

**TOWN OF HOLDEN BEACH
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

TOWN OF HOLDEN BEACH, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden Beach, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Holden Beach's basic financial statements as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden Beach, North Carolina, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and BPART Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020, on our consideration of the Town of Holden Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Holden Beach's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Holden Beach's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 16, 2020

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Management's Discussion and Analysis

As management of the Town of Holden Beach, we offer readers of the Town of Holden Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Holden Beach for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

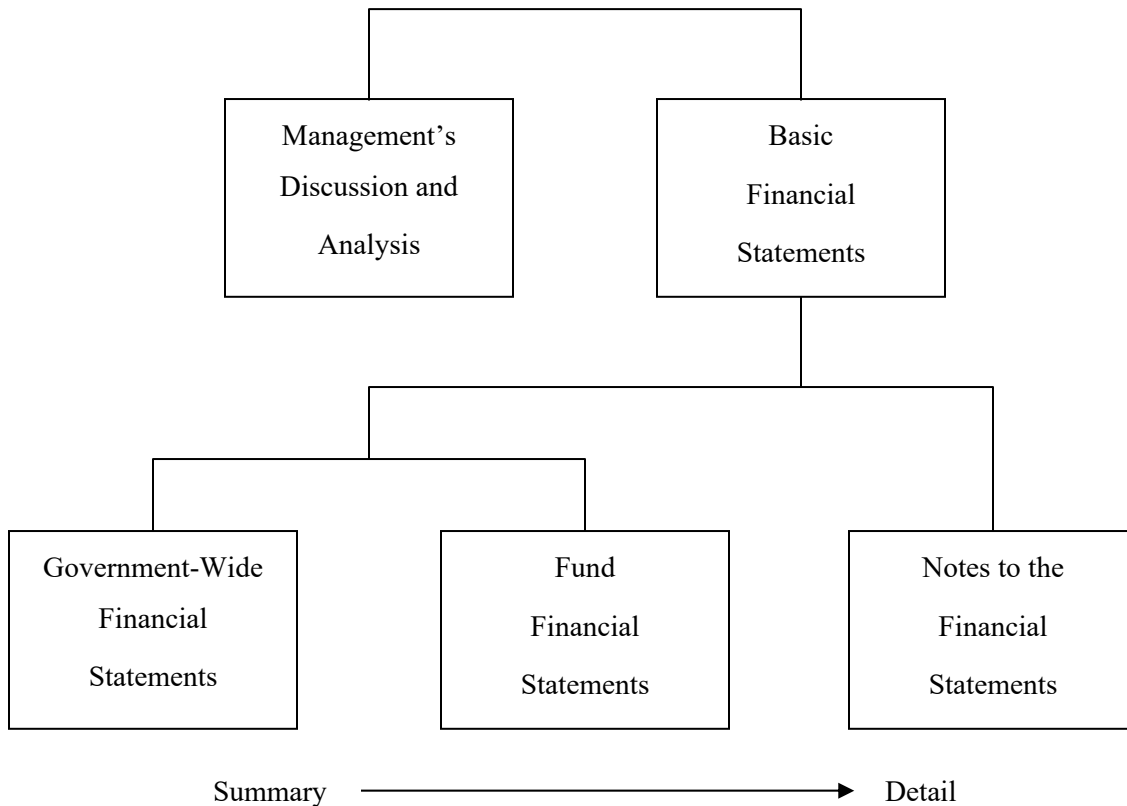
- The assets and deferred outflows of resources of the Town of Holden Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,693,619 (*net position*).
- The government's total net position increased by \$3,274,077, primarily due to an increase in the governmental activities of \$2,694,520 and increases in the business-type activities of \$579,557.
- As of the close of the current fiscal year, the Town of Holden Beach's governmental funds reported combined ending fund balances of \$12,908,385, an increase of \$1,440,892 in comparison with the prior year. Of this amount, \$2,849,394, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,849,394, or 112%, of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of the Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **government-wide financial statements**. They provide both short and long-term information about the Town's financial status.

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

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

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

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

The Town of Holden Beach adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: (1) the original budget as adopted by the Board; (2) the final budget as amended by the Board; (3) the actual resources, charges to appropriations, and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges.

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit I of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Holden Beach. Required supplementary information can be found following the notes to the financial statements in this report.

Government-Wide Financial Analysis

Town of Holden Beach's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets and Deferred						
Outflows of Resources:						
Current and other assets	\$ 13,156,468	\$ 11,816,522	\$ 3,075,203	\$ 3,693,065	\$ 16,231,671	\$ 15,509,587
Capital assets	7,289,635	7,279,520	18,250,030	17,777,672	25,539,665	25,057,192
Deferred outflows of resources	317,533	345,319	34,554	44,349	352,087	389,668
Total assets and deferred outflows of resources	<u>20,763,636</u>	<u>19,441,361</u>	<u>21,359,787</u>	<u>21,515,086</u>	<u>42,123,423</u>	<u>40,956,447</u>
Liabilities and Deferred						
Inflows of Resources:						
Long-term liabilities	9,145,644	10,477,940	428,435	523,609	9,574,079	11,001,549
Other liabilities	1,591,631	1,610,274	205,897	846,140	1,797,528	2,456,414
Deferred inflows of resources	55,023	76,329	3,174	2,613	58,197	78,942
Total liabilities and deferred inflows of resources	<u>10,792,298</u>	<u>12,164,543</u>	<u>637,506</u>	<u>1,372,362</u>	<u>11,429,804</u>	<u>13,536,905</u>
Net Position:						
Net investment in capital assets	5,897,681	5,687,566	17,815,412	16,615,268	23,713,093	22,302,834
Restricted	712,689	124,472	-	-	712,689	124,472
Beach renourishment/beach inlet	5,599,869	-	-	-	5,599,869	-
Unrestricted	(2,238,901)	1,464,780	2,906,869	3,527,456	667,968	4,992,236
Total net position	<u>\$ 9,971,338</u>	<u>\$ 7,276,818</u>	<u>\$ 20,722,281</u>	<u>\$ 20,142,724</u>	<u>\$ 30,693,619</u>	<u>\$ 27,419,542</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Holden Beach exceeded liabilities and deferred inflows by \$30,693,619 as of June 30, 2020. The Town's net position increased by \$3,274,077 for the fiscal year ended June 30, 2020. The largest portion of net position (77%) reflects the Town's net investment in capital assets (e.g., land, construction in progress, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Holden Beach

uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Holden Beach's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Holden Beach's net position, \$9,805,957 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(2,825,431) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.76% which approximates the statewide average in 2019 of 97.22%.

Town of Holden Beach's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 371,321	\$ 357,687	\$ 2,132,709	\$ 1,982,652	\$ 2,504,030	\$ 2,340,339
Operating grants and contributions	373,553	136,274	-	9,316	373,553	145,590
Capital grants and contributions	-	-	1,629,266	1,610,610	1,629,266	1,610,610
General revenues:						
Property taxes	2,738,576	2,769,825	-	-	2,738,576	2,769,825
Other taxes	3,008,435	2,931,730	-	-	3,008,435	2,931,730
Other	248,147	943,902	33,254	63,550	281,401	1,007,452
Total revenues	<u>6,740,032</u>	<u>7,139,418</u>	<u>3,795,229</u>	<u>3,666,128</u>	<u>10,535,261</u>	<u>10,805,546</u>
Expenses:						
General government	951,050	1,348,055	-	-	951,050	1,348,055
Public safety	1,024,761	1,041,948	-	-	1,024,761	1,041,948
Transportation	236,625	297,635	-	-	236,625	297,635
Environmental protection	148,966	112,511	-	-	148,966	112,511
Beach nourishment	1,389,408	2,702,366	-	-	1,389,408	2,702,366
Interest on long-term debt	294,701	291,694	-	-	294,701	291,694
Water and sewer	-	-	3,215,672	3,543,405	3,215,672	3,543,405
Total expenses	<u>4,045,512</u>	<u>5,794,209</u>	<u>3,215,672</u>	<u>3,543,405</u>	<u>7,261,184</u>	<u>9,337,614</u>
Change in net position	<u>2,694,520</u>	<u>1,345,209</u>	<u>579,557</u>	<u>122,723</u>	<u>3,274,077</u>	<u>1,467,932</u>
Net Position:						
Beginning of year - July 1	7,276,818	5,337,181	20,142,724	20,521,627	27,419,542	25,858,808
Restatement	-	594,428	-	(501,626)	-	92,802
Beginning of year, as restated	<u>7,276,818</u>	<u>5,931,609</u>	<u>20,142,724</u>	<u>20,020,001</u>	<u>27,419,542</u>	<u>25,951,610</u>
End of year - June 30	<u>\$ 9,971,338</u>	<u>\$ 7,276,818</u>	<u>\$ 20,722,281</u>	<u>\$ 20,142,724</u>	<u>\$ 30,693,619</u>	<u>\$ 27,419,542</u>

Governmental Activities. Governmental activities increased the Town of Holden Beach's net position by \$2,694,520.

Business-Type Activities. Business-type activities increased the Town of Holden Beach's net position by \$579,557.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Holden Beach. At the end of the current fiscal year, available fund balance of the General Fund was \$3,102,428, while total fund balance was \$3,229,697. The governing body of the Town of Holden Beach has determined that the Town should maintain an available fund balance of 40% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 122% of General Fund expenditures, while total fund balance represents 127% of the same amount.

At June 30, 2020, the governmental funds of the Town of Holden Beach reported a combined fund balance of \$12,908,385 with an increase in fund balance of \$1,440,892.

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

The budgetary amendments for FY 19-20 were due to necessary increases in appropriations in order to meet and maintain service needs of the Town's departments.

Proprietary Funds. The Town of Holden Beach's proprietary fund provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,906,869. The total change in net position in the Water and Sewer Fund was an increase of \$579,557. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Holden Beach's business-type activities.

Capital Assets and Debt Administration

Capital Assets. The Town of Holden Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$25,539,665 (net of accumulated depreciation and amortization). These assets include buildings, land, improvements, equipment, water capacity, and construction in progress.

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

- Purchase of a vehicle
- Improvements in infrastructure

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and construction in progress	\$ 2,648,983	\$ 2,648,983	\$ 1,121,067	\$ 140,296	\$ 3,770,050	\$ 2,789,279
Buildings and distribution systems	3,390,289	3,478,509	16,679,533	17,158,473	20,069,822	20,636,982
Improvements and infrastructure	1,071,433	999,656	129,105	132,786	1,200,538	1,132,442
Machinery and equipment	89,823	62,538	221,984	265,938	311,807	328,476
Vehicles	89,107	89,834	98,341	80,179	187,448	170,013
Total	<u>\$ 7,289,635</u>	<u>\$ 7,279,520</u>	<u>\$ 18,250,030</u>	<u>\$ 17,777,672</u>	<u>\$ 25,539,665</u>	<u>\$ 25,057,192</u>

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

Long-Term Debt. As of June 30, 2020, the Town of Holden Beach had total debt of \$10,976,636 (excluding compensated absences). There was a net decrease in total debt of \$2,073,075. The key factors of this decrease was the scheduled repayment of debt.

Town of Holden Beach's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Direct placement installment purchase	\$ 9,791,954	\$ 11,191,954	\$ -	\$ -	\$ 9,791,954	\$ 11,191,954
Direct Placement bond anticipation notes	-	-	434,618	1,162,404	434,618	1,162,404
Net pension liability (LGRS)	424,262	422,043	57,473	57,170	481,735	479,213
Net pension liability (LEO)	268,329	216,140	-	-	268,329	216,140
Compensated absences	81,465	70,803	25,548	31,821	107,013	102,624
Total	<u>\$ 10,566,010</u>	<u>\$ 11,900,940</u>	<u>\$ 517,639</u>	<u>\$ 1,251,395</u>	<u>\$ 11,083,649</u>	<u>\$ 13,152,335</u>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Holden Beach is approximately \$96,552,059. There were no authorized bonds that had not been issued as of June 30, 2020.

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

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Holden Beach declared a state of emergency on March 23, 2020 due to the viral pandemic effects of COVID 19 and which has remained in place through the end of the fiscal year. All Town services have been significantly impacted by the necessity to implement social distancing practices at the start of tourist season that historically provides substantial operating revenues not only for the Town but for the surrounding communities as well. It is anticipated that per capita state revenue distributions will not be impacted as greatly as locally collected occupancy taxes may be but increased expenses like those related to increased cleaning of public facilities and overtime expenses associated with quarantining of personnel exposed to the virus will no doubt stretch thin Town personnel and resources.
- The Town continues to have a steady revenue stream of occupancy tax dollars despite the impacts and threats of the COVID 19 global pandemic to the travel and tourism economy. Accommodations tax collections for the year ending June 30, 2020 were 7% above budgeted amounts.
- Construction on the island has surged in the last half of the fiscal year with inspections related revenue pushing 30% above the FY19/20 forecast.
- Major state distributed revenues of sales tax and utilities franchise tax also exceeded budgeted expectations.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities. The Town's ad valorem tax rate for the fiscal year ending June 30, 2021 is 20 cents per one hundred dollars of valuation. Law Enforcement enhancements will be enabled by the addition of two police department positions; which in effect increases the Police Department's manpower by 25%. \$1,473,190 from the Beach and Inlet Capital Reserve Fund will be transferred to the BPART Fund and used to pay debt service on the Central Reach Special Obligation Bond, Lockwood Folly Inlet dredging, UNCW surveys of the beach/inlets and federal legislative advocacy.

Business-Type Activities. Water and sewer revenues continue to trend upward (along with corresponding expenditures for consumption) with revenues exceeding 5% above budgeted amounts for the year ending June 30, 2020. Anecdotally this seems to track with the increase in accommodation taxes mentioned above. Previous concerns over the potential adverse revenue impacts that conversion to an increasing block water and sewer rate structure might have on revenues/consumption due to conservation have not materialized. Having completed its first ("Lift Station #4") of three sewer lift station upfits in the prior year the Town will continue its sewer lift station rehabilitation program with the completion of its second lift station rehabilitation undertaking ("Lift Station #3") in December 2020. Retirement of the two BB&T debt instruments for the Town's sewer collection system in the fiscal year ending 30 June 2020 has enabled a 35% reduction (\$497.30 to \$370) in the annual sewer assessment for the fiscal year ending 30 June 2021.

Requests for Information

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,628,014	\$ 2,536,252	\$ 9,164,266
Taxes receivable, net	94,100	-	94,100
Accounts receivable, net	586,094	216,960	803,054
Due from other governments	147,234	109,356	256,590
Inventories	-	177,965	177,965
Deposit - interlocal agreement	1,395,201	-	1,395,201
Restricted cash	4,305,825	34,670	4,340,495
Total current assets	13,156,468	3,075,203	16,231,671
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	2,648,983	1,121,067	3,770,050
Other capital assets, net of depreciation	4,640,652	17,128,963	21,769,615
Total capital assets	7,289,635	18,250,030	25,539,665
Total non-current assets	7,289,635	18,250,030	25,539,665
Total assets	20,446,103	21,325,233	41,771,336
Deferred Outflows of Resources:			
Pension deferrals	317,533	34,554	352,087
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	78,424	82,023	160,447
Liabilities to be paid from restricted assets	-	34,670	34,670
Due to other governments	92,841	-	92,841
Current portion of compensated absences	20,366	6,387	26,753
Current portion of long-term liabilities	1,400,000	82,817	1,482,817
Total current liabilities	1,591,631	205,897	1,797,528
Long-term liabilities:			
Compensated absences	61,099	19,161	80,260
Net pension liability	424,262	57,473	481,735
Total pension liability	268,329	-	268,329
Due in more than one year	8,391,954	351,801	8,743,755
Total long-term liabilities	9,145,644	428,435	9,574,079
Total liabilities	10,737,275	634,332	11,371,607
Deferred Inflows of Resources:			
Pension deferrals	55,023	3,174	58,197
Net Position:			
Net investment in capital assets	5,897,681	17,815,412	23,713,093
Restricted for:			
Stabilization by state statute	712,689	-	712,689
Beach renourishment/beach inlet	5,599,869	-	5,599,869
Unrestricted	(2,238,901)	2,906,869	667,968
Total net position	\$ 9,971,338	\$ 20,722,281	\$ 30,693,619

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 951,050	\$ 5,545	\$ -	\$ -
Public safety	1,024,761	315,249	8,203	-
Transportation	236,625	6,155	34,695	-
Environmental protection	148,966	44,372	-	-
Beach renourishment	1,389,408	-	330,655	-
Interest on long-term debt	294,701	-	-	-
Total governmental activities	<u>4,045,512</u>	<u>371,321</u>	<u>373,553</u>	<u>-</u>
Business-Type Activities:				
Water and sewer	<u>3,215,672</u>	<u>2,132,709</u>	<u>-</u>	<u>1,629,266</u>
Total primary government	<u>\$ 7,261,184</u>	<u>\$ 2,504,030</u>	<u>\$ 373,553</u>	<u>\$ 1,629,266</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (945,505)	\$ -	\$ (945,505)
Public safety	(701,309)	-	(701,309)
Transportation	(195,775)	-	(195,775)
Environmental protection	(104,594)	-	(104,594)
Beach renourishment	(1,058,753)	-	(1,058,753)
Interest on long-term debt	(294,701)	-	(294,701)
Total governmental activities	<u>(3,300,638)</u>	<u>-</u>	<u>(3,300,638)</u>
Business-Type Activities:			
Water and sewer	<u>-</u>	<u>546,303</u>	<u>546,303</u>
Total primary government	<u>(3,300,638)</u>	<u>546,303</u>	<u>(2,754,335)</u>
General Revenues:			
Taxes:			
Property taxes, levied for general purpose	2,738,576	-	2,738,576
Sales and use tax	191,229	-	191,229
Other taxes	2,817,206	-	2,817,206
Unrestricted investment earnings	115,931	33,254	149,185
Miscellaneous	<u>132,216</u>	<u>-</u>	<u>132,216</u>
Total general revenues	<u>5,995,158</u>	<u>33,254</u>	<u>6,028,412</u>
Change in net position	2,694,520	579,557	3,274,077
Net Position:			
Beginning of year, July 1	<u>7,276,818</u>	<u>20,142,724</u>	<u>27,419,542</u>
End of year - June 30	<u>\$ 9,971,338</u>	<u>\$ 20,722,281</u>	<u>\$ 30,693,619</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Major Funds				
	Major Capital Project Funds				
				Beach Renourishment & Inlet Management Capital Reserve Fund	
	General Fund	BPART Tax Fund	Canal Dredging Fund		Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 3,134,615	\$ -	\$ -	\$ 3,493,399	\$ 6,628,014
Cash and cash equivalents, restricted	-	1,911,918	2,393,907	-	4,305,825
Taxes receivable, net	94,100	-	-	-	94,100
Accounts receivable, net	-	565,455	20,639	-	586,094
Deposit - interlocal government receivable	-	1,395,201	-	-	1,395,201
Due from other governments	127,269	19,812	153	-	147,234
Total assets	<u>\$ 3,355,984</u>	<u>\$ 3,892,386</u>	<u>\$ 2,414,699</u>	<u>\$ 3,493,399</u>	<u>\$ 13,156,468</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 32,187	\$ 8,316	\$ -	\$ -	\$ 40,503
Due to other governments	-	92,841	-	-	92,841
Total liabilities	<u>32,187</u>	<u>101,157</u>	<u>-</u>	<u>-</u>	<u>133,344</u>
Deferred Inflows of Resources:					
Assessments receivable	-	-	20,639	-	20,639
Property taxes receivable	94,100	-	-	-	94,100
Total deferred inflows of resources	<u>94,100</u>	<u>-</u>	<u>20,639</u>	<u>-</u>	<u>114,739</u>
Fund Balances:					
Restricted:					
Stabilization by state statute	127,269	585,267	153	-	712,689
Beach renourishment/beach inlet	-	3,205,962	2,393,907	-	5,599,869
Committed:					
Beach renourishment/beach inlet	-	-	-	3,493,399	3,493,399
Assigned:					
General government debt	253,034	-	-	-	253,034
Unassigned	2,849,394	-	-	-	2,849,394
Total fund balances	<u>3,229,697</u>	<u>3,791,229</u>	<u>2,394,060</u>	<u>3,493,399</u>	<u>12,908,385</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,355,984</u>	<u>\$ 3,892,386</u>	<u>\$ 2,414,699</u>	<u>\$ 3,493,399</u>	<u>\$ 13,156,468</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

		<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:		
Total fund balances, governmental funds	\$	12,908,385
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Gross capital assets at historical cost	\$	9,172,144
Accumulated depreciation	<u>(1,882,509)</u>	7,289,635
Deferred outflows of resources related to pensions are not reported in the funds.		317,533
Earned revenues considered deferred inflows of resources in fund statements		114,739
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).	(9,791,954)	
Compensated absences	(81,465)	
Net pension liability	(424,262)	
Total pension liability	<u>(268,329)</u>	(10,566,010)
Other long-term liabilities (accrued interest) are not due and payable in the current period and, therefore, are not reported in the funds.		(37,921)
Deferred inflows of resources related to pensions are not reported in the funds.		(23,399)
Deferred inflows of resources related to pensions are not reported in the funds - LEOSSA		<u>(31,624)</u>
Net position of governmental activities	\$	<u>9,971,338</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Major Funds				
	Major Capital Project Funds				Total Governmental Funds
	General Fund	BPART Tax Fund	Canal Dredging Fund	Beach Renourishment & Inlet Management Capital Reserve Fund	
Revenues:					
Ad valorem taxes	\$ 2,760,053	\$ -	\$ -	\$ -	\$ 2,760,053
Other taxes and licenses	191,237	2,211,132	347,679	-	2,750,048
Unrestricted intergovernmental	265,916	-	-	-	265,916
Restricted intergovernmental	42,898	330,655	-	-	373,553
Permits and fees	296,006	-	-	-	296,006
Sales and service	75,315	-	-	-	75,315
Investment earnings	29,282	49,812	24,716	12,121	115,931
Miscellaneous	9,372	122,372	472	-	132,216
Total revenues	<u>3,670,079</u>	<u>2,713,971</u>	<u>372,867</u>	<u>12,121</u>	<u>6,769,038</u>
Expenditures:					
Current:					
General government	833,531	-	-	-	833,531
Public safety	975,614	-	-	-	975,614
Beach renourishment	-	1,369,564	22,394	-	1,391,958
Transportation	324,767	-	-	-	324,767
Environmental protection	145,496	-	-	-	145,496
Debt service:					
Principal	200,000	1,200,000	-	-	1,400,000
Interest	60,653	196,127	-	-	256,780
Total expenditures	<u>2,540,061</u>	<u>2,765,691</u>	<u>22,394</u>	<u>-</u>	<u>5,328,146</u>
Revenues over (under) expenditures	<u>1,130,018</u>	<u>(51,720)</u>	<u>350,473</u>	<u>12,121</u>	<u>1,440,892</u>
Other Financing Sources (Uses):					
Transfers from General Fund	-	279,905	-	230,576	510,481
Transfer to BPART Tax Fund	(279,905)	-	-	(30,000)	(309,905)
Transfer from BPART Tax Fund	-	30,000	-	29,492	59,492
Transfer to Capital Reserve Fund	(230,576)	(29,492)	-	-	(260,068)
Total other financing sources (uses)	<u>(510,481)</u>	<u>280,413</u>	<u>-</u>	<u>230,068</u>	<u>-</u>
Net change in fund balances	619,537	228,693	350,473	242,189	1,440,892
Fund Balances:					
Beginning of year - July 1	<u>2,610,160</u>	<u>3,562,536</u>	<u>2,043,587</u>	<u>3,251,210</u>	<u>11,467,493</u>
End of year - June 30	<u>\$ 3,229,697</u>	<u>\$ 3,791,229</u>	<u>\$ 2,394,060</u>	<u>\$ 3,493,399</u>	<u>\$ 12,908,385</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 1,440,892
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 187,814	
Depreciation expense for governmental assets	<u>(177,699)</u>	10,115

Pension expense - LGERS	(76,106)
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Pension expense - LEOSSA	(2,792)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items

Principal payments on long-term debt	1,400,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(10,662)	
Accrued interest	<u>(37,921)</u>	(48,583)

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

Change in unavailable revenue for tax and assessment revenues	<u>(29,006)</u>
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Change in net position in governmental activities per Exhibit B	<u><u>\$ 2,694,520</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ 2,680,309	\$ 2,680,309	\$ 2,760,053	\$ 79,744
Other taxes and licenses	165,300	165,300	191,237	25,937
Unrestricted intergovernmental	225,100	225,100	265,916	40,816
Restricted intergovernmental	34,000	50,313	42,898	(7,415)
Permits and fees	232,054	232,054	296,006	63,952
Sales and services	43,850	43,850	75,315	31,465
Investment earnings	-	-	29,282	29,282
Miscellaneous	7,001	7,001	9,372	2,371
Total revenues	<u>3,387,614</u>	<u>3,403,927</u>	<u>3,670,079</u>	<u>266,152</u>
Expenditures:				
Current:				
General government	845,425	1,177,057	833,531	343,526
Public safety	1,003,072	1,028,475	975,614	52,861
Transportation	378,567	380,351	324,767	55,584
Environmental protection	162,421	166,264	145,496	20,768
Beach renourishment	-	-	-	-
Debt service:				
Principal	200,000	200,000	200,000	-
Interest	60,564	60,654	60,653	1
Total expenditures	<u>2,650,049</u>	<u>3,012,801</u>	<u>2,540,061</u>	<u>472,740</u>
Revenues over (under) expenditures	<u>737,565</u>	<u>391,126</u>	<u>1,130,018</u>	<u>738,892</u>
Other Financing Sources (Uses):				
Transfers from other funds	54,180	54,180	-	(54,180)
Transfers to other funds	(806,745)	(510,481)	(510,481)	-
Sale of capital assets	5,000	5,000	-	(5,000)
Appropriated fund balance	10,000	60,175	-	(60,175)
Total other financing sources (uses)	<u>(737,565)</u>	<u>(391,126)</u>	<u>(510,481)</u>	<u>(119,355)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	619,537	<u>\$ 619,537</u>
Fund Balance:				
Beginning of year - July 1			<u>2,610,160</u>	
End of year - June 30			<u>\$ 3,229,697</u>	

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	BPART Tax Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	2,098,837	2,098,837	2,211,132	112,295
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	16,336	197,107	330,655	133,548
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	43,746	43,746	49,812	6,066
Miscellaneous	26,500	145,328	122,372	(22,956)
Total revenues	<u>2,185,419</u>	<u>2,485,018</u>	<u>2,713,971</u>	<u>228,953</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Environmental protection	-	-	-	-
Beach renourishment	1,681,947	1,747,752	1,369,564	378,188
Debt service:				
Principal	1,200,000	1,200,000	1,200,000	-
Interest	196,200	196,200	196,127	73
Total expenditures	<u>3,078,147</u>	<u>3,143,952</u>	<u>2,765,691</u>	<u>378,261</u>
Revenues over (under) expenditures	<u>(892,728)</u>	<u>(658,934)</u>	<u>(51,720)</u>	<u>607,214</u>
Other Financing Sources (Uses):				
Transfers from other funds	576,169	309,905	309,905	-
Transfers to other funds	-	-	(29,492)	(29,492)
Sale of capital assets	-	-	-	-
Appropriated fund balance	316,559	349,029	-	(349,029)
Total other financing sources (uses)	<u>892,728</u>	<u>658,934</u>	<u>280,413</u>	<u>(378,521)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>228,693</u>	<u>\$ 228,693</u>
Fund Balance:				
Beginning of year - July 1			<u>3,562,536</u>	
End of year - June 30			<u>\$ 3,791,229</u>	

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

	Major Enterprise Fund Water and Sewer Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,536,252
Accounts receivable - net	216,960
Due from other governments	109,356
Inventories	177,965
Cash and cash equivalents, restricted	34,670
Total current assets	<u>3,075,203</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	1,121,067
Other capital assets, net of depreciation	<u>17,128,963</u>
Total capital assets	<u>18,250,030</u>
Total non-current assets	<u>18,250,030</u>
Total assets	<u>21,325,233</u>
Deferred Outflows of Resources:	
Pension deferrals	<u>34,554</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	82,023
Liabilities to be paid from restricted assets	34,670
Current portion of compensated absences	6,387
Current portion of long-term debt	<u>82,817</u>
Total current liabilities	<u>205,897</u>
Non-current liabilities:	
Compensated absences	19,161
Net pension liability	57,473
Non-current portion of long-term debt	<u>351,801</u>
Total non-current liabilities	<u>428,435</u>
Total liabilities	<u>634,332</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>3,174</u>
Net Position:	
Net investment in capital assets	17,815,412
Unrestricted	<u>2,906,869</u>
Total net position	<u>\$ 20,722,281</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2020

	Major Enterprise Fund
	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 1,864,675
Taps and connection fees	91,700
Other operating revenues	176,334
Total operating revenues	<u>2,132,709</u>
Operating Expenses:	
General operations	205,111
Water and sewer operations	1,324,075
Depreciation	542,655
Total operating expenses	<u>2,071,841</u>
Operating income (loss)	<u>60,868</u>
Non-Operating Revenues (Expenses):	
Investment earnings	33,254
Capital charges	1,629,266
County capital charges	(1,127,097)
Interest and other charges	(16,734)
Total non-operating revenues (expenses)	<u>518,689</u>
Change in net position	579,557
Net Position:	
Beginning of year - July 1	<u>20,142,724</u>
End of year - June 30	<u>\$ 20,722,281</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2020

	<u>Major Enterprise Fund Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,966,543
Cash paid for goods and services	(1,183,406)
Cash paid to or on behalf of employees for services	(278,904)
Other operating revenues	<u>176,334</u>
Net cash provided by (used) operating activities	<u>680,567</u>
Cash Flows from Non-Capital Financing Activities:	
Capital charges paid	(1,127,097)
Capital charges received from customers	<u>1,629,266</u>
Net cash provided (used) by non-capital financing activities	<u>502,169</u>
Cash Flows from Capital and Related Financing Activities:	
Principal paid on bonds/loans	(727,786)
Interest paid on bonds/loans	(38,103)
Acquisition and construction of capital assets	<u>(1,015,013)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,780,902)</u>
Cash Flows from Investing Activities:	
Investment earnings	<u>33,254</u>
Net cash provided (used) by investing activities	<u>33,254</u>
Net increase (decrease) in cash and cash equivalents	(564,912)
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>3,135,834</u>
End of year - June 30	<u>\$ 2,570,922</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Major Enterprise Fund
	Water and Sewer Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 60,868
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	542,655
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	10,168
Decrease (increase) in due from other governments	(27,522)
Increase (decrease) in net pension liability	303
Increase (decrease) in accounts payable and accrued liabilities	19,708
Increase (decrease) in inventories	70,304
Increase (decrease) in accrued vacation	(6,273)
(Increase) decrease in deferred outflows of resources for pensions	9,795
Increase (decrease) in deferred inflows of resources for pensions	561
Total adjustments	619,699
Net cash provided (used) by operating activities	\$ 680,567

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

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TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements. The fund financial statements provide information about the Town’s funds, including the fiduciary fund. Separate statements for each fund category – governmental, and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The Town reports the following major governmental funds:

Governmental Funds

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

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

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

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide and proprietary funds are reported using the economic resources measurement focus. The agency funds do not have a measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, BPART Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the remaining special revenue funds, capital project funds, and any enterprise capital project funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

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

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

- The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 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.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Cash and Cash Equivalents

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

Restricted Assets

Cash and investments are restricted in the BPART Tax Fund and in the Canal Dredging Fund for beach renourishment, and in the Enterprise Fund for the sewer capital fees.

	<u>Amount</u>
Governmental Activities:	
BPART Tax Fund:	
Beach renourishment	\$ 1,911,918
 Canal Dredging Fund:	
Beach renourishment	<u>2,393,907</u>
Total governmental activities	<u>\$ 4,305,825</u>
 Business-Type Activities:	
Water and Sewer Fund:	
Sewer capital fees	<u>\$ 34,670</u>
Total business-type activities	<u>\$ 34,670</u>

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

Allowance for Doubtful Accounts

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

Inventory

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets

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

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

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

Deferred Outflows/Inflows of Resources

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Long-Term Obligations

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

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

Compensated Absences

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

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

Net Position/Fund Balances

Net Position

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Beach Renourishment/Inlet – portion of fund balance that is restricted by revenue source.

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

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

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

F. Defined Benefit Cost Sharing Plans

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

G. Revenues, Expenditures, and Expenses

Use of Estimates

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2. Stewardship, Compliance, and Accountability

Non-Compliance with North Carolina General Statutes-Excess of Expenditures over Appropriations

Excess of expenditures over appropriations are in violation of State law [G159-28(b)]. Violations for the year ended June 30, 2020, are as follows:

Water and Sewer Fund:

Water and Sewer Administration	\$ 22,537
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Transfer to Capital Reserve Funds	\$ 24,900
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BPART Tax Fund	\$ 29,492
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Corrective Action Plan: Management will continue to review and amend budget as needed.

3. Detail Notes on All Funds

A. Assets

Deposits

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town and in its name. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and the risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that depositories are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$10,131,867 and a bank balance of \$10,327,836. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by the Dedicated Method and monitored by the State Treasurer. At June 30, 2020, the Town's petty cash totaled \$100.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Investments

As of June 30, 2020, the Town has the following investments and maturities:

<u>Investment Type</u>	<u>Valuation</u>		<u>Book Value at 6/30/20</u>	<u>Less than 6 months</u>	<u>1-3 Years</u>
	<u>Measurement</u>	<u>Method</u>			
NC Capital Management Trust - Government Portfolio	Fair Value Level 1		\$ 8,264	\$ 8,264	\$ -
NC Capital Management Trust - Term Portfolio*	Fair Value Level 1		<u>3,364,530</u>	<u>3,364,530</u>	<u>-</u>
Total			<u>\$ 3,372,794</u>	<u>\$ 3,372,794</u>	<u>\$ -</u>

*As of June 30, 2020, the NCCMT Term Portfolio had a duration of 0.15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAm rating from S&P. The NCCMT Term Portfolio has no rating.

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

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

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

Credit Risk. The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard and Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high-grade money market instruments as permitted under North Carolina G.S. 159-30 as amended.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Receivables

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020, are net of the following allowances for doubtful accounts:

	<u>Taxes</u>	<u>Accounts</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 100,438	\$ -	\$ 127,269	\$ 227,707
BPART Tax Fund	-	565,455	19,812	585,267
Canal Dredging Fund	-	20,639	153	20,792
Allowance for doubtful accounts	<u>(6,338)</u>	<u>-</u>	<u>-</u>	<u>(6,338)</u>
Total governmental activities	<u>\$ 94,100</u>	<u>\$ 586,094</u>	<u>\$ 147,234</u>	<u>\$ 827,428</u>
Business-Type Activities:				
Water and Sewer Fund:				
Total receivables	\$ -	\$ 220,260	\$ 109,356	\$ 329,616
Allowance for doubtful accounts	<u>-</u>	<u>(3,300)</u>	<u>-</u>	<u>(3,300)</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 216,960</u>	<u>\$ 109,356</u>	<u>\$ 326,316</u>

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

Local option sales tax	\$ 42,833
Sales tax	169,317
Franchise tax	40,337
Telecommunications tax	1,804
Other governments	<u>2,299</u>
Total	<u>\$ 256,590</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets

Governmental Capital Assets

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

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 2,648,983	\$ -	\$ -	\$ 2,648,983
Total non-depreciable capital assets	<u>2,648,983</u>	<u>-</u>	<u>-</u>	<u>2,648,983</u>
Depreciable Assets:				
Buildings and structures	4,410,987	-	-	4,410,987
Other improvements and infrastructure	1,115,145	96,000	-	1,211,145
Equipment	300,574	43,402	-	343,976
Vehicles	508,641	48,412	-	557,053
Total depreciable assets	<u>6,335,347</u>	<u>187,814</u>	<u>-</u>	<u>6,523,161</u>
Less Accumulated Depreciation:				
Buildings and structures	932,478	88,220	-	1,020,698
Other improvements and infrastructure	115,489	24,223	-	139,712
Equipment	238,036	16,117	-	254,153
Vehicles	418,807	49,139	-	467,946
Total accumulated depreciation	<u>1,704,810</u>	<u>\$ 177,699</u>	<u>\$ -</u>	<u>1,882,509</u>
Total depreciable capital assets, net	<u>4,630,537</u>			<u>4,640,652</u>
Governmental activities capital assets, net	<u>\$ 7,279,520</u>			<u>\$ 7,289,635</u>

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

General government	\$ 93,224
Public safety	50,515
Transportation	3,520
Beach renourishment & recreational	30,440
Total	<u>\$ 177,699</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2020, are as follows:

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Water and Sewer Fund:				
Non-Depreciable Assets:				
Land	\$ 140,296	\$ 334,935	\$ -	\$ 475,231
Construction in progress	-	645,836	-	645,836
Total non-depreciable assets	<u>140,296</u>	<u>980,771</u>	<u>-</u>	<u>1,121,067</u>
Depreciable Assets:				
Plant and distribution systems	23,947,017	-	-	23,947,017
Infrastructure	184,026	-	-	184,026
Furniture and maintenance equipment	758,344	-	-	758,344
Vehicles	153,139	34,242	-	187,381
Total depreciable capital assets	<u>25,042,526</u>	<u>34,242</u>	<u>-</u>	<u>25,076,768</u>
Less Accumulated Depreciation:				
Plant and distribution systems	6,788,544	478,940	-	7,267,484
Infrastructure	51,240	3,681	-	54,921
Furniture and maintenance equipment	492,406	43,954	-	536,360
Vehicles	72,960	16,080	-	89,040
Total accumulated depreciation	<u>7,405,150</u>	<u>\$ 542,655</u>	<u>\$ -</u>	<u>7,947,805</u>
Total depreciable capital assets, net	<u>17,637,376</u>			<u>17,128,963</u>
Capital assets, net	<u>17,777,672</u>			<u>18,250,030</u>
Total business-type activities capital assets, net	<u>\$ 17,777,672</u>			<u>\$ 18,250,030</u>

Construction Commitments

The government does not have any active projects/commitments as of June 30, 2020.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

B. Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2020:

	<u>Vendors</u>	<u>Interest</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities	<u>\$ 8,314</u>	<u>\$ 37,921</u>	<u>\$ 32,189</u>	<u>\$ 78,424</u>
Business-Type Activities:				
Water and Sewer Fund	<u>\$ 55,228</u>	<u>\$ 11,963</u>	<u>\$ 14,832</u>	<u>\$ 82,023</u>

Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Holden Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Holden Beach's contractually required contribution rate for the year ended June 30, 2020, was 9.7% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Holden Beach were \$116,711 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$481,735 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019, 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, 2019, the Town's proportion was 0.01764%, which was a decrease of 0.00256% from its proportion measured as of June 30, 2018.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

For the year ended June 30, 2020, the Town recognized pension expense of \$205,527. At June 30, 2020, 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	\$ 82,485	\$ -
Changes of assumptions	78,515	-
Net difference between projected and actual earnings on pension plan investments	11,750	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	658	26,573
Contributions subsequent to the measurement date	116,711	-
Total	<u>\$ 290,119</u>	<u>\$ 26,573</u>

\$116,711 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2021	\$ 77,502
2022	19,846
2023	39,599
2024	9,888
2025	-
Thereafter	-
Total	<u>\$ 146,835</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.5 percent to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2018 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 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 3.0%. All rates of return and inflation are annualized.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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%, 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%) or one percentage point higher (8.00%) 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)	<u>\$ 1,101,815</u>	<u>\$ 481,735</u>	<u>\$ (33,678)</u>

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.

Law Enforcement Officers' Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits:	1
Active plan members	<u>7</u>
Total	<u>8</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

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

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

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rate are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths after Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$14,683 as benefits came due for the reporting period.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

At June 30, 2020, the Town reported a total pension liability of \$268,329. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$24,505.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,349	\$ 20,712
Changes of assumptions and other inputs	20,589	10,912
Town benefit payments and plan administrative expense made subsequent to the measurement date	7,030	-
Total	<u>\$ 61,968</u>	<u>\$ 31,624</u>

\$7,030 paid as benefits came due and administrative expenses incurred subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2021	\$ 5,690
2022	5,690
2023	5,690
2024	3,239
2025	3,005
Thereafter	-
Total	<u>\$ 23,314</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 3.26 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 (2.26 percent) or 1-percentage point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 297,222	\$ 268,329	\$ 242,185

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

	2020
Beginning balance	\$ 216,140
Service cost	11,215
Interest on the total pension liability	7,600
Differences between expected and actual experience in the measurement of the total pension liability	37,806
Changes of assumptions or other inputs	10,251
Benefit payments	(14,683)
Ending balance of the total pension liability	\$ 268,329

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 205,527	\$ 24,505	\$ 230,032
Pension liability	481,735	268,329	750,064
Proportionate share of the net pension liability	0.01764%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 82,485	\$ 34,349	\$ 116,834
Changes of assumptions	78,515	20,589	99,104
Net difference between projected and actual earnings on plan investments	11,750	-	11,750
Changes in proportion and differences between Town contributions and proportionate share of contributions	658	-	658
Benefit payments and administrative costs paid subsequent to the measurement date	<u>116,711</u>	<u>7,030</u>	<u>123,741</u>
Total deferred outflows of resources	<u><u>\$ 290,119</u></u>	<u><u>\$ 61,968</u></u>	<u><u>\$ 352,087</u></u>

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 20,712	\$ 20,712
Changes of assumptions	-	10,912	10,912
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>26,573</u>	<u>-</u>	<u>26,573</u>
Total deferred inflows of resources	<u><u>\$ 26,573</u></u>	<u><u>\$ 31,624</u></u>	<u><u>\$ 58,197</u></u>

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town makes contributions to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the 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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent (5%) of each officer's salary, and all amounts are vested immediately. Law enforcement officers may also make voluntary contributions to the Plan. Contributions for the year ended June 30, 2020 were \$26,498, which consisted of \$20,893 from the Town and \$5,605 from the law enforcement officers.

Other Employment Benefits

Death Benefit Plan

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

Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in the current year	\$ 116,711
Pension deferrals - LGERS	173,408
Pension deferrals - LEOSSA	61,968
Total	<u>\$ 352,087</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

<u>Source</u>	<u>General Fund Balance Sheet</u>	<u>Statement of Net Position</u>
Pension deferrals - LGERS	\$ -	\$ 26,573
Pension deferrals - LEOSSA	-	31,624
Assessments receivable	20,639	-
Property taxes receivable	94,100	-
Total	<u>\$ 114,739</u>	<u>\$ 58,197</u>

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability, public officials' liability and auto liability coverage, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to the statutory limits. These pools are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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

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

Claims, Judgments, and Contingent Liabilities

At June 30, 2020, the Town was not involved in any civil or legal actions which in the opinion of the Town's management and the Town's attorney would have an adverse or material effect on the Town's financial position.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Long-Term Obligations

Installment Notes Payable

Governmental Activities:

3.81% direct placement note, payable in annual installments of \$200,000,
plus interest; final payment due March 2027; secured by real estate \$ 1,391,954

2.18% direct placement note, payable in annual installments of
\$1,200,000, plus interest; final payment due October 2026; secured
by pledged sources 8,400,000

Total governmental activities notes payable \$ 9,791,954

Business-Type Activities:

Water and Sewer Fund:

2.420% direct placement note, payable in annual installments of
\$93,335 including interest; final payment due July 2024; secured by
real estate \$ 434,618

Total business-type activities notes payable \$ 434,618

The Town's outstanding note from direct placements related to governmental activities of \$1,391,954 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

The Town's outstanding note from direct placements related to governmental activities of \$8,400,000 is secured by pledged sources. Upon default, interest shall accrue at the default rate specified in the debt agreement and principal of and interest on this note shall be payable in immediately available funds.

The Town's outstanding note from direct placements related to business-type activities of \$434,618 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,400,000	\$ 236,153	\$ 1,636,153	\$ 82,817	\$ 10,518	\$ 93,335
2022	1,400,000	202,373	1,602,373	84,821	8,514	93,335
2023	1,400,000	168,593	1,568,593	86,874	6,461	93,335
2024	1,400,000	134,813	1,534,813	88,976	4,359	93,335
2025	1,400,000	101,033	1,501,033	91,130	2,205	93,335
2026-2027	2,791,954	67,253	2,859,207	-	-	-
Total	<u>\$ 9,791,954</u>	<u>\$ 910,218</u>	<u>\$ 10,702,172</u>	<u>\$ 434,618</u>	<u>\$ 32,057</u>	<u>\$ 466,675</u>

At June 30, 2020, the Town had a legal debt margin of approximately \$96,552,059. There were no authorized bonds that had not been issued as of June 30, 2020.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	July 1, 2019	Increases	Decreases	June 30, 2020	Current Portion of Balance
Governmental Activities:					
Direct placement notes payable	\$ 11,191,954	\$ -	\$ (1,400,000)	\$ 9,791,954	\$ 1,400,000
Net pension liability (LGERS)	422,043	2,219	-	424,262	-
Total pension liability (LEOSSA)	216,140	52,189	-	268,329	-
Compensated absences	70,803	49,021	(38,359)	81,465	20,366
Governmental activities long-term liabilities	<u>\$ 11,900,940</u>	<u>\$ 103,429</u>	<u>\$ (1,438,359)</u>	<u>\$ 10,566,010</u>	<u>\$ 1,420,366</u>
Business-Type Activities:					
Water and Sewer Fund:					
Direct placement notes payable	\$ 1,162,404	\$ -	\$ (727,786)	\$ 434,618	\$ 82,817
Net pension liability (LGERS)	57,170	303	-	57,473	-
Compensated absences	31,821	23,069	(29,342)	25,548	6,387
Business-Type long-term liabilities	<u>\$ 1,251,395</u>	<u>\$ 23,372</u>	<u>\$ (757,128)</u>	<u>\$ 517,639</u>	<u>\$ 89,204</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

For governmental activities, compensated absences, and net pension obligation liabilities are liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the respective business-type fund.

Interfund Balances and Activity

Transfers to/from Other Funds

Transfers to/from other funds for the year ended June 30, 2020 consist of the following:

From General Fund to BPART Fund to pay portion of special obligation debt	\$	279,905
From General Fund to Capital Reserve Fund to establish the fund for future beach renourishment and inlet management		230,576
From BPART to Capital Reserve Fund to establish the fund for future beach renourishment and inlet management		29,492
From Capital Reserve Fund to BPART		30,000

Net Investment in Capital Assets

	Governmental Activities	Business-Type Activities
Capital assets	\$ 7,289,635	\$ 18,250,030
Less: Long-term debt	(9,791,954)	(434,618)
(add back debt not related to capital assets)	8,400,000	-
Net investment in capital assets	<u>\$ 5,897,681</u>	<u>\$ 17,815,412</u>

Fund Balance

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

Total fund balance - General Fund	\$ 3,229,697
Less:	
Stabilization by state statute	127,269
General government debt	253,034
Remaining fund balance	<u>\$ 2,849,394</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

4. Jointly Governed Organization

The Town, in conjunction with other local governments, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing boards. The Town paid memberships fees of \$114 to the Council during the fiscal year ended June 30, 2020.

The Town, in conjunction with Brunswick County and six other municipalities was a member of the Brunswick Beaches Consortium (Consortium). The participating governments established the Consortium to plan and implement programs and projects directed toward preservation and maintenance of the ocean beaches. Each participating government appointed one representative to the policy board. The Town contributed \$0 to the Consortium during the fiscal year ended June 30, 2020.

5. Contracted Service Agreement

The Town is party to a waste water service agreement with Brunswick County for the West Brunswick Regional Water Reclamation Facility Project. The term of the agreement is from July 2002 for thirty (30) years or five years after the last maturity of the bonds issued to finance the project. Brunswick County has financed, constructed, and is operating a regional sewer system and the Town, which is using this system for transmission and treatment of the Town's sewage, has agreed to participate with the County in financing the capital and operating costs of the project. The Town is responsible for assisting in paying for a portion of the operation and maintenance of the system based on its consumption, and the Town also has to pay its pro rata share of the financing of capital costs the County incurred for construction. The total amounts that the Town is responsible for are approximately 22.43% of the County's 2004A Revenue Bond of \$31,540,000, 33.33% of the County's 2005 Revolving Loan of \$10,000,000. The Town also has to pay the same percentages of the interest on these debts. The notes payable amount to Brunswick County in the year ending 30 June 2020 was \$1,149,320. The subsequent years' payment will decrease gradually over the 25-year life span of the debt to a final payment of \$606,541 in 2029. The Town levies a capital charge authorized by special legislation to residents in order to fund the payments. Brunswick County is in the process of revising its costing methodologies for adding additional wholesale customers to the Regional Sewer System in addition to revising the provision of services to its wholesale customers.

6. Interlocal Agreement with Brunswick County

The Town entered into an interlocal agreement with Brunswick County to assist in financing a beach renourishment project; aka "Central Reach Project". The Town borrowed \$12,000,000 to finance the project. Per the agreement, the Town was required to remit a check to the County for the largest debt service payment required over the subsequent 10 years of the loan. In each fiscal year that the special obligation bonds are outstanding, the County will include in its budget and agrees to appropriate the total amount of debt service due in each fiscal year. On each date that debt service is due on the special obligation bonds, the County agrees to pay the Town the amount of debt service due on the special obligation bonds. The Town expects to make the payment of debt service due on special obligations binds from its other available funds and, to the extent that it does, the County will not be required to make any payment to the Town of such date. The County is only required to make its payment on or

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

after any date the payment of debt service on the special obligation bonds is due if the Town has not made a payment. The Town remitted \$1,461,600 to the County on October 20, 2016, and this payment is reflected on the general ledger as a Deposit – Brunswick County Interlocal Agreement. At the end of each fiscal year, the County will remit back to the Town any amount in its Reserve Fund in excess of the remaining maximum annual debt service on the special obligation bonds. The balance of the deposit was \$1,395,201 at July 1, 2020.

7. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

8. Significant Effects of Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the Town's revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

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

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Holden Beach's proportion of the net pension liability (asset) (%)	0.01764%	0.02020%	0.02220%	0.02150%	0.02241%	0.02219%	0.02290%
Holden Beach's proportion of the net pension liability (asset) (\$)	\$ 481,735	\$ 479,213	\$ 339,155	\$ 456,302	\$ 100,575	\$ (130,865)	\$ 276,033
Holden Beach's covered payroll*	\$ 1,293,634	\$ 1,278,751	\$ 1,310,048	\$ 1,244,202	\$ 1,169,403	\$ 1,122,226	\$ 1,113,573
Holden Beach's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.24%	37.04%	26.52%	34.83%	8.08%	(11.19%)	24.60%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	98.79%	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.

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA**TOWN OF HOLDEN BEACH'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SEVEN FISCAL YEARS**

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 116,711	\$ 103,877	\$ 99,231	\$ 98,475	\$ 85,145	\$ 84,691	\$ 80,189
Contributions in relation to the contractually required contribution	<u>116,711</u>	<u>103,877</u>	<u>99,231</u>	<u>98,475</u>	<u>85,145</u>	<u>84,691</u>	<u>80,189</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Holden Beach's covered payroll	\$ 1,268,586	\$ 1,293,634	\$ 1,278,751	\$ 1,310,048	\$ 1,244,202	\$ 1,169,403	\$ 1,122,226
Contributions as a percentage of covered payroll	9.20%	8.03%	7.76%	7.52%	6.84%	7.24%	7.15%

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FOUR FISCAL YEARS

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

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FOUR FISCAL YEARS**

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

Notes to the Schedules:

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	2020		
	Budget	Actual	Variance Over/Under
Revenues:			
Ad Valorem Taxes:			
Current year	\$ 2,651,309	\$ 2,700,119	\$ 48,810
Prior year	19,000	39,266	20,266
Interest and penalties	10,000	20,668	10,668
Total	<u>2,680,309</u>	<u>2,760,053</u>	<u>79,744</u>
Other Taxes and Licenses:			
Local option sales tax	165,000	191,229	26,229
Other taxes and licenses:	300	8	(292)
Total	<u>165,300</u>	<u>191,237</u>	<u>25,937</u>
Unrestricted Intergovernmental:			
Beer and wine tax	2,600	2,800	200
Telecommunications tax	8,000	6,656	(1,344)
Franchise tax	170,000	222,236	52,236
Video program tax	37,000	34,224	(2,776)
Sales tax refund	7,500	-	(7,500)
Total	<u>225,100</u>	<u>265,916</u>	<u>40,816</u>
Restricted Intergovernmental:			
FEMA grant	16,313	-	(16,313)
Powell Bill allocation	34,000	34,695	695
COVID 19 Assistance	-	8,203	8,203
Total	<u>50,313</u>	<u>42,898</u>	<u>(7,415)</u>
Permits and Fees:			
Building permits	222,554	288,336	65,782
CAMA permits and reimbursements	7,400	7,620	220
Other permits and fees	2,100	50	(2,050)
Total	<u>232,054</u>	<u>296,006</u>	<u>63,952</u>
Sales and Services	<u>43,850</u>	<u>75,315</u>	<u>31,465</u>
Investment Earnings	<u>-</u>	<u>29,282</u>	<u>29,282</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	2020		
	Budget	Actual	Variance Over/Under
Miscellaneous	<u>7,001</u>	<u>9,372</u>	<u>2,371</u>
Total revenues	<u>3,403,927</u>	<u>3,670,079</u>	<u>266,152</u>
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	8,400	8,397	3
Operating expenses	<u>488,466</u>	<u>241,128</u>	<u>247,338</u>
Total	<u>496,866</u>	<u>249,525</u>	<u>247,341</u>
Administration:			
Salaries and employee benefits	492,191	441,156	51,035
Operating expenses	<u>188,000</u>	<u>142,850</u>	<u>45,150</u>
Total	<u>680,191</u>	<u>584,006</u>	<u>96,185</u>
Total general government	<u>1,177,057</u>	<u>833,531</u>	<u>343,526</u>
Public Safety:			
Inspections, Zoning, and Safety:			
Salaries and employee benefits	223,250	220,388	2,862
Operating expenses	<u>67,200</u>	<u>46,392</u>	<u>20,808</u>
Total	<u>290,450</u>	<u>266,780</u>	<u>23,670</u>
Police:			
Salaries and employee benefits	602,667	586,504	16,163
Operating expenses	84,627	71,599	13,028
Capital outlay	<u>50,731</u>	<u>50,731</u>	<u>-</u>
Total	<u>738,025</u>	<u>708,834</u>	<u>29,191</u>
Total public safety	<u>1,028,475</u>	<u>975,614</u>	<u>52,861</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	97,005	91,251	5,754
Operating expenses	<u>283,346</u>	<u>233,516</u>	<u>49,830</u>
Total transportation	<u>380,351</u>	<u>324,767</u>	<u>55,584</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	2020		
	Budget	Actual	Variance Over/Under
Environmental Protection:			
Sanitation:			
Salaries and employee benefits	72,914	73,214	(300)
Operating expenses	93,350	72,282	21,068
Total environmental protection	166,264	145,496	20,768
Debt Service:			
Principal	200,000	200,000	-
Interest	60,654	60,653	1
Total	260,654	260,653	1
Total expenditures	3,012,801	2,540,061	472,740
Revenues over (under) expenditures	391,126	1,130,018	738,892
Other Financing Sources (Uses):			
Transfers from Canal Dredging Fund	54,180	-	(54,180)
Sale of capital assets	5,000	-	(5,000)
Transfers (to) from other funds	(510,481)	(510,481)	-
Appropriated fund balance	60,175	-	(60,175)
Total other financing sources (uses)	(391,126)	(510,481)	(119,355)
Net change in fund balance	\$ -	619,537	\$ 619,537
Fund Balance:			
Beginning of year - July 1		2,610,160	
End of year - June 30		\$ 3,229,697	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR SPECIAL REVENUE FUND - BPART TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	2020		
	Budget	Actual	Variance Over/Under
Revenues:			
Occupancy tax receipts	\$ 2,098,837	\$ 2,211,132	\$ 112,295
FEMA grants and DENR	197,107	330,655	133,548
Investment earnings	43,746	49,812	6,066
Miscellaneous	145,328	122,372	(22,956)
Total revenues	<u>2,485,018</u>	<u>2,713,971</u>	<u>228,953</u>
Expenditures:			
Beach renourishment:			
Salaries and employee benefits	265,116	203,457	61,659
Operating expenditures	1,120,536	765,527	355,009
Lockwood Folly Dredging and Beach Nourishment	37,600	37,618	(18)
County's share of occupancy tax	<u>324,500</u>	<u>362,962</u>	<u>(38,462)</u>
Total beach renourishment expenditures	1,747,752	1,369,564	378,188
Debt service	<u>1,396,200</u>	<u>1,396,127</u>	<u>73</u>
Total expenditures	<u>3,143,952</u>	<u>2,765,691</u>	<u>378,261</u>
Revenues over (under) expenditures	<u>(658,934)</u>	<u>(51,720)</u>	<u>607,214</u>
Other Financing Sources (Uses):			
Transfers from other funds	309,905	309,905	-
Transfers to other funds	-	(29,492)	(29,492)
Appropriated fund balance	<u>349,029</u>	<u>-</u>	<u>(349,029)</u>
Total other financing sources (uses)	<u>658,934</u>	<u>280,413</u>	<u>(378,521)</u>
Net change in fund balance	<u>\$ -</u>	228,693	<u>\$ 228,693</u>
Fund Balance:			
Beginning of year - July 1		<u>3,562,536</u>	
End of year - June 30		<u>\$ 3,791,229</u>	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**MAJOR CAPITAL PROJECT FUND - CANAL DREDGING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

		Actual			
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Over/Under
Revenues:					
Assessments HBH	\$ 139,138	\$ 682,557	138,913	\$ 821,470	\$ 682,332
Assessments HHC	136,518	199,028	123,652	322,680	186,162
Assessments HAC	-	274,554	-	274,554	274,554
Assessments HA	75,324	-	77,273	77,273	1,949
Prior Year Assessments HBH	900	30,385	3,537	33,922	33,022
Prior Year Assessments HHC	1,000	18,021	2,400	20,421	19,421
Prior Year Assessments HA	300	22,489	1,904	24,393	24,093
Interest - HBH	250	16,967	8,344	25,311	25,061
Interest - HHC	250	15,784	6,171	21,955	21,705
Interest - HA	300	20,071	10,201	30,272	29,972
Miscellaneous revenue - HBH	47,264	346,796	236	347,032	299,768
Miscellaneous revenue - HHC	24,779	393,112	236	393,348	368,569
Miscellaneous revenue - HA	62,944	158,837	-	158,837	95,893
Total revenues	<u>488,967</u>	<u>2,178,601</u>	<u>372,867</u>	<u>2,551,468</u>	<u>2,062,501</u>
Expenditures:					
Holden Beach Harbor Project:					
Administration	5,913	-	1,296	1,296	4,617
Professional services	50,262	-	201	201	50,061
Construction	443,488	-	6,667	6,667	436,821
Construction management	76,872	-	616	616	76,256
Total Holden Beach Harbor Project	<u>576,535</u>	<u>-</u>	<u>8,780</u>	<u>8,780</u>	<u>567,755</u>
Heritage Harbor Canal Project:					
Administration	5,175	1,826	1,296	3,122	2,053
Professional services	5,175	-	-	-	5,175
Construction	494,258	425,758	4,484	430,242	64,016
Total Heritage Harbor Canal Project	<u>504,608</u>	<u>427,584</u>	<u>5,780</u>	<u>433,364</u>	<u>71,244</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**MAJOR CAPITAL PROJECT FUND - CANAL DREDGING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

		Actual			
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Over/Under
Heritage Access Canal Project:					
Administration	10,589	193	1,451	1,644	8,945
Professional services	10,589	-	-	-	10,589
Construction	1,011,218	31,666	6,383	38,049	973,169
Total Heritage Access Canal Project	<u>1,032,396</u>	<u>31,859</u>	<u>7,834</u>	<u>39,693</u>	<u>992,703</u>
 Total expenditures	 <u>2,113,539</u>	 <u>459,443</u>	 <u>22,394</u>	 <u>481,837</u>	 <u>1,631,702</u>
 Revenues over (under) expenditures	 <u>(1,624,572)</u>	 <u>1,719,158</u>	 <u>350,473</u>	 <u>2,069,631</u>	 <u>3,694,203</u>
 Other Financing Sources (Uses):					
Transfers from General Fund	-	324,429	-	324,429	324,429
Transfer to General Fund	(54,193)	-	-	-	54,193
Appropriated fund balance	<u>1,678,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,678,765)</u>
Total	<u>1,624,572</u>	<u>324,429</u>	<u>-</u>	<u>324,429</u>	<u>(1,300,143)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ 2,043,587</u>	 <u>\$ 350,473</u>	 <u>\$ 2,394,060</u>	 <u>\$ 2,394,060</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND -
 BEACH RENOURISHMENT & INLET MANAGEMENT CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

		Actual			
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Over/Under
Revenues:					
Interest	\$ 3,184,158	\$ 9,333	\$ 12,121	\$ 21,454	\$ (3,162,704)
Revenues over (under) expenditures	3,184,158	9,333	12,121	21,454	(3,162,704)
Other Financing Sources (Uses):					
Transfers to other funds	(3,184,158)	-	(30,000)	(30,000)	3,154,158
Transfers from other funds	-	3,241,877	260,068	3,501,945	3,501,945
Total	(3,184,158)	3,241,877	230,068	3,471,945	6,656,103
Net change in fund balance	\$ -	\$ 3,251,210	242,189	\$ 3,493,399	\$ 3,493,399
Fund Balance:					
Beginning of year - July 1			3,251,210		
End of year - June 30			\$ 3,493,399		

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Water and sewer charges	\$ 1,740,710	\$ 1,864,675	\$ 123,965
Tap and connection fees	90,750	91,700	950
Other operating charges	127,451	176,334	48,883
Total operating revenues	<u>1,958,911</u>	<u>2,132,709</u>	<u>173,798</u>
Non-operating revenues:			
Interest earnings	1,500	32,745	31,245
FEMA reimbursements	241	-	(241)
Capital charges	<u>1,582,616</u>	<u>1,629,266</u>	<u>46,650</u>
Total non-operating revenues	<u>1,584,357</u>	<u>1,662,011</u>	<u>77,654</u>
Total revenues	<u>3,543,268</u>	<u>3,794,720</u>	<u>251,452</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits	62,199	58,333	3,866
Operating expenditures	<u>78,382</u>	<u>104,785</u>	<u>(26,403)</u>
Total water and sewer administration	<u>140,581</u>	<u>163,118</u>	<u>(22,537)</u>
Operations:			
Salaries and employee benefits	248,858	214,298	34,560
Operating expenditures	1,143,845	1,104,447	39,398
Capital outlay	<u>2,608,534</u>	<u>1,051,677</u>	<u>1,556,857</u>
Total operations	<u>4,001,237</u>	<u>2,370,422</u>	<u>1,630,815</u>
Non-operating:			
County capital charges	<u>1,149,320</u>	<u>1,127,097</u>	<u>22,223</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget	Actual	Variance Over/Under
Debt service:			
Principal retirement	727,786	727,786	-
Interest and other charges	26,146	16,734	9,412
Total debt service	<u>753,932</u>	<u>744,520</u>	<u>9,412</u>
 Total expenditures	 <u>6,045,070</u>	 <u>4,405,157</u>	 <u>1,639,913</u>
 Revenues over (under) expenditures	 <u>(2,501,802)</u>	 <u>(610,437)</u>	 <u>1,891,365</u>
 Other Financing Sources (Uses):			
Transfers (to) from other funds:			
Capital reserve funds	(40,000)	(64,900)	(24,900)
Appropriated fund balance	2,541,802	-	(2,541,802)
Total other financing sources (uses)	<u>2,501,802</u>	<u>(64,900)</u>	<u>(2,566,702)</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>(675,337)</u>	 <u>\$ (675,337)</u>
 Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Principal retirement		727,786	
Depreciation		(542,655)	
Net revenue from capital reserve consolidation		509	
Capital reserve transfers-intrafund		64,900	
Change in deferred outflows of resources - pensions		(9,795)	
Change in deferred inflows of resources - pensions		(561)	
Change in net pension liability		(303)	
Capital outlay not capitalized		(36,664)	
Capital outlay		<u>1,051,677</u>	
 Change in net position		 <u>\$ 579,557</u>	

TOWN OF HOLDEN BEACH, NORTH CAROLINA**WATER CAPITAL RESERVE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Interest income	\$ 26,976	\$ 210	\$ (26,766)
Other Financing Sources (Uses):			
Transfer to other funds	(26,976)	-	26,976
Transfer from other funds	-	19,000	19,000
Total	<u>(26,976)</u>	<u>19,000</u>	<u>45,976</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 19,210</u>	<u>\$ 19,210</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA**SEWER CAPITAL RESERVE FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)****FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Interest income	\$ 44,523	\$ 299	\$ (44,224)
Other Financing Sources (Uses):			
Transfer to other funds	(44,523)	-	44,523
Transfer from other funds	<u>-</u>	<u>45,900</u>	<u>45,900</u>
Total	<u>(44,523)</u>	<u>45,900</u>	<u>90,423</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 46,199</u>	<u>\$ 46,199</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2020**

Year Ended June 30	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 2,669,465	\$ 2,636,388	\$ 33,077
2018-2019	26,232	-	16,985	9,247
2017-2018	11,421	-	4,819	6,602
2016-2017	17,421	-	2,893	14,528
2015-2016	14,849	-	2,385	12,464
2014-2015	7,854	-	2,363	5,491
2013-2014	7,741	-	1,274	6,467
2012-2013	6,598	-	1,747	4,851
2011-2012	6,445	-	2,459	3,986
2010-2011	7,460	-	3,735	3,725
2009-2010	5,050	-	5,050	-
2008-2009	4,021	-	4,021	-
2007-2008	485	-	485	-
Total	\$ 115,577	\$ 2,669,465	\$ 2,684,604	100,438
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(6,338)</u>
Ad valorem taxes receivable, net				<u>\$ 94,100</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				<u>\$ 2,760,053</u>
Reconciling items:				
Other				(65,893)
Write-Offs				<u>(9,556)</u>
Total reconciling items				<u>(75,449)</u>
Total collections and credit				<u>\$ 2,684,604</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2020

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	<u>\$ 1,334,732,892</u>	\$ 0.2000	\$ 2,669,465	\$ 2,633,522	\$ 35,943
Total property valuation	<u>\$ 1,334,732,892</u>				
Net Levy			2,669,465	2,633,522	35,943
Uncollected taxes at June 30, 2020			<u>(33,077)</u>	<u>(33,077)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 2,636,388</u>	<u>\$ 2,600,445</u>	<u>\$ 35,943</u>
Current Levy Collection Percentage			<u>98.76%</u>	<u>98.74%</u>	<u>100.00%</u>

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

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden Beach, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 16, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 16, 2020

TOWN OF HOLDEN BEACH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

1. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?

No

- Significant deficiency(ies) identified?

None reported

Non-compliance material to financial statements noted?

No

2. Financial Statement Findings

None

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

Finding 2019-001:

Status: Corrected

Finding 2019-002:

Status: Corrected