u>(2,146,839)</u>	<u>(2,435,134)</u>	<u>(288,295)</u>	<u>806,576</u>
Fund balance appropriated	<u>3,606,560</u>	<u>-</u>	<u>3,606,560</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(3,308,566)</u>	<u>\$ (3,308,566)</u>	<u>\$ 412,757</u>
Fund balance, beginning		<u>6,871,102</u>		
Fund balance, ending		<u>\$ 3,562,536</u>		

## TOWN OF HOLDEN BEACH, NORTH CAROLINA

## Schedule 7

## Canal Dredging Funds

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP)

## From Inception and For the Year Ended June 30, 2019

	Final Budget	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Assessments HBH	\$ 139,138	\$ 922,531	\$ 137,830	\$1,060,361	\$ 921,223
Assessments HBH (Balance Forward)	716,334	92,792	-	92,792	(623,542)
Assessments HHC	136,379	476,552	122,790	599,342	462,963
Assessments HHC (Balance Forward)	375,421	180,215	-	180,215	(195,206)
Assessments HAC	-	1,087,030	-	1,087,030	1,087,030
Assessments HAC (Balance Forward)	-	120,990	-	120,990	120,990
Assessments Blockade Runner	-	23,044	-	23,044	23,044
Assessments HA	92,706	245,511	95,565	341,076	248,370
Assessments HA (Balance Forward)	953,814	-	-	-	(953,814)
Prior Year Assessments HBH	900	27,055	3,330	30,385	29,485
Prior Year Assessments HH	1,000	15,581	2,440	18,021	17,021
Prior Year Assessments HA	0	19,026	3,463	22,489	22,489
Interest - HBH	250	7,212	9,755	16,967	16,717
Interest - HH	250	7,569	8,215	15,784	15,534
Interest - HA	300	7,372	12,699	20,071	19,771
Miscellaneous revenue - HBH	47,264	11,273	335,523	346,796	299,532
Miscellaneous revenue - HH	24,779	168,197	224,915	393,112	368,333
Miscellaneous revenue - HA	62,944	-	158,837	158,837	95,893
Total revenues	2,551,479	3,411,950	1,115,362	4,527,312	1,975,833
<b>Expenditures:</b>					
<b>Holden Beach Harbor Project:</b>					
Administration	9,039	13,697	1,294	14,991	(5,952)
Professional services	76,830	188,827	19,934	208,761	(131,931)
Construction	677,915	261,909	419,052	680,961	(3,046)
Administration	-	338	-	338	(338)
Professional services	-	32,863	-	32,863	(32,863)
Construction management	117,505	84,911	35,940	120,851	(3,346)
Total Holden Beach Harbor Project	881,289	582,545	476,220	1,058,765	(177,476)
<b>Heritage Harbor Canal Project:</b>					
Administration	-	69	-	69	(69)
Professional services	-	120,796	-	120,796	(120,796)
Construction	-	255,363	-	255,363	(255,363)
Administration	5,378	532	1,294	1,826	3,552
Professional services	5,378	23,836	250	24,086	(18,708)
Construction	513,627	107,231	318,527	425,758	87,869
Total Heritage Harbor Canal Project	524,383	507,827	320,071	827,898	(303,515)
<b>Harbor Acres Canal Project:</b>					
Administration	-	193	-	193	(193)
Professional services	-	48,520	-	48,520	(48,520)
Construction	-	31,666	-	31,666	(31,666)
Administration	11,098	2,517	1,467	3,984	7,114
Professional services	11,098	57,865	250	58,115	(47,017)
Construction	1,059,824	439,273	213,668	652,941	406,883
Total Harbor Acres Canal Project	1,082,020	580,034	215,385	795,419	286,601
<b>Blockade Runner Project:</b>					
Administration	-	275	-	275	(275)
Professional services	-	15,800	-	15,800	(15,800)
Construction	-	50,637	-	50,637	(50,637)
Total Blockade Runner Project	-	66,712	-	66,712	(66,712)

## TOWN OF HOLDEN BEACH, NORTH CAROLINA

## Schedule 7

## Canal Dredging Funds

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP)

## From Inception and For the Year Ended June 30, 2019

	Final Budget	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Debt service</b>	-	3,576	-	3,576	(3,576)
Total expenditures	2,487,692	1,740,694	1,011,676	2,752,370	(264,678)
Revenues over (under) expenditures	63,787	1,671,256	103,686	1,774,942	1,711,155
<b>Other Financing Sources:</b>					
Transfer from General Fund	-	358,529	-	358,529	358,529
Transfer from General Fund	-	13,144	-	13,144	13,144
Transfer from Capital Project Funds	-	343,192	-	343,192	343,192
Transfer to Dredging Special Revenue	-	(343,192)	-	(343,192)	(343,192)
Transfer to General Fund	(63,787)	(42,028)	(61,000)	(103,028)	(39,241)
Fund balance appropriated	-	-	-	-	-
Total other financing uses	(63,787)	329,645	-	268,645	332,432
Net change in fund balance	\$ -	\$2,000,901	\$ 42,686	\$2,043,587	\$ 2,043,587



## TOWN OF HOLDEN BEACH, NORTH CAROLINA

## Schedule 8

## Capital Reserve Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP)

## From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Interest	\$ -	\$ -	\$ 9,333	\$ 9,333	\$ 9,333
Miscellaneous	-	-	-	-	-
Total revenues	-	-	9,333	9,333	9,333
<b>Expenditures:</b>					
Beach renourishment	2,953,582	-	-	-	2,953,582
Total expenditures	2,953,582	-	-	-	2,953,582
<b>Debt service</b>	-	-	-	-	-
Revenues over (under) expenditures	(2,953,582)	-	9,333	9,333	2,962,915
<b>Other Financing Sources (uses):</b>					
Transfer from other funds	2,953,582	-	3,241,877	3,241,877	288,295
Fund balance appropriated	-	-	-	-	-
Total other financing sources (uses)	2,953,582	-	3,241,877	3,241,877	288,295
Net change in fund balance	\$ -	\$ -	3,251,210	\$3,251,210	\$ 3,251,210
Fund balance, beginning			-		
Fund balance, ending			\$3,251,210		

## TOWN OF HOLDEN BEACH, NORTH CAROLINA

## Schedule 11

## Water and Sewer Fund

## Schedule of Revenues and Expenditures

## Budget and Actual (Non - GAAP)

## For the Fiscal Year Ended June 30, 2019

	2019		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues:</b>			
Operating revenues:			
Water and sewer charges	\$ 1,925,347	\$ 1,796,500	\$ (128,847)
Tap and connection fees	99,250	58,925	(40,325)
Impact fees	-	3,143	3,143
Other operating charges	106,694	124,084	17,390
Total operating revenues	<u>2,131,291</u>	<u>1,982,652</u>	<u>(148,639)</u>
Nonoperating revenues:			
Interest earnings	500	59,458	58,958
FEMA reimbursements	9,316	9,316	-
Sale of capital assets	-	3,801	3,801
Capital charges	1,582,616	1,610,610	27,994
Total revenues	<u>3,723,723</u>	<u>3,665,837</u>	<u>(61,687)</u>
<b>Expenditures:</b>			
Water and sewer administration:			
Salaries and employee benefits	59,008	62,184	(3,176)
Operating expenditures	73,080	65,141	7,939
Total expenditures	<u>132,088</u>	<u>127,325</u>	<u>4,763</u>
Operations:			
Salaries and employee benefits	221,288	203,195	18,093
Operating expenses	1,217,810	1,396,530	(178,720)
Capital outlay	1,914,945	1,713,091	201,854
Total expenditures	<u>3,354,043</u>	<u>3,312,816</u>	<u>41,227</u>
Non-Operating:			
City capital charges	1,151,941	1,151,940	1
Total expenditures	<u>1,151,941</u>	<u>1,151,940</u>	<u>1</u>
Debt services:			
Principal retirement	709,647	709,647	-
Interest and other charges	44,281	44,281	-
	<u>753,928</u>	<u>753,928</u>	<u>-</u>
Total expenditures	<u>5,392,000</u>	<u>5,346,009</u>	<u>45,991</u>
Revenues over (under) expenditures	<u>(1,668,277)</u>	<u>(1,680,172)</u>	<u>(15,696)</u>

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures (Continued)**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2019**

**Schedule 11**

	2019		Variance
	Final Budget	Actual	Positive (Negative)
Other financing sources (uses):			
Transfers (to) from other funds:			
Capital Reserve Funds	\$ (188,575)	\$ (38,599)	\$ 149,976
Appropriated fund balance	1,856,852	-	(1,856,852)
Total	<u>1,668,277</u>	<u>(38,599)</u>	<u>(1,706,876)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(1,718,771)</u>	<u>\$ (1,722,572)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Principal retirement		709,647	
Depreciation		(508,004)	
Deferred outflows of resources for contributions made to pension plan in the current year		12,393	
Pension expense		(14,719)	
Capital outlay		<u>1,603,287</u>	
Change in net position		<u>\$ 83,833</u>	

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## **OTHER SCHEDULES**

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**TOWN OF HOLDEN BEACH, NORTH CAROLINA**

**Schedule 10**

**Schedule of Ad Valorem Taxes Receivable**

**June 30, 2019**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$2,754,532	\$2,728,300	\$ 26,232
2017-2018	25,592	-	14,171	11,421
2016-2017	25,148	-	7,727	17,421
2015-2016	15,211	-	362	14,849
2014-2015	10,409	-	2,555	7,854
2013-2014	8,939	-	1,198	7,741
2012-2013	7,236	-	638	6,598
2011-2012	6,780	-	335	6,445
2010-2011	8,190	-	730	7,460
2009-2010	6,690	-	1,640	5,050
2008-2009	4,021	-	-	4,021
2007-2008	622	-	137	485
	<u>\$ 118,838</u>	<u>\$2,754,532</u>	<u>\$2,757,793</u>	<u>115,577</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>-</u>
Ad valorem taxes receivable - net				<u>\$ 115,577</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,753,276
Reconciling items:				
Penalties and interest collected				15,293
Other				<u>(10,776)</u>
Subtotal				<u>4,517</u>
Total collections and credits				<u>\$ 2,757,793</u>

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**

**Schedule 11**

**Analysis of Current Tax Levy**

**Town-Wide Levy**

**For the Fiscal Year Ended June 30, 2019**

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 1,227,676,575	0.2200	<u>\$ 2,754,532</u>	<u>\$ 2,725,751</u>	<u>\$ 28,781</u>
Net levy			2,754,532	2,725,751	28,781
Uncollected taxes at June 30, 2019			<u>(26,232)</u>	<u>(26,232)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 2,728,300</u></u>	<u><u>\$ 2,699,519</u></u>	<u><u>\$ 28,781</u></u>
Current levy collection percentage			<u><u>99.05%</u></u>	<u><u>99.04%</u></u>	<u><u>100.00%</u></u>

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## COMPLIANCE SECTION

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**Rives & Associates, LLP**  
Certified Public Accountants

Member:  
American Institute of  
Certified Public Accountants

Member:  
North Carolina Association of  
Certified Public Accountants

[www.rivescpa.com](http://www.rivescpa.com)

**Independent Auditors' 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 Board of Commissioners  
Town of Holden Beach  
Holden Beach, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to 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 the Town of Holden Beach ("the Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 10, 2019

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs we did identify certain deficiencies in internal control that we consider to be a material weaknesses and significant deficiencies [2019-001 and 2019-002].



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance 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 questioned costs as items 2019-001 and 2019-002.

### Town of Holden Beach's Response to Finding

The Town of Holden Beach's responses to the finding identified in our audit is described in the accompanying 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.

*Rives & Associates LLP*

Raleigh, North Carolina  
October 10, 2019

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

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

Identification of major federal programs:

There are no major Federal awards.

**State Awards**

Identification of major State programs:

There are no major State awards.



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## SECTION II - FINANCIAL STATEMENT FINDINGS

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### **Finding 2019-001** **SIGNIFICANT DEFICIENCY**

**Criteria:** The Town should have someone who is familiar with governmental accounting principles that can review its financial statements each year and determine if they have been prepared accurately.

**Condition:** The Town's staff has the ability to perform daily functions to operate the finance department. However, their expertise is limited in the area of financial statement preparation in accordance with generally accepted accounting principles, specifically with full accrual basis statements as required by GASB 34.

**Effect:** The Town's auditor must prepare the financial statements.

**Cause:** The Town's budget limits the number of personnel it can hire for various functions and training of these personnel.

**Recommendation:** The Town should designate and train an individual responsible for the review of the annual financial statements.

**Name of Contact Person:** David Hewett, Town Manager

#### **Corrective Action/Management Response:**

Management has obtained CAFR training at the School of Government for both of its staff fiscal operations clerks. Additional relevant NC Government Finance Officer's Association, NC Local Government Commission and UNC School of Government coursework, workshops, conferences and advisories will be evaluated and attended by Town finance staff as may be feasible during the upcoming year in order to facilitate an acceptable solution for the condition.

Additionally a financial consultant has been engaged to provide outside expertise to facilitate the learning curve and decision making process of "make/buy" financial report reviews and development thereto associated with the Audit profession's inability to continue providing said services as has been historically provided to local governments in NC.



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2019**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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**Finding 2019-002**  
**MATERIAL WEAKNESS**

**Criteria:** According to North Carolina General Statute 159-26 (c) , the Town is required to use the modified accrual basis of accounting in recording transactions, except as otherwise provided by regulation.

**Condition:** The Town's finance department is not recording all transactions on the modified accrual basis of accounting and on a timely basis. The Town previously relied on the auditor to convert many of its receivable and payable/accruals to the full accrual basis during its annual audit.

**Effect:** The Town's interim financial information is not accounted for on a modified accrual basis. As a result of audit procedures, material adjustments were required.

**Cause:** The Town's finance staff records transactions as the cash is received or paid and not when the revenue is earned or liability incurred.

**Recommendation:** The Town should implement a system that closes out the books on a regular basis under the modified accrual basis of accounting. The Town should develop a detailed checklist of steps to complete in order to close out the books at year-end.

**Name of Contact Person:** David Hewett, Town Manager

**Corrective Action/Management Response:**

A review of the appropriate methodologies associated with recording proprietary fund revenues will be performed to ensure that proper accrual of revenues and expenses occurs on a regular basis. A checklist detailing steps required to perform a monthly "soft" close in addition to year ending closeout will be developed and implemented.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Summary Schedule of Prior Year Audit Finding**  
**For the Year Ended June 30, 2019**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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**Finding 2018-001**

Status: Repeated finding as 2019-001

**Finding 2018-002**

Status: Repeated finding as 2019-002

