

REVIEWED

By SLGFD at 10:20 am, Nov 24, 2020

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2019



	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	6
Management's Discussion and Analysis	8
<i>Basic Financial Statements</i>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	18
Statement of Activities.....	20
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	27
Notes to the Financial Statements	28
<i>Required Supplementary Financial Data</i>	
Proportionate Share of Net Pension Liability (Asset) - LGERS	62
Town's Contributions - LGERS.....	63
Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance.....	64
Schedule of Total Pension Liability as a Percentage of Covered Payroll	65
Schedule of Changes in the Total OPEB Liability and Related Ratios	66
<i>Major Governmental Funds – General Fund</i>	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	68
<i>Other Schedules</i>	
Schedule of Ad Valorem Taxes Receivable – General Fund	72
Analysis of Current Tax Levy	73



FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Mayor
And the Town Council
Holly Ridge, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Holly Ridge, 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statement 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, each major fund, and the aggregate remaining fund information of the Town of Holly Ridge, North Carolina as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the General 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, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Holly Ridge, North Carolina. The 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 individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

W Greene, PLLC

Whiteville, North Carolina
June 23, 2020

Management's Discussion and Analysis

As management of the Town of Holly Ridge, we offer readers of the Town of Holly Ridge's financial statements this narrative overview and analysis of the financial activities of the Town of Holly Ridge 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

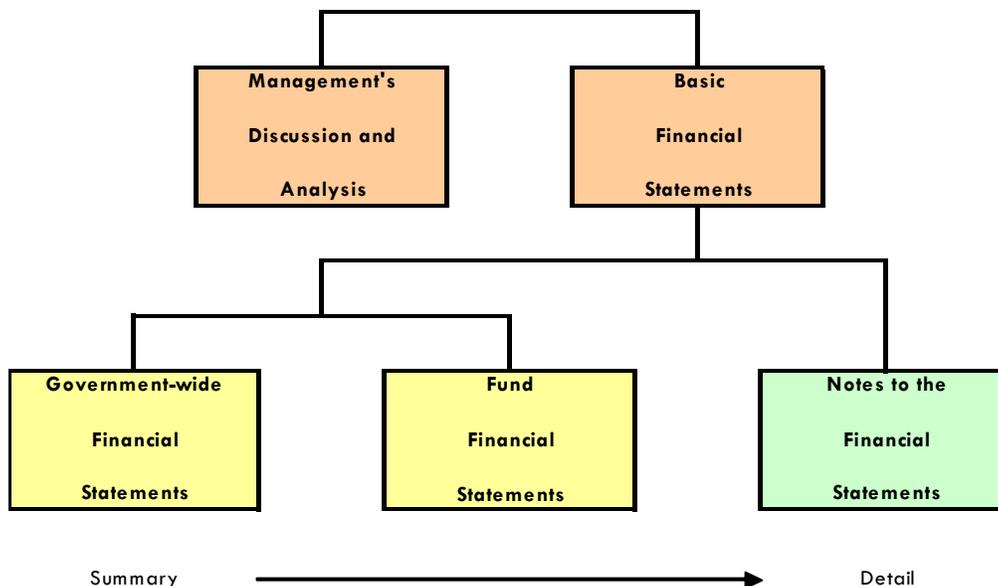
- The assets and deferred outflows of resources of the Town of Holly Ridge exceeded its liabilities and deferred inflows at the close of the fiscal year by \$2,531,339 (net position).
- The government's total net position increased by \$177,404, primarily due to an increase in property tax revenue and other intergovernmental revenue within the governmental activities.
- As of the close of the current fiscal year, the Town of Holly Ridge's governmental funds reported combined ending fund balances of \$2,068,076 with a net increase of \$101,392 in fund balance. Approximately 16.60 percent of this total amount, or \$343,252, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,411,546, or 48.29 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 18 through 21) 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 (pages 22 through 27) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements, and the 2) the budgetary comparison 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 administration, streets and highways, and public safety. 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. The Town of Holly Ridge does not currently provide services that are considered business-type activities.

The government-wide financial statements are on pages 18 through 21 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 Holly Ridge, 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 Holly Ridge 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. All 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* that 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 Holly Ridge 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 Holly Ridge has no proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

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 are on pages 28 through 59 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Holly Ridge's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 62 of this report.

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

Government-Wide Financial Analysis

Town of Holly Ridge's Net Position

Figure 2

	Governmental Activities	
	2019	2018
Current and other assets	\$ 2,366,568	\$ 2,159,706
Capital assets	1,340,753	1,292,076
Deferred outflows of resources	403,218	238,674
Total assets and deferred outflows of resources	4,110,539	3,690,456
Long-term liabilities outstanding	1,277,703	1,155,445
Other liabilities	289,198	171,393
Deferred inflows of resources	12,299	9,683
Total liabilities and deferred inflows of resources	1,579,200	1,336,521
Net position:		
Net investment in capital assets	933,380	797,732
Restricted	343,252	352,078
Unrestricted	1,254,707	1,204,125
Total net position	\$ 2,531,339	\$ 2,353,935

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 Holly Ridge exceeded liabilities and deferred inflows by \$2,531,339 as of June 30, 2019. The Town’s net position increased by \$177,404 for the fiscal year ended June 30, 2019. However, a large portion (36.87%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Holly Ridge uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Holly Ridge’s net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Holly Ridge’s net position, \$343,252, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,254,707 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.82%

The Town of Holly Ridge's Changes in Net Position

Figure 3

	Governmental	
	Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 580,212	\$ 553,044
Operating grants and contributions	58,816	57,336
Capital grants and contributions	-	-
General Revenues		
Property taxes	1,343,697	1,293,874
Other taxes	898,953	787,265
Other	110,680	42,830
Total revenues	<u>2,992,358</u>	<u>2,734,349</u>
Expenses:		
General Government	621,599	522,047
Public Safety	1,183,321	1,204,709
Streets and Public Buildings & Grounds	694,143	426,542
Environmental Protection	266,003	268,494
Parks and Recreation	29,192	26,535
Interest on long-term debt	20,696	23,858
Total expenses	<u>2,814,954</u>	<u>2,472,185</u>
Increase(Decrease) in net position		
before transfers	177,404	262,164
Transfers	-	-
Extraordinary item: loss on sale of building and land	-	-
Change in net position	177,404	262,164
Beginning Net Position	2,353,935	2,288,404
Net Position, beginning, restated	<u>2,353,935</u>	<u>2,091,771</u>
Net position, June 30	<u>\$ 2,531,339</u>	<u>\$ 2,353,935</u>

Governmental activities. Governmental activities increased the Town’s net position by \$177,404, thereby accounting for 100% of the total increase in the net position of the Town of Holly Ridge. Key element of this increase is as follows:

- Net increase in property taxes, various other taxes and permits, and charges for services.

Business-type activities. There was no business-type activity in the current year.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Holly Ridge. At the end of the current fiscal year, Town of Holly Ridge's fund balance available in the General fund was \$1,871,725 while total fund balance reached \$2,068,076. The Town currently has an available fund balance of 64.04% of general fund expenditures, while the total balance represents 70.76% of the same amount.

At June 30, 2019, the governmental funds of Town of Holly Ridge reported a combined fund balance of \$2,068,076 with a net increase in fund balance of \$101,392.

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

Revenues were less than the budgeted amounts primarily because of a decrease in taxes and restricted intergovernmental revenues that the Town originally had expected to receive. Total expenditures were held below budgeted amounts.

Proprietary Funds. The Town of Holly Ridge has no proprietary funds in the current year.

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

Capital assets. The Town of Holly Ridge's investment in capital assets for its governmental activities as of June 30, 2019, totals \$1,340,753 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Machinery and equipment acquisition of \$82,918 in governmental activities.
- Vehicles and motorized equipment of \$67,425 in governmental activities.

The Town of Holly Ridge's Capital Assets
(net of depreciation)

Figure 4

	Governmental Activities	
	2019	2018
Land	\$ 76,547	\$ 76,547
Buildings and Infrastructure	1,084,860	1,131,615
Machinery and Equipment	87,697	28,172
Vehicles	91,649	55,742
Total	<u>\$ 1,340,753</u>	<u>\$ 1,292,076</u>

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

Long-term Debt. As of June 30, 2019, the Town of Holly Ridge had total debt outstanding of \$1,345,129. Of this, \$115,000 is debt backed by the full faith and credit of the Town of Holly Ridge.

The Town of Holly Ridge's Outstanding Debt

Figure 5

	Governmental Activities	
	2019	2018
Installment purchase debt	\$ 292,373	\$ 359,344
General obligation bonds	115,000	\$ 135,000
Compensated absences	94,115	86,140
Pension related debt (LGERS)	403,773	259,255
Pension related debt (LEO)	235,307	185,393
Total OPEB Liability	204,561	217,284
Total	<u>\$ 1,345,129</u>	<u>\$ 1,242,416</u>

Town of Holly Ridge Outstanding Debt

The Town of Holly Ridge's total debt increased by \$102,713 during the fiscal year, primarily due to an increase in pension related liabilities.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Holly Ridge is \$26,612,221. The Town of Holly Ridge does not have any authorized but un-issued debt at June 30, 2019.

Additional information regarding the Town of Holly Ridge's long-term debt can be found beginning on page 56 in the Notes to the Financial Statements.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Budgeted expenditures in the General Fund are expected to increase.

Requests for Information

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

**Charles Strickland
Finance Officer
Town of Holly Ridge
PO Box 145
Holly Ridge, NC 28445**



Basic Financial Statements

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Statement of Net Position

June 30, 2019

	Primary Government	
	Governmental	
	Activities	Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,946,597	\$ 1,946,597
Receivables (net):		
Ad Valorem Taxes	58,199	58,199
Interest	18,520	18,520
Accounts	-	-
Due from Other Governments	196,351	196,351
Restricted Cash and Cash Equivalents	146,901	146,901
		-
Total Current Assets	<u>2,366,568</u>	<u>2,366,568</u>
Noncurrent Assets:		
Capital Assets		
Land, Nondepreciable Improvements, and Construction in Progress	76,547	76,547
Other Capital Assets, Net of Depreciation	<u>1,264,206</u>	<u>1,264,206</u>
Total Noncurrent Assets	<u>1,340,753</u>	<u>1,340,753</u>
Total Assets	<u><u>3,707,321</u></u>	<u><u>3,707,321</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	403,218	403,218
OPEB Deferrals	-	-
Total Deferred Outflows of Resources	<u><u>\$ 403,218</u></u>	<u><u>\$ 403,218</u></u>

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Statement of Net Position (Continued)

June 30, 2019

	<u>Primary Governmental</u>		<u>Governmental</u>		<u>Total</u>
	Activities				
LIABILITIES					
Current Liabilities:					
Accounts Payable and					
Accrued Liabilities	\$ 221,772	\$			221,772
Current Portion of Long-Term Liabilities	67,426				67,426
Total Current Liabilities	289,198				289,198
Long-Term Liabilities:					
Net Pension Liability	403,773				403,773
Total Pension Liability	235,307				235,307
Total OPEB Liability	204,561				204,561
Due in More Than One year	434,062				434,062
Total Liabilities	1,566,901				1,566,901
DEFERRED INFLOWS OF RESOURCES					
Pension Deferrals	12,299				12,299
Prepaid Taxes	-				-
Total Deferred Inflows of Resources	12,299				12,299
NET POSITION					
Net Investment in Capital Assets	933,380				933,380
Restricted for:					
Transportation	146,901				146,901
Stabilization by State Statute	196,351				196,351
Unrestricted	1,254,707				1,254,707
Total Net Position	\$ 2,531,339	\$			2,531,339

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 621,599	\$ -	\$ -	\$ -
Public Safety	1,183,321	269,597	927	-
Public Buildings and Grounds	270,450	-	-	-
Streets	423,693	-	56,746	-
Environmental Protection	266,003	305,999	1,143	-
Parks and Recreation	29,192	4,616	-	-
Interest on long-term debt	20,696	-	-	-
Total Governmental Activities	2,814,954	580,212	58,816	-
Total Primary Government	\$ 2,814,954	\$ 580,212	\$ 58,816	\$ -

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Statement of Activities (Continued)

For the Year Ended June 30, 2019

	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
Functions/Programs	Governmental Activities	Totals
Primary Government:		
Governmental Activities:		
General Government	\$ (621,599)	\$ (621,599)
Public Safety	(912,797)	(912,797)
Public Buildings and Grounds	(270,450)	(270,450)
Streets	(366,947)	(366,947)
Environmental Protection	41,139	41,139
Parks and Recreation	(24,576)	(24,576)
Interest on long-term debt	(20,696)	(20,696)
Total Governmental Activities	<u>(2,175,926)</u>	<u>(2,175,926)</u>
Total Primary Government	<u>(2,175,926)</u>	<u>(2,175,926)</u>
General Revenues:		
Property Taxes, Levied for General Purpose	1,343,697	1,343,697
Other Taxes and Licenses	898,953	898,953
Investment Earnings	3,026	3,026
Miscellaneous	107,654	107,654
Transfers	-	-
Total General Revenues and Transfers	<u>2,353,330</u>	<u>2,353,330</u>
Change in Net Position	177,404	177,404
Net Position - Beginning	2,353,935	2,353,935
Net Position - End of Year	<u>\$ 2,531,339</u>	<u>\$ 2,531,339</u>

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2019

	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,946,597	\$ 1,946,597
Restricted Cash	146,901	146,901
Receivables (net):		
Ad Valorem Taxes	58,199	58,199
Sanitation	-	-
Due from Other Governments	196,351	196,351
Total Assets	<u>2,348,048</u>	<u>2,348,048</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	<u>221,773</u>	<u>221,773</u>
Total Liabilities	<u>221,773</u>	<u>221,773</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Receivable	<u>58,199</u>	<u>58,199</u>
Total Deferred Inflows of Resources	<u>58,199</u>	<u>58,199</u>
FUND BALANCES		
Restricted		
Stabilization by State Statute	196,351	196,351
Streets	146,901	146,901
Assigned		
Subsequent Year's Expenditures:	313,278	313,278
Unassigned	1,411,546	1,411,546
Total Fund Balances	<u>2,068,076</u>	<u>2,068,076</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,348,048</u>	<u>\$ 2,348,048</u>

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2019

	Total Governmental Funds
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total Governmental Fund Balance	\$ 2,068,076
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical costs	\$ 2,477,809
Accumulated depreciation	<u>(1,137,056)</u>
	1,340,753
Deferred outflows of resources related to pensions are not reported in the funds	403,218
Deferred outflows of resources related to OPEB are not reported in the funds	-
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred	
Accrued interest - taxes	18,520
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	
Ad valorem taxes	58,199
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Installment purchases and General Obligation Bond	(407,372)
Compensated absences	(94,115)
Total pension liability	(235,307)
Net pension liability	(403,773)
Total OPEB liability	<u>(204,561)</u>
	(1,345,128)
Pension related deferrals	<u>(12,299)</u>
Net position of governmental activities	<u>\$ 2,531,339</u>

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

	<u>Major Fund</u>	
	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues		
Ad Valorem Taxes	\$ 1,375,578	\$ 1,375,578
Unrestricted Intergovernmental	898,953	898,953
Restricted Intergovernmental	58,816	58,816
Permits and Fees	269,597	269,597
Sales and Services	310,615	310,615
Investment Earnings	3,026	3,026
Miscellaneous	107,124	107,124
Total Revenues	<u>3,023,709</u>	<u>3,023,709</u>
Expenditures		
Current		
General Government	613,241	613,241
Public Safety	1,106,987	1,106,987
Public Building and Grounds	270,450	270,450
Streets	378,963	378,963
Environmental Protection	266,003	266,003
Parks and Recreation	29,192	29,192
Debt Service		
Principal	86,971	86,971
Interest and Other charges	20,696	20,696
Capital Outlay		
Public Safety	92,731	92,731
Streets	57,612	57,612
Public Building and Grounds	-	-
Total Expenditures	<u>2,922,846</u>	<u>2,922,846</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>100,863</u>	<u>100,863</u>
Other Financing Sources (Uses)		
Installment Purchase Obligations Issued	-	-
Sale of Capital Assets	529	529
Total Other Financing Sources (Uses)	<u>529</u>	<u>529</u>
Net Change in Fund Balance	101,392	101,392
Fund Balance - Beginning of Year	<u>1,966,684</u>	<u>1,966,684</u>
Fund Balance - End of Year	<u>\$ 2,068,076</u>	<u>\$ 2,068,076</u>

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Governmental Funds

For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$	101,392
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized	150,343	
Depreciation expense	<u>(101,666)</u>	48,677

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	<u>88,881</u>	88,881
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	<u>8,651</u>	8,651
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OPEB Benefit payments paid and administrative costs made in the current fiscal year are not included on the Statement of Activities	<u>-</u>	-
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Change in unavailable revenue for tax revenues	(19,082)	
Interest earned on ad valorem taxes	<u>(12,799)</u>	(31,881)

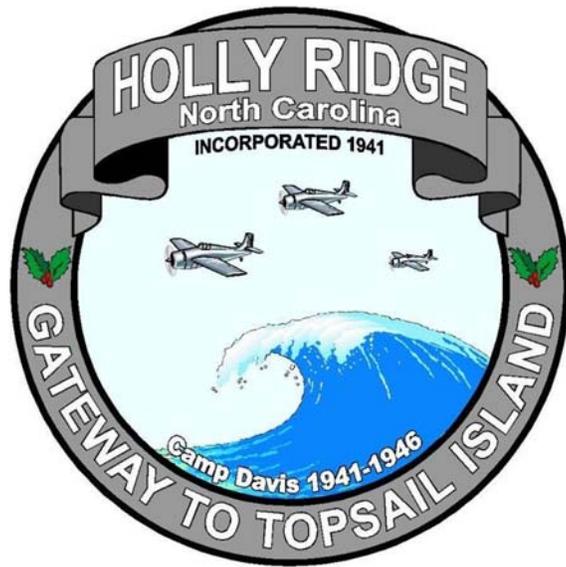
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issuance	-	
Debt retirement	<u>86,971</u>	86,971

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:

Pension Expense	(130,036)	
OPEB Plan Expense	12,724	
Compensated absences	<u>(7,975)</u>	(125,287)

Total changes in net position of governmental activities	<u>\$</u>	<u>177,404</u>
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TOWN OF HOLLY RIDGE, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2019

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 1,416,904	\$ 1,416,904	\$ 1,375,578	\$ (41,326)
Unrestricted Intergovernmental	736,275	881,871	898,953	17,082
Restricted Intergovernmental	58,552	248,070	58,816	(189,254)
Permits and Fees	132,245	132,245	269,597	137,352
Sales and Services	314,912	317,312	310,615	(6,697)
Investment Earnings	100	100	3,026	2,926
Miscellaneous	39,740	50,840	107,124	56,284
Total Revenues	2,698,728	3,047,342	3,023,709	(23,633)
Expenditures				
General Government	640,445	679,328	613,241	66,087
Public Safety	1,162,090	1,218,878	1,199,718	19,160
Public Buildings and Grounds	69,150	278,928	270,450	8,478
Streets	546,644	587,611	436,575	151,036
Environmental Protection	236,262	266,003	266,003	-
Parks and Recreation	66,714	66,714	29,192	37,522
Debt Service				
Principal Retirement	89,184	89,184	86,971	2,213
Interest and Other Charges	20,696	20,696	20,696	-
Total Expenditures	2,831,185	3,207,342	2,922,846	284,496
Revenues Over (Under) Expenditures	(132,457)	(160,000)	100,863	260,863
Other Financing Sources (Uses)				
Sale of Capital Assets	10,000	10,000	529	(9,471)
Installment Purchase Obligations Issued	-	-	-	-
Total Other Financing Sources (Uses)	10,000	10,000	529	(9,471)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(122,457)	(150,000)	101,392	251,392
Appropriated Fund Balance	122,457	150,000	-	(150,000)
Net Change in Fund Balance	\$ -	\$ -	101,392	\$ 101,392
Fund Balance - Beginning of Year			1,966,684	
Fund Balance - End of Year			\$ 2,068,076	

TOWN OF HOLLY RIDGE, 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 Holly Ridge 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 Holly Ridge is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on the major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds.

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Fund Accounting (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 public safety, general government, street maintenance and construction, sanitation services, and parks and recreation.

C. Measurement Focus and Basis of Accounting

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

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

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

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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The finance officer may transfer amounts between objects of expenditures within a department without limitations and without an official report being requested. Any other transfer or revisions that alter the total expenditures of any fund must be approved by the governing board. 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.

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT – Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

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

<u>Town of Holly Ridge Restricted Cash</u>	
Governmental Activities	
General Fund	
Streets	\$ 146,901
Total Governmental Activities	<u>\$ 146,901</u>
Total Restricted Cash	<u>\$ 146,901</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs for all assets is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. As a Phase 3 government, the Town is not required to report major general infrastructure assets retroactively and, as such, has elected not to include these assets in their basic financial statements. As a result, the governmental activities column in the government-wide financial statements does not reflect those infrastructure asset projects completed before July 1, 2003. However, it does reflect those assets that were completed subsequent to that date. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	25
Buildings	50
Improvements	25
Vehicles	5
Furniture and Equipment	10
Computer Equipment	3

7. Deferred Outflows/Inflows of Resources

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

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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.

9. Compensated Absences

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

The Town's sick leave policy provides for an unlimited accumulation of the number of days of earned sick leave. Employees who separate from the Town in good standing and who have provided at least five years of continued service are eligible to receive a twenty-five percent pay out of the employee's sick leave total upon separation. All unused sick leave will then be transferred to the State plan for retirement benefit purposes or to the accepting government entity if the employee is not retiring. 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.

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Net Assets/Fund Balances (Continued)

Assigned Fund Balance – portion of fund balance that Town of Holly Ridge intends to use for specific purposes.

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

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

The Town of Holly Ridge has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed 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.

11. 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 Holly Ridge's employer contributions are recognized when due and the Town of Holly Ridge 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 HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in this unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents 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, and 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 \$2,093,373 and a bank balance of \$2,091,353. Of the bank balance, \$611,038 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$125.

2. Receivables - Allowances for Doubtful Accounts

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

Fund	06/30/2019
General Fund:	
Taxes receivable	\$ 6,500
Total General Fund	\$ <u>6,500</u>

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 76,547	\$ -	\$ -	\$ 76,547
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>76,547</u>	<u>-</u>	<u>-</u>	<u>76,547</u>
Capital assets being depreciated:				
Buildings and Infrastructure	1,649,409	-	-	1,649,409
Machinery and Equipment	198,532	82,918	-	281,450
Vehicles and Motorized equipment	402,978	67,425	-	470,403
Total capital assets being depreciated	<u>2,250,919</u>	<u>150,343</u>	<u>-</u>	<u>2,401,262</u>
Less accumulated depreciation for:				
Buildings and Infrastructure	517,794	46,755	-	564,549
Machinery and Equipment	170,360	23,393	-	193,753
Vehicles and Motorized equipment	347,236	31,518	-	378,754
Total accumulated depreciation	<u>1,035,390</u>	<u>101,666</u>	<u>-</u>	<u>1,137,056</u>
Total capital assets being depreciated, net	<u>1,215,529</u>			<u>1,264,206</u>
Governmental activity capital assets, net	<u>\$ 1,292,076</u>			<u>\$ 1,340,753</u>

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

General Government	\$ 9,031
Public Safety	47,821
Streets	44,814
Total Depreciation Expense	<u>\$ 101,666</u>

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Holly Ridge 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 government 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 serves 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, or by calling (919) 981-5454 or at www.osc.nc.gov.

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

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (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. Town of Holly Ridge employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Holly Ridge'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 costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Holly Ridge were \$88,881 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 \$403,773 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 liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the Town's proportion was 0.01702%, which was an increase of 0.00005% from its proportion measured as of June 30, 2017.

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****a. Local Governmental Employees' Retirement System (Continued)**

For the year ended June 30, 2019, the Town recognized pension expense of \$120,294. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,293	\$ 2,090
Changes of assumptions	107,146	-
Net difference between projected and actual earnings on pension plan investments	55,426	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,647	1,770
Town contributions subsequent to the measurement date	88,881	-
Total	<u>\$ 327,393</u>	<u>\$ 3,860</u>

\$88,881 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 outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 114,081
2021	74,430
2022	14,402
2023	31,739
2024	-
Thereafter	-
	<u>\$ 234,652</u>

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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 to 8.10 percent, including inflation and productivity factor
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.

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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 3.00%. All rates of return and inflation are annualized.

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 969,897	\$ 403,773	\$ (69,290)

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.

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	1
Active plan members	<u>10</u>
Total	<u><u>11</u></u>

2. Summary of Significant Accounting Policies:

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

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

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 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	2.50 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 weekly average of the S&P Municipal Bond 20-year High Grade Rate Index determined at the end of each month.

Mortality rates are projected to the valuation date using MP-2015, projected forward generationally from the valuation using MP-2015.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$-0- as benefits came due for the reporting period.

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)****b. Law Enforcement Officers Special Separation Allowance (Continued)****4. Contributions (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 \$235,307. 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 \$29,304.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,895	\$ -
Changes of assumptions	7,279	8,439
Town benefit payments and plan administrative expense subsequent to the measurement date	8,651	-
Total	<u>\$ 75,825</u>	<u>\$ 8,439</u>

\$8,651 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, 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	\$ 11,550
2021	11,550
2022	11,550
2023	11,550
2024	9,920
Thereafter	2,615
	<u>\$ 58,735</u>

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (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 3.64 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 (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total Pension Liability	\$ 251,873	\$ 235,307	\$ 220,016

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

	<u>2019</u>
Beginning balance	\$ 185,393
Service Cost	12,205
Interest on the total pension liability	5,549
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	59,508
Changes of assumptions or other inputs	(7,789)
Benefit payments	(19,559)
Other changes	-
Ending balance of the total pension liability	\$ <u>235,307</u>

The plan currently uses mortality tables that vary by age, 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 HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****1. Pension Plan Obligations (Continued)*****Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions***

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 120,294	\$ 29,304	\$ 149,598
Pension Liability	403,773	235,307	639,080
Proportionate share of the net pension liability	0.01702%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	62,293	59,895	122,188
Changes of assumptions	107,146	7,279	114,425
Net difference between projected and actual earnings on plan investments	55,426	-	55,426
Changes in proportion and differences between contributions and proportionate share of contributions	13,647	-	13,647
Benefit payments and administrative costs paid subsequent to the measurement date	88,881	8,651	97,532
Deferred Inflows of Resources			
Differences between expected and actual experience	2,090	-	2,090
Changes of assumptions	-	8,439	8,439
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,770	-	1,770

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the 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. The Town made contributions of \$42,169 for the reporting year. No amounts were forfeited.

The Town has also elected for all employees not engaged in law enforcement to be covered under the Supplemental Retirement Income Plan. The Town made contributions of \$16,699 for the reporting year. No amounts were forfeited.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post-Employment Benefits

Healthcare Benefits

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

Benefits Provided. In 2010, the Town discontinued providing health care benefits to vested employees retiring from Town employment. The Town has one current employee who had vested in the plan before the change. The Town pays the full cost of coverage for these benefits through private insurers. The Town’s retiree cannot purchase spouse or dependent coverage.

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the last actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	1	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	0	0
Total	<u>1</u>	<u>0</u>

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post-Employment Benefits (Continued)

Total OPEB Liability

The Town's total OPEB liability of \$204,561 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 217,284
Changes for the year	
Service Cost	-
Interest	7,380
Changes of benefit terms	-
Differences between expected and actual experience	3,190
Changes of assumptions or other inputs	(3,162)
Benefit payments	(20,131)
Net Changes	<u>(12,723)</u>
Balance at June 30, 2019	<u>\$ 204,561</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post-Employment Benefits (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB Liability	\$ 214,371	\$ 204,561	\$ 195,407

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

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 194,600	\$ 204,561	\$ 215,058

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$7,408. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post-Employment Benefits (Continued)

\$-0- reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 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	\$	-
2021		-
2022		-
2023		-
2024		-
Thereafter		-
	<u>\$</u>	<u>-</u>

2. Other Employment Benefits

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

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)**B. Liabilities (Continued)****3. Deferred Outflows and Inflows of Resources**

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

Contributions to pension plan in current fiscal year	\$	88,881
Benefit payments made and administrative expenses for LEOSSA		8,651
Differences between expected and actual experience		122,188
Changes of assumptions		114,425
Net difference between projected and actual		55,426
Changes in proportion and differences between employer contributions and proportionate share of contributions		13,647
Total	<u>\$</u>	<u>403,218</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Taxes Receivable (General Fund)	-	58,199
Changes in assumptions	8,439	-
Difference between expected and actual experience	2,090	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,770	-
Total	<u>\$ 12,299</u>	<u>\$ 58,199</u>

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability of \$1 million per occurrence, property coverage up to total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. The Town does not hold any flood insurance

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 required to be insured by means of a performance bond through a commercial bond agency. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond in the amount of \$25,000.

5. Claims, Judgements and Contingent Liabilities

At June 30, 2019, the Town did not have any litigation pending.

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations

a. Installment Purchases

On August 27, 2007, the Town entered into a \$296,400 installment contract to finance the construction of a police building. The financing contract requires principal payments of \$19,760 with an interest rate of 4.17%. Final payment is scheduled for August 2022. The outstanding principal balance at June 30, 2019 was \$79,040.

On December 19, 2011, the Town entered into a \$400,000 installment contract to finance street improvements. The financing contract requires principal payments of \$26,667 with an interest rate of 4.03%. Final payment is scheduled for December 2026. The outstanding principal balance at June 30, 2019 was \$213,333.

On August 15, 2016, the Town entered into a \$60,623 installment contract to finance two Dodge Chargers. The financing contract requires payments of \$20,974 with an interest rate of 2.09%. This debt was paid off during the current fiscal year.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 46,426	\$ 11,893
2021	46,427	9,995
2022	46,427	8,096
2023	46,427	6,197
2024	26,667	4,299
2025-2029	79,999	6,448
Total	<u>\$ 292,373</u>	<u>\$ 46,928</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

b. General Obligation Bonds

General Obligation Bonds payable at June 30, 2019, are comprised of the following individual issue:

Serviced by the General Fund:

Bond executed on August 2, 2004 for \$325,000, to finance street improvements and requires variable principle payments with an interest rate of 4.75%. Final payment is due in June 2024. The outstanding principal balance at June 30, 2019 was \$115,000.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 21,000	\$ 5,462
2021	22,000	4,465
2022	23,000	3,420
2023	24,000	2,328
2024	25,000	1,188
2025-2029	-	-
Total	\$ 115,000	\$ 16,863

At June 30, 2019, the Town of Holly Ridge had a legal debt margin of \$26,612,221.

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

c. Changes in Long-Term Liabilities

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Installment purchases	\$ 359,344	\$ -	\$ 66,971	\$ 292,373	\$ 46,426
General obligation bond	135,000	-	20,000	115,000	21,000
Net pension liability (LGERS)	259,255	144,518	-	403,773	-
Total pension liability (LEO)	185,393	49,914	-	235,307	-
Total OPEB liability	217,284	-	12,723	204,561	-
Compensated absences	86,140	7,975	-	94,115	-
Governmental activity long-term liabilities	<u>\$ 1,242,416</u>	<u>\$ 202,407</u>	<u>\$ 99,694</u>	<u>\$ 1,345,129</u>	<u>\$ 67,426</u>

Compensated absences typically have been liquidated in the General Fund.

C. Net Investment in Capital Assets

	Governmental
Capital Assets	\$ 1,340,753
less: long-term debt	407,373
Add: unexpended debt proceeds	-
Net Investment in Capital Assets	<u>\$ 933,380</u>

D. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$	2,068,076
Less:		
Stabilization by State Statute		196,351
Streets		146,901
Public Safety		-
Appropriated Fund Balance in 2019-2020 budget		313,278
Remaining Fund Balance		1,411,546

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances	General Fund	Non-Major Funds
-	\$ -	\$ -

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2019

III. 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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

IV. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 23, 2020, which is the date the financial statements were available to be issued.



Required Supplementary

Financial Data

TOWN OF HOLLY RIDGE, NORTH CAROLINA
 Proportionate Share of Net Pension Liability (Asset)
 Required Supplementary Information
 Last Six Fiscal Years*

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Holly Ridge's proportion of the net pension liability (asset) (%)	0.01702%	0.01697%	0.01509%	0.01342%	0.02898%	0.02898%
Holly Ridge's proportion of the net pension liability (asset) (\$)	\$ 403,773	\$ 259,255	\$ 320,260	\$ 60,228	\$ (75,900)	\$ 161,521
Holly Ridge's covered-employee payroll	\$ 1,038,363	\$ 961,478	\$ 961,961	\$ 739,184	\$ 756,699	\$ 780,343
Holly Ridge's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.89%	26.96%	33.29%	8.15%	(10.03%)	20.70%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	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 HOLLY RIDGE, NORTH CAROLINA

Town of Holly Ridge's Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 88,881	\$ 81,912	\$ 73,747	\$ 67,082	\$ 57,159	\$ 52,238
Contributions in relation to the contractually required contribution	88,881	81,912	73,747	67,082	57,159	52,238
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Holly Ridge's covered employee payroll	\$ 1,090,053	\$ 1,038,363	\$ 961,478	\$ 961,961	\$ 739,184	\$ 756,699
Contributions as a percentage of covered-employee payroll	8.15%	7.89%	7.67%	6.97%	7.73%	6.90%

TOWN OF HOLLY RIDGE, NORTH CAROLINA
 Schedule of Changes in Total Pension Liability
 June 30, 2019

Law Enforcement Officers' Special Separation Allowance

	2019	2018	2017
Beginning balance	\$ 185,393	\$ 164,315	\$ 153,472
Service cost	12,205	9,946	8,614
Interest on the total pension liability	5,549	5,965	5,479
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	59,508	14,189	-
Changes of assumptions or other inputs	(7,789)	10,537	(3,250)
Benefit payments	(19,559)	(19,559)	-
Other changes	-	-	-
Ending balance of the total pension liability	\$ 235,307	\$ 185,393	\$ 164,315

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

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll

June 30, 2019

Law Enforcement Officers' Special Separation Allowance

	2019	2018	2017
Total pension liability	\$ 235,307	\$ 185,393	\$ 164,315
Covered payroll	467,999	464,322	380,556
Total pension liability as a percentage of covered payroll	<u>50.28%</u>	<u>39.93%</u>	<u>43.18%</u>

Notes to the schedules:

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

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Schedule of Changes in the Total OPEB Liability and Related Ratios

June 30, 2019

<u>Total OPEB Liability</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ -	\$ -
Interest	7,380	7,005
Changes of benefit terms	-	-
Differences between expect and actual experience	3,190	(16,046)
Changes of assumptions	(3,162)	(6,390)
Benefit payments	(20,131)	-
Net changes in Total OPEB Liability	(12,723)	(15,431)
Total OPEB Liability - Beginning	217,284	232,715
Total OPEB Liability - Ending	\$ 204,561	\$ 217,284
Covered Payroll	N/A*	N/A*
Total OPEB Liability as a percentage of covered payroll	N/A*	N/A*

*Covered payroll is not-applicable since there are no active members in the plan

Notes to Schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

Major Governmental Funds

General Fund

TOWN OF HOLLY RIDGE, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 1,355,619	
Penalties and Interest		19,959	
Total Ad Valorem Taxes	\$ 1,416,904	1,375,578	\$ (41,326)
Other Taxes and Licenses			
Privilege Licenses		-	
Total Other Taxes and Licenses	-	-	-
Unrestricted Intergovernmental			
Local Option Sales Tax		709,554	
Utility Sales Tax		148,379	
ABC Profit Distribution		33,899	
Beer and Wine Tax		7,121	
Total Unrestricted Intergovernmental	881,871	898,953	17,082
Restricted Intergovernmental			
Powell Bill Allocation		56,746	
Controlled Substance Tax		927	
Solid Waste Disposal Tax		1,143	
Total Restricted Intergovernmental	248,070	58,816	(189,254)
Permits and Fees			
Building Permits		249,002	
Zoning Permits		20,595	
Total Permits and Fees	132,245	269,597	137,352
Sales and Services			
Recreation Department Fees		4,616	
Solid Waste Fees		305,999	
Total Investment Earnings	317,312	310,615	(6,697)
Investment Earnings			
General		2,974	
Powell Bill		52	
Total Investment Earnings	100	3,026	2,926
Miscellaneous			
Other		107,124	
Total Miscellaneous	50,840	107,124	56,284
Total Revenues	3,047,342	3,023,709	(23,633)

TOWN OF HOLLY RIDGE, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government:			
Governing Body			
Other Expenditures		165,532	
Total Governing Body	194,365	165,532	28,833
Administration			
Salaries and Employee Benefits		225,354	
Other Expenditures		23,921	
Total Administration	259,841	249,275	10,566
Finance			
Salaries and Employee Benefits		72,262	
Other Expenditures		41,844	
Total Finance	118,263	114,106	4,157
Non-Departmental			
Other Expenditures		84,328	
Total Non-Departmental	106,859	84,328	22,531
Total General Government	679,328	613,241	66,087
Public Safety:			
Police Department			
Salaries and Employee Benefits		766,168	
Other Expenditures		102,528	
Capital Outlay		73,175	
Total Police	953,528	941,871	11,657
Inspections			
Salaries and Employee Benefits		174,203	
Other Expenditures		64,088	
Capital Outlay		19,556	
Total Inspections	265,350	257,847	7,503
Total Public Safety	1,218,878	1,199,718	19,160
Public Building and Grounds			
Other Expenditures		270,450	
Capital Outlay		-	
Total Public Building and Grounds	278,928	270,450	8,478
Streets			
Salaries and Employee Benefits		276,144	
Other Expenditures		84,805	
Powell Bill Expenditures		18,014	
Capital Outlay		57,612	
Total Streets	587,611	436,575	151,036

TOWN OF HOLLY RIDGE, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Environmental Protection			
Other Expenditures		266,003	
Total Environmental Protection	266,003	266,003	-
Parks and Recreation			
Salaries and Employee Benefits		2,083	
Other Expenditures		27,109	
Total Parks and Recreation	66,714	29,192	37,522
Debt Service			
Principal Retirement		86,971	
Interest and Other Charges		20,696	
Total Debt Service	109,880	107,667	2,213
Total Expenditures	3,207,342	2,922,846	284,496
Excess (Deficiency) of Revenues Over (Under) Expenditures	(160,000)	100,863	260,863
Other Financing Sources (Uses)			
Sale of Capital Assets	10,000	529	(9,471)
Installment Purchase Obligations Issued	-	-	-
Total Other Financing Sources (Uses)	10,000	529	(9,471)
Fund Balance Appropriated	150,000	-	(150,000)
Net Change in Fund Balance	<u>\$ -</u>	101,392	<u>\$ 101,392</u>
Fund Balance - Beginning of Year		1,966,684	
Fund Balance - End of Year		<u>\$ 2,068,076</u>	

Other Schedules

TOWN OF HOLLY RIDGE, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance 7-1-18</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6-30-19</u>
2018-19	\$ -	\$ 1,347,929	\$ 1,331,973	\$ 15,956
2017-18	15,324	-	8,965	6,359
2016-17	7,464	-	2,340	5,124
2015-16	7,989	-	1,342	6,647
2014-15	4,543	-	1,162	3,381
2013-14	6,492	-	1,565	4,927
2012-13	6,952	-	1,951	5,001
2011-12	4,247	-	976	3,271
2010-11	4,573	-	879	3,694
2009-10	15,201	-	4,862	10,339
2008-09	13,096	-	13,096	-
	<u>\$ 85,881</u>	<u>\$ 1,347,929</u>	<u>\$ 1,369,111</u>	64,699

Less: Allowance for Uncollectible Accounts:

General Fund

6,500

Ad Valorem Taxes Receivable - Net

\$ 58,199

Reconciliation with Revenues

Ad Valorem Taxes - General Fund

1,375,578

Reconciling Items:

Interest and Penalties Collected

(19,959)

Taxes Released

396

Taxes Written Off

13,096

Total Collections and Credits

\$ 1,369,111

TOWN OF HOLLY RIDGE, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2019

	Town-Wide		Total Levy			
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles		
	Property Valuation	Rate Per \$100	Amount of Levy			
Original Levy:						
Property Taxed at						
Current Year's Rate	\$ 332,754,514	0.405	\$ 1,347,656	\$ 1,250,088	\$	97,568
Penalties	-		685	685		-
	<u>332,754,514</u>		<u>1,348,341</u>	<u>1,250,773</u>		<u>97,568</u>
Discoveries:						
Current Year Taxes	-	0.405	-	-		-
Penalties	-		-	-		-
	<u>-</u>		<u>-</u>	<u>-</u>		<u>-</u>
Abatements:						
Property Taxes -						
Current Year's Rate	(101,748)	0.405	\$ (412)	(412)		-
Total Property Valuations	<u>\$ 332,652,766</u>					
Net Levy			1,347,929	1,250,361		97,568
Uncollected Taxes at June 30, 2019			15,956	15,956		-
Current Year's Taxes Collected			<u>\$ 1,331,973</u>	<u>\$ 1,234,405</u>	<u>\$</u>	<u>97,568</u>
Current Levy Collection Percentage			<u>98.82%</u>	<u>98.72%</u>		<u>100.00%</u>

