

**TOWN OF HOLDEN BEACH  
NORTH CAROLINA**

Financial Statements and  
Supplementary Information

For The Year Ended June 30, 2018

Governing Board

J. Alan Holden, Mayor

Mike Sullivan

Pat Kwiatkowski

Peter J Freer

Joe Butler

John Fletcher

Town Officials

David W. Hewett, Town Manager/Finance Director

Heather Finnell, Town Clerk

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## **FINANCIAL SECTION**

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

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American Institute of  
Certified Public Accountants

Member:  
North Carolina Association of  
Certified Public Accountants

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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden Beach, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

## ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden Beach, North Carolina as of June 30, 2018, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 53 through 54, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 55 and 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2019 on our consideration of the Town of Holden Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Holden Beach's internal control over financial reporting and compliance.

*Rives & Associates LLP*

Raleigh, North Carolina  
April 8, 2019

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

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

As management of the Town of Holden Beach, we offer readers of the Town of Holden Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Holden Beach for the fiscal year ended June 30, 2018. 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**

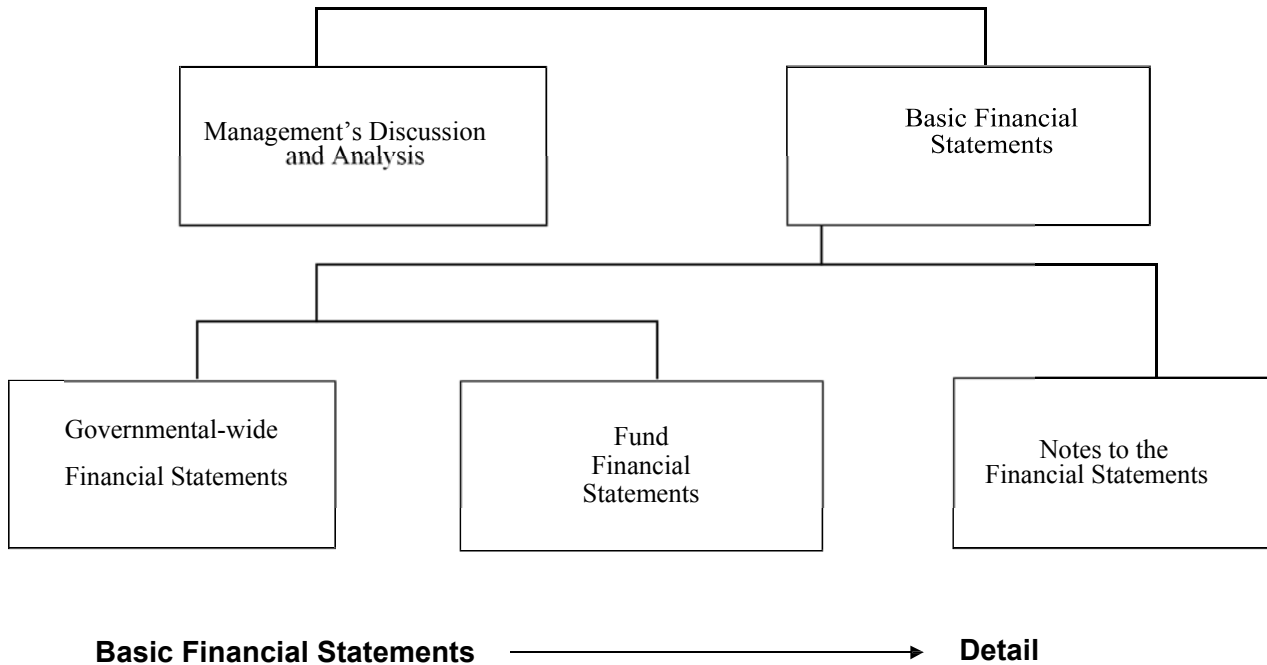
- The assets and deferred outflows of resources of the Town of Holden Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$25,858,808 (*net position*).
- The government's total net position increased by \$2,923,305 due to an increase in the governmental activities of \$2,458,097 and increases in the business-type activities of \$465,208.
- As of the close of the current fiscal year, the Town of Holden Beach governmental funds reported combined ending fund balances of \$10,949,338, an increase of \$978,542 in comparison with the prior year. Of this total amount, \$1,465,853 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 \$1,465,853 or 59 percent of total general fund expenditures for the fiscal year.

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

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

## Required Components of Annual Financial Report

Figure 1



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

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

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

### Government-Wide Financial Statements

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

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

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

### Government-Wide Financial Analysis

**Town of Holden Beach Net Position**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 11,202,430	\$ 10,249,192	\$ 5,432,658	\$ 5,146,572	\$ 16,635,088	\$ 15,395,764
Capital Assets	7,774,345	7,879,426	16,589,587	17,039,683	24,363,932	24,919,109
Deferred outflows of resources	242,922	337,211	32,486	53,368	275,408	390,579
<b>Total Assets and Deferred Outflows</b>	<b>19,219,697</b>	<b>18,465,829</b>	<b>22,054,731</b>	<b>22,239,623</b>	<b>41,274,428</b>	<b>40,705,452</b>
Long-term liabilities	12,310,462	13,879,479	701,113	1,352,308	13,011,575	15,231,787
Other liabilities	1,624,591	1,748,222	736,751	732,952	2,361,342	2,481,174
Deferred inflows of resources	40,798	52,379	1,905	4,609	42,703	56,988
<b>Total Liabilities &amp; deferred inflows</b>	<b>13,975,851</b>	<b>15,680,080</b>	<b>1,439,769</b>	<b>2,089,869</b>	<b>15,415,620</b>	<b>17,769,949</b>
Net position:						
Net investment in capital assets	5,372,189	5,185,415	15,311,965	15,145,785	20,684,154	20,331,200
Restricted	256,810	101,590	-	-	256,810	101,590
Unrestricted	(385,153)	(2,501,256)	5,302,997	5,003,969	4,917,844	2,502,713
<b>Total net position</b>	<b>\$ 5,243,846</b>	<b>\$ 2,785,749</b>	<b>20,614,962</b>	<b>\$ 20,149,754</b>	<b>\$ 25,858,808</b>	<b>\$ 22,935,503</b>

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 \$25,858,808 as of June 30, 2018. The Town's net position increased by \$2,923,503 for the fiscal year ended June 30, 2018. However, the largest portion (80%) of net position reflects the Town's net investment in capital assets (e.g. land, construction in progress, buildings, machinery, and equipment). The Town of Holden Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Holden Beach's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$256,810 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,917,844 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.04% which is greater than the statewide average in 2017 of 98.92%.

**Town of Holden Beach Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 321,054	\$ 291,877	\$ 2,181,252	\$ 2,044,362	\$ 2,502,306	\$ 2,336,239
Operating grants and contributions	257,060	3,443,965	-	-	257,060	3,443,965
Capital grants and contributions	-	-	1,579,905	1,556,626	1,579,905	1,556,626
General Revenues:						
Property Taxes	2,745,690	2,662,717	-	-	2,745,690	2,662,717
Other Taxes	2,916,210	2,581,258	-	-	2,916,210	2,581,258
Other	93,380	53,702	206	8,956	93,586	62,658
Total revenues:	<u>6,333,394</u>	<u>9,033,519</u>	<u>\$ 3,761,363</u>	<u>3,609,944</u>	<u>\$ 10,094,757</u>	<u>12,643,463</u>
Expenses:						
General government	939,886	843,439	-	-	939,886	843,439
Public Safety	912,401	998,432	-	-	912,401	998,432
Transportation	298,277	314,340	-	-	298,277	314,340
Environmental protection	106,264	109,819	-	-	106,264	109,819
Beach renourishment	1,388,739	17,502,692	-	-	1,388,739	17,502,692
Interest on long-term debt	229,730	300,117	-	-	229,730	300,117
Water and sewer	-	-	3,296,155	3,189,323	3,296,155	3,189,323
Total expenses	<u>3,875,297</u>	<u>20,068,839</u>	<u>3,296,155</u>	<u>3,189,323</u>	<u>7,171,452</u>	<u>23,258,162</u>
Increase in net position before transfers	2,458,097	(11,035,320)	\$ 465,208	420,621	2,923,305	(10,614,699)
Increase in net position	2,458,097	(11,035,320)	465,208	420,621	2,923,305	(10,614,699)
Net position, July 1	2,785,749	13,520,185	20,149,754	19,729,133	22,935,503	33,249,318
Restatement	-	(178,905)	-	-	-	(178,905)
Prior Period Adjustment	-	479,789	-	-	-	479,789
Net position, restated	-	13,821,069	-	19,729,133	-	33,550,202
	<u>\$ 5,243,846</u>	<u>\$ 2,785,749</u>	<u>\$ 20,614,962</u>	<u>\$ 20,149,754</u>	<u>\$ 25,858,808</u>	<u>\$ 22,935,503</u>

**Governmental activities.** Governmental activities increased the Town’s net position by \$2,458,097.

**Business-type activities:** Business-type activities increased the Town of Holden Beach’s net position by \$465,208. Key elements of this increase are as follows:

- Increase in charges for services.

**Financial Analysis of the Town’s Funds**

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

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

information is useful in assessing the Town of Holden Beach financing requirements.

The general fund is the chief operating fund of the Town of Holden Beach. At the end of the current fiscal year, unassigned fund balance of the General Fund was a \$1,465,853, while total fund balance of the general fund was \$2,077,335. The Governing Body of the Town of Holden Beach has determined that the Town should maintain an available fund balance of 25% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 59% of general fund expenditures, while total fund balance represents 84% of the same amount.

At June 30, 2018, the governmental funds of Town of Holden Beach reported a combined fund balance of \$10,949,338 with an increase in fund balance of \$978,542.

**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 17-18 were due to necessary increases in appropriations in order to meet and maintain service needs of the Town's departments.

**Proprietary Funds.** The Town of Holden Beach's proprietary fund provides the same type of information found in the government- wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$5,302,997. The total change in net position in the Water and Sewer fund was \$465,208. 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, 2018, totals \$24,363,932 (net of accumulated depreciation). These assets include buildings, land, construction in progress, machinery and equipment, and vehicles.

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

- Purchase of Police Vehicles
- Generators

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land & Constr. In Progress	\$2,648,983	\$3,280,010	\$ 140,296	\$ 140,296	\$ 2,789,279	\$ 3,420,306
Buildings and distribution systems	3,944,646	4,045,443	15,975,257	16,421,606	19,919,903	20,467,049
Improvements and infrastructure	1,027,083	337,895	136,467	140,148	1,163,550	478,043
Machinery and equipment	54,094	66,124	300,000	337,633	354,094	403,757
Vehicles	99,539	149,954	37,567	-	137,106	149,954
Total	<u>\$7,774,345</u>	<u>\$7,879,426</u>	<u>\$ 16,589,587</u>	<u>\$ 17,039,683</u>	<u>\$ 24,363,932</u>	<u>\$ 24,919,109</u>

Additional information on the Town's capital assets can be found in Note 3.A of the Basic Financial Statements.

### Long-Term Debt

As of June 30, 2018, the Town had total debt of \$14,477,779 (excluding compensated absences). There was a net decrease in total debt of \$2,201,268.

Additional information regarding the Town's debt can be found in Note 3B.

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

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

- Unemployment rates. The Town of Holden Beach's unemployment rate of 5.2% which is slightly higher than the State average of 3.8%.
- The Town does continue to have a steady revenue stream of tourism dollars despite the overall sluggish economy in Southeastern North Carolina.



## **Budget Highlights for the Fiscal Year Ending June 30, 2018**

**Governmental Activities:** The Town's ad valorem tax rate for the fiscal year ending June 30, 2018 will remain at 22 cents per one hundred dollars of valuation. Fund balance in the BPART fund was appropriated to balance the budget for the year ended June 30, 2018 in the amount of \$123,500.

**Business –Type Activities:** Almost a year after increasing both water and sewer rates, revenues continue to trend upward as conservation seems to be down. Concerns over the viability of the sewer lift stations have been addressed by the Sewer Vulnerability Committee and an independent engineer. It is recommended to fund the rehabilitation of sewer lift stations 4, 3, and 2 over the course of three years. The appropriation in this year's budget is for station 4 in the amount of \$1,413,000. Additional fund balance appropriation amounts reflect water and sewer capital expenses requested for FY 17-18.

### **Requests for Information**

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

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## **BASIC FINANCIAL STATEMENTS**

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TOWN OF HOLDEN BEACH, NORTH CAROLINA

Exhibit 1

Statement of Net Position

June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 8,949,498	\$ 4,689,548	\$ 13,639,046
Taxes receivables (net)	99,028	-	99,028
Accounts receivable	613,785	567,710	1,181,495
Due from other governments	78,519	41,951	120,470
Inventories	-	123,796	123,796
Deposit - interlocal agreement	1,461,600	-	1,461,600
Restricted cash	-	9,653	9,653
Total current assets	<u>11,202,430</u>	<u>5,432,658</u>	<u>16,635,088</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	2,648,983	140,296	2,789,279
Other capital assets, net of depreciation	5,125,362	16,449,291	21,574,653
Total capital assets	<u>7,774,345</u>	<u>16,589,587</u>	<u>24,363,932</u>
Total assets	<u>18,976,775</u>	<u>22,022,245</u>	<u>40,999,020</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	<u>242,922</u>	<u>32,486</u>	<u>275,408</u>
Total deferred outflows of resources	<u>242,922</u>	<u>32,486</u>	<u>275,408</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	20,879	81,685	102,564
Due to other governments	83,988	-	83,988
Accrued interest	-	21,369	21,369
Current portion of long-term liabilities	1,519,724	633,697	2,153,421
Total current liabilities	<u>1,624,591</u>	<u>736,751</u>	<u>2,361,342</u>
Long-term liabilities:			
Compensated absences	68,709	9,350	78,059
Net pension liability	294,317	44,838	339,155
Total pension liability	240,004	-	240,004
Due in more than one year	11,707,432	646,925	12,354,357
Total liabilities	<u>13,935,053</u>	<u>1,437,864</u>	<u>15,372,917</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	18,010	-	18,010
Pension deferrals	22,788	1,905	24,693
Total deferred inflows of resources	<u>40,798</u>	<u>1,905</u>	<u>42,703</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,372,189	15,311,965	20,684,154
Restricted for:			
Stabilization by State Statue	256,810	-	256,810
Unrestricted	(385,153)	5,302,997	4,917,844
Total net position	<u>\$ 5,243,846</u>	<u>\$ 20,614,962</u>	<u>\$ 25,858,808</u>

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

**Exhibit 2**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 939,886	\$ 2,742	\$ -	\$ -	\$ (937,144)	\$ -	\$ (937,144)
Public safety	912,401	276,943	-	-	(635,458)	-	(635,458)
Transportation	298,277	-	35,071	-	(263,206)	-	(263,206)
Environmental protection	106,264	24,840	-	-	(81,424)	-	(81,424)
Beach nourishment	1,388,739	16,529	221,989	-	(1,150,221)	-	(1,150,221)
Interest on long-term debt	229,730	-	-	-	(229,730)	-	(229,730)
Total governmental activities	<u>3,875,297</u>	<u>321,054</u>	<u>257,060</u>	<u>-</u>	<u>(3,297,183)</u>	<u>-</u>	<u>(3,297,183)</u>
Business-type activities:							
Water and sewer	3,296,155	2,181,252	-	1,579,905	-	465,002	465,002
Total business-type activities	<u>3,296,155</u>	<u>2,181,252</u>	<u>-</u>	<u>1,579,905</u>	<u>-</u>	<u>465,002</u>	<u>465,002</u>
Total primary government	<u>\$ 7,171,452</u>	<u>\$ 2,502,306</u>	<u>\$ 257,060</u>	<u>\$ 1,579,905</u>	<u>(3,297,183)</u>	<u>465,002</u>	<u>(2,832,181)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,745,690	-	2,745,690
Sales and use tax					168,389	-	168,389
Other taxes					2,747,821	-	2,747,821
Unrestricted investment earnings					32,089	206	32,295
Gain/(Loss) on sale of capital assets					15,832	-	15,832
Miscellaneous					45,459	-	45,459
Total general revenues and transfers					<u>5,755,280</u>	<u>206</u>	<u>5,755,486</u>
Change in net position					2,458,097	465,208	2,923,305
Net position, beginning, previously reported					<u>2,785,749</u>	<u>20,149,754</u>	<u>22,935,503</u>
Net position, ending					<u>\$ 5,243,846</u>	<u>\$ 20,614,962</u>	<u>\$ 25,858,808</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

Exhibit 3

Balance Sheet  
Governmental Funds  
June 30, 2018

	Major Funds			Total Governmental Funds
	General Fund	BPART Tax Fund	Canal Dredging Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,997,624	\$ 4,950,973	\$ 2,000,901	\$ 8,949,498
Taxes receivable - net	99,028	-	-	99,028
Accounts receivable	43,340	539,258	31,187	613,785
Deposit - interlocal agreement	-	1,461,600	-	1,461,600
Due from other governments	67,599	10,920	-	78,519
Total assets	<u>\$ 2,207,591</u>	<u>\$ 6,962,751</u>	<u>\$ 2,032,088</u>	<u>\$ 11,202,430</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 13,218	\$ 7,661	\$ -	\$ 20,879
Due to other governments	-	83,988	-	83,988
Total liabilities	<u>13,218</u>	<u>91,649</u>	<u>-</u>	<u>104,867</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes, licenses and fees	18,010	-	-	18,010
Assessments receivable	-	-	31,187	31,187
Property taxes receivable	99,028	-	-	99,028
Total deferred inflows of resources	<u>117,038</u>	<u>-</u>	<u>31,187</u>	<u>148,225</u>
<b>FUND BALANCES</b>				
Restricted				
Stabilization by State Statute	256,810	-	-	256,810
Streets - Powell Bill	34,512	-	-	34,512
Beach nourishment	-	6,871,102	2,000,901	8,872,003
Assigned				
Subsequent year's expenditures	34,977	-	-	34,977
General government debt	285,183	-	-	285,183
Unassigned	1,465,853	-	-	1,465,853
Total fund balances	<u>2,077,335</u>	<u>6,871,102</u>	<u>2,000,901</u>	<u>10,949,338</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,207,591</u>	<u>\$ 6,962,751</u>	<u>\$ 2,032,088</u>	<u>\$ 11,202,430</u>

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**June 30, 2018**

**Exhibit 3**

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

Total Fund Balance, Governmental Funds		\$ 10,949,338
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	9,736,826	
Accumulated depreciation	<u>(1,962,481)</u>	7,774,345
Deferred outflows of resources related to pensions are not reported in the funds		
		158,572
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		
		84,350
Earned revenues considered deferred inflows of resources in fund statements.		
		130,215
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).	(13,295,865)	
Net pension liability	(294,317)	
Total pension liability	<u>(240,004)</u>	(13,830,186)
Deferred inflows of resources related to pensions are not reported in the funds		
		(18,346)
Deferred inflows of resources related to pensions are not reported in the funds - LEOSSA		
		<u>(4,442)</u>
Net position of governmental activities		<u><u>\$ 5,243,846</u></u>

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

**Exhibit 4**

	<b>Major Fund</b>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>BPART Tax Fund</b>	<b>Canal Dredging Fund</b>	
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,719,163	\$ -	\$ -	\$ 2,719,163
Other taxes and licenses	168,389	2,138,047	358,729	2,665,165
Unrestricted intergovernmental	269,644	-	-	269,644
Restricted intergovernmental	35,071	221,989	-	257,060
Permits and fees	270,804	-	-	270,804
Sales and service	30,979	-	-	30,979
Investment earnings	-	26,947	5,142	32,089
Miscellaneous	16,648	45,340	-	61,988
Total revenues	<u>3,510,698</u>	<u>2,432,323</u>	<u>363,871</u>	<u>6,306,892</u>
<b>EXPENDITURES</b>				
Current:				
General government	755,100	-	-	755,100
Public safety	917,898	-	-	917,898
Beach nourishment	-	953,854	77,335	1,031,189
Transportation	296,777	-	-	296,777
Environmental protection	105,265	-	-	105,265
Debt service: -				
Principal	291,855	1,200,000	-	1,491,855
Interest	94,281	248,084	-	342,365
Capital outlay	-	66,654	-	66,654
Total expenditures	<u>2,461,176</u>	<u>2,468,592</u>	<u>77,335</u>	<u>5,007,103</u>
Excess (deficiency) of revenues over expenditures	<u>1,049,522</u>	<u>(36,269)</u>	<u>286,536</u>	<u>1,299,789</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to BPART Fund	(806,576)	-	-	(806,576)
Transfer to Brunswick County	-	(357,550)	-	(357,550)
Transfer from general fund	-	806,576	-	806,576
Sales of capital assets	15,832	-	-	15,832
Proceeds from loan	20,471	-	-	20,471
Total other financing sources (uses)	<u>(770,273)</u>	<u>449,026</u>	<u>-</u>	<u>(321,247)</u>
Net change in fund balance	279,249	412,757	286,536	978,542
Fund balances, beginning	<u>1,798,086</u>	<u>6,458,345</u>	<u>1,714,365</u>	<u>9,970,796</u>
Fund balances, ending	<u>\$ 2,077,335</u>	<u>\$ 6,871,102</u>	<u>\$ 2,000,901</u>	<u>\$ 10,949,338</u>

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

**Exhibit 4**

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

Net changes in fund balances- total governmental funds	\$	978,542
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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	\$	66,654	
Depreciation expense for governmental assets		<u>(171,735)</u>	(105,081)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		83,528
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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.

Decrease in accrued interest payable		92,164	
Principal payments on long-term debt		<u>1,491,855</u>	1,584,019

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(6,569)
--	--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		22,556	
Pension expense		<u>(116,137)</u>	(93,581)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
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Change in unavailable revenue for tax and assessment revenues		<u>17,239</u>
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Total changes in net position of governmental activities		<u><u>\$ 2,458,097</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2018**

Exhibit 5

	General Fund				BPART Tax Fund			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Ad valorem taxes	\$ 2,666,821	\$ 2,666,821	\$ 2,719,163	\$ 52,342	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	148,185	148,185	168,389	20,204	1,800,250	1,800,250	2,138,047	337,797
Unrestricted intergovernmental	214,637	214,637	269,644	55,007	-	-	-	-
Restricted intergovernmental	34,303	34,303	35,071	768	6,119,727	6,119,727	221,989	(5,897,738)
Permits and fees	224,085	224,085	270,804	46,719	-	-	-	-
Sales and services	17,740	17,740	30,979	13,239	-	-	-	-
Investment earnings	-	-	-	-	5,000	5,000	26,947	21,947
Miscellaneous	22,000	22,000	16,648	(5,352)	113,553	113,553	45,340	(68,213)
Total revenues	<u>3,327,771</u>	<u>3,327,771</u>	<u>3,510,698</u>	<u>182,927</u>	<u>8,038,530</u>	<u>8,038,530</u>	<u>2,432,323</u>	<u>(5,606,207)</u>
Expenditures:								
Current:								
General government	793,579	793,579	755,100	38,479	-	-	-	-
Public safety	1,030,833	1,030,833	917,898	112,935	-	-	-	-
Transportation	353,149	353,149	296,777	56,372	-	-	-	-
Environmental protection	118,681	118,681	105,265	13,416	-	-	-	-
Beach nourishment	-	-	-	-	7,353,961	7,353,961	953,854	6,400,107
Debt service:								
Principal	275,893	275,893	291,855	(15,962)	1,448,520	1,448,520	1,200,000	248,520
Interest	-	-	94,281	(94,281)	-	-	248,084	(248,084)
Capital outlay	-	-	-	-	-	-	66,654	(66,654)
Total expenditures	<u>2,572,135</u>	<u>2,572,135</u>	<u>2,461,176</u>	<u>110,959</u>	<u>8,802,481</u>	<u>8,802,481</u>	<u>2,468,592</u>	<u>6,333,889</u>
Revenues over (under) expenditures	<u>755,636</u>	<u>755,636</u>	<u>1,049,522</u>	<u>293,886</u>	<u>(763,951)</u>	<u>(763,951)</u>	<u>(36,269)</u>	<u>727,682</u>
Other financing sources (uses):								
Transfers from other funds	50,940	50,940	-	(50,940)	806,576	806,576	806,576	-
Transfers to other funds	(806,576)	(806,576)	(806,576)	-	-	-	-	-
Transfer to Brunswick County	-	-	-	-	(295,500)	(295,500)	(357,550)	(62,050)
Sales of capital assets	-	-	15,832	15,832	-	-	-	-
Proceeds from loan	-	-	20,471	20,471	-	-	-	-
Fund balance appropriated	-	-	-	-	252,875	252,875	-	(252,875)
Total other financing sources (uses)	<u>(755,636)</u>	<u>(755,636)</u>	<u>(770,273)</u>	<u>(14,637)</u>	<u>763,951</u>	<u>763,951</u>	<u>449,026</u>	<u>(314,925)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>279,249</u>	<u>\$ 279,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>412,757</u>	<u>\$ 412,757</u>
Fund balance, beginning			<u>1,798,086</u>				<u>6,458,345</u>	
Fund balance, ending			<u>\$ 2,077,335</u>				<u>\$ 6,871,102</u>	

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)**  
**For the Year Ended June 30, 2018**

Exhibit 5

	Canal Dredging Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	371,299	371,299	358,729	(12,570)
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	-	-	-
Permits and fees	-	-	-	-
Investment earnings	800	800	5,142	4,342
Miscellaneous	134,987	134,987	-	(134,987)
Total revenues	<u>507,086</u>	<u>507,086</u>	<u>363,871</u>	<u>(143,215)</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Transportation	-	-	-	-
Environmental protection	-	-	-	-
Beach renourishment	2,126,282	2,126,282	77,335	2,048,947
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>2,126,282</u>	<u>2,126,282</u>	<u>77,335</u>	<u>2,048,947</u>
Revenues over (under) expenditures	<u>(1,619,196)</u>	<u>(1,619,196)</u>	<u>286,536</u>	<u>1,905,732</u>
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(51,168)	(51,168)	-	51,168
Insurance recovery	-	-	-	-
Fund balance appropriated	1,670,364	1,670,364	-	(1,670,364)
Total other financing sources (uses)	<u>1,619,196</u>	<u>1,619,196</u>	<u>-</u>	<u>(1,619,196)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	286,536	<u>\$ 286,536</u>
Fund balance, beginning			<u>1,714,365</u>	
Fund balance, ending			<u>\$ 2,000,901</u>	

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

**Exhibit 6**

	<b>Major Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 4,689,548
Accounts receivable - net	567,710
Due from other governments	41,951
Inventories	123,796
Restricted cash and cash equivalents	9,653
Total current assets	5,432,658
Noncurrent assets:	
Capital assets:	
Land and construction in progress	140,296
Other capital assets, net of depreciation	16,449,291
Total capital assets	16,589,587
Total noncurrent assets	16,589,587
Total assets	22,022,245
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Contributions to pension plan in current fiscal year	32,486
	32,486
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	81,685
Accrued interest	21,369
Compensated absences, current	3,000
Current portion of long-term debt	630,697
Total current liabilities	736,751
Noncurrent liabilities:	
Compensated absences	9,350
Net pension liability	44,838
Non-current portion of long-term debt	646,925
Total noncurrent liabilities	701,113
Total liabilities	1,437,864
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	1,905
	1,905
<b>NET POSITION</b>	
Net investment in capital assets	15,311,965
Unrestricted	5,302,997
Total net position	\$ 20,614,962

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

Exhibit 7

	<b>Major Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,880,214
Taps and connections fees	71,724
Impact fees	56,748
Share fees	45,125
Other operating revenues	127,441
<b>Total operating revenues</b>	<b>2,181,252</b>
<b>OPERATING EXPENSES</b>	
General operations	112,632
Water and sewer operations	1,463,479
Depreciation	519,510
<b>Total operating expenses</b>	<b>2,095,621</b>
<b>Operating income (loss)</b>	<b>85,631</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	206
Capital charges	1,579,905
City capital charges	(1,156,217)
Interest and other charges	(44,317)
<b>Total nonoperating revenues (expenses)</b>	<b>379,577</b>
<b>Income (loss) before contributions and transfers</b>	<b>465,208</b>
Transfer from other funds	-
Transfer to other funds	-
<b>Change in net position</b>	<b>465,208</b>
<b>Total net position, previously reported</b>	<b>20,149,754</b>
<b>Total net position, ending</b>	<b>\$ 20,614,962</b>

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**

**Exhibit 8**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018**

	<b>Major Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,048,235
Cash paid for goods and services	(1,279,741)
Cash paid to or on behalf of employees for services	(292,565)
Other operating revenues	127,441
Net cash provided (used) by operating activities	603,370
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Capital charges paid	(1,156,217)
Capital charges received from customers	1,579,905
Total cash flow from noncapital financing activities	423,688
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on bonds/loans	(616,276)
Interest paid on bonds/loans	(44,317)
Acquisition and construction of capital assets	(69,414)
Net cash provided (used) by capital and related financing activities	(730,007)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	206
Net cash provided (used) by investing activities	206
Net increase (decrease) in cash and cash equivalents	297,257
Balances, beginning	4,401,944
Balances, ending	\$ 4,699,201
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ 85,631
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	519,510
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	14,406
Decrease (increase) in due from other governments	(19,982)
Increase in net pension liability	(17,510)
Increase (decrease) in accounts payable and accrued liabilities	(10,637)
Decrease (increase) in inventories	16,747
Increase (decrease) in accrued vacation	(2,973)
(Increase) decrease in deferred outflows of resources for pensions	20,882
Decrease (increase) in deferred inflows of resources - pensions	(2,704)
Total adjustments	517,739
Net cash provided by operating activities	\$ 603,370

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

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**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

The Town reports the following major governmental fund:

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

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

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

**Central Beach Fund.** This fund is used to account for beach renourishment projects.

The Town reports the following major enterprise funds:

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

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

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

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

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



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

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

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

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**D. Budgetary Data**

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

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

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

**2. Cash and Cash Equivalents**

All cash is essentially demand deposits and is considered cash and cash equivalents.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**3. Restricted Assets**

Cash and investments are restricted in the Enterprise Fund for the customer deposits held by the Town for payments on the sewer system, future capital projects, and utility deposits. These deposits are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintain, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

**Town of Holden Beach Restricted Cash**

Governmental Activities:

General Fund:

Streets	\$ -
Total governmental activities	-

Business-type Activities:

Water and Sewer Fund:

Sewer Share	9,653
Total Business-type Activities	9,653

Total Restricted Cash	\$ 9,653
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**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2017.

**5. Allowances for Doubtful Accounts**

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

6. Inventory

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

7. Capital Assets

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

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

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

8. Deferred Outflows/Inflows of Resources

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

8. Deferred Outflows/Inflows of Resources (Continued)

The Town has several items that met this criterion for this category – prepaid property taxes, property taxes receivable and pension deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Restricted for Beach Renourishment – Portion of fund balance that is restricted by revenue source.

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

11. Net Position/Fund Balances (Continued)

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

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

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

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

The Town has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures.

12. Defined Benefit Cost-Sharing Plans

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**II. Detail Notes on All Funds**

A. Assets

1. Deposits

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

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

At June 30, 2018, the Town's deposits had a carrying amount of \$12,742,180 and a bank balance of \$12,940,889. 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, 2018, the Town's petty cash fund totaled \$100.

2. Investments

At June 30, 2018, the Town of Holden Beach had \$906,420 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk of its investments.



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

A. Assets (Continued)

3. Receivables – Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$827.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018 is net of the following allowances for doubtful accounts:

	<u>Taxes</u>	<u>Accounts</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General Fund	\$ 99,028	\$ 44,790	\$ 67,599	\$ 211,417
Allowance for doubtful accounts	-	(1,450)	-	(1,450)
Total governmental activities	<u>\$ 99,028</u>	<u>\$ 43,340</u>	<u>\$ 67,599</u>	<u>\$ 209,967</u>
<b>Business-Type Activities:</b>				
Water and Sewer Fund:				
Total receivables	-	674,346	41,951	716,297
Allowance for doubtful accounts	-	(106,636)	-	(106,636)
Total business-type activities	<u>\$ -</u>	<u>\$ 567,710</u>	<u>\$ 41,951</u>	<u>\$ 609,661</u>

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b><u>July 1, 2017</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>June 30, 2018</u></b>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,648,983	\$ -	\$ -	\$ 2,648,983
Construction in progress	631,027	66,654	697,681	-
Total capital assets not being depreciated	<u>3,280,010</u>	<u>66,654</u>	<u>697,681</u>	<u>2,648,983</u>
<b>Capital assets being depreciated:</b>				
Buildings and structures	5,039,883	-	-	5,039,883
Other improvements & infrastructure	424,664	697,681	-	1,122,345
Equipment	344,174	-	4,450	339,724
Vehicles	585,891	-	-	585,891
Total capital assets being depreciated	<u>6,394,612</u>	<u>697,681</u>	<u>4,450</u>	<u>7,087,843</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and structures	994,440	100,797	-	1,095,237
Other improvements & infrastructure	86,769	8,493	-	95,262
Furniture, equipment, and machinery	278,050	12,030	4,450	285,630
Vehicles	435,937	50,415	-	486,352
Total accumulated depreciation	<u>1,795,196</u>	<u>171,735</u>	<u>4,450</u>	<u>1,962,481</u>
Total capital assets being depreciated, net	<u>4,599,416</u>			<u>5,125,362</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 7,879,426</u>			<u>\$ 7,774,345</u>

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

General government	\$ 103,926
Public safety	54,625
Transportation	4,108
Beach renourishment & recreational	9,076
	<u>\$ 171,735</u>

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

4. Capital Assets (Continued)

	<b>Balance</b>			<b>Balance</b>
	<b><u>July 1, 2017</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>June 30, 2018</u></b>
<i>Water and Sewer Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 140,296	\$ -	\$ -	\$ 140,296
Total capital assets not being depreciated	<u>140,296</u>	<u>-</u>	<u>-</u>	<u>140,296</u>
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	22,317,453	-	-	22,317,453
Infrastructure	184,026	-	-	184,026
Furniture and maintenance equipment	729,847	29,870	4,450	755,267
Vehicles	78,847	39,544	10,268	108,123
Total capital assets being depreciated	<u>23,310,173</u>	<u>69,414</u>	<u>14,718</u>	<u>23,364,869</u>
<b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	5,895,847	446,349	-	6,342,196
Infrastructure	43,878	3,681	-	47,559
Furniture and maintenance equipment	392,214	67,503	4,450	455,267
Vehicles	78,847	1,977	10,268	70,556
Total accumulated depreciation	<u>6,410,786</u>	<u>519,510</u>	<u>14,718</u>	<u>6,915,578</u>
Total capital assets being depreciated, net	<u>16,899,387</u>			<u>16,449,291</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 17,039,683</u></u>			<u><u>\$ 16,589,587</u></u>

**Construction Commitments**

The government does not have any active projects/commitments as of June 30, 2018.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

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

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

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Holden Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Holden Beach's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$99,235 for the year ended June 30, 2018.

*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, 2018, the Town reported a liability of \$339,155 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.0222%, which was an increase of 0.0007% from its proportion measured as of June 30, 2016.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

For the year ended June 30, 2018, the Town recognized pension expense of \$108,166. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 19,538	\$ 9,600
Changes of assumptions	48,436	-
Net difference between projected and actual earnings on pension plan investments	82,347	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,313	11,287
Town contributions subsequent to the measurement date	99,235	-
Total	\$ 250,869	\$ 20,887

\$99,235 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$ 11,946
2020	95,664
2021	48,084
2022	(24,946)
2023	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town’s proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the Town’s proportionate share of the net pension liability or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<b>1% Decrease (6.20%)</b>	<b>Discount Rate (7.20%)</b>	<b>1% Increase (8.20%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 1,018,149	\$ 339,155	\$ (227,592)

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

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

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



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

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

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

*Summary of Significant Accounting Policies.*

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

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

*Actuarial Assumptions.* The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

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

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

*Contributions.* The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 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, 2018**

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

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

At June 30, 2018, the Town reported a total pension liability of \$240,004. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$24,196.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,184	\$ -
Changes of assumptions and other inputs	19,355	4,442
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 24,539	\$ 4,442

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$ 3,758
2020	3,758
2021	3,758
2022	3,758
2023	3,758
Thereafter	1,307
	\$ 20,097

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	<b>1% Decrease (2.16%)</b>	<b>Discount Rate (3.16%)</b>	<b>1% Increase (4.16%)</b>
Total pension liability	\$ 267,597	\$ 240,004	\$ 215,381

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

	<b>2018</b>
Beginning balance	\$ 190,466
Service Cost	13,086
Interest on the total pension liability	7,352
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	6,147
Changes of assumptions or other inputs	22,953
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 240,004

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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 108,166	\$ 24,196	\$ 132,362
Pension Liability	339,155	240,004	579,159
Proportionate share of the net pension liability	0.02220%	n/a	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	19,538	5,184	24,722
Changes of assumptions	48,436	19,355	67,791
Net difference between projected and actual earnings on plan investments	82,347	-	82,347
Changes in proportion and differences between contributions and proportionate share of contributions	1,313	-	1,313
Benefit payments and administrative costs paid subsequent to the measurement date	99,235	-	99,235
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	9,600	-	9,600
Changes of assumptions	-	4,442	4,442
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	11,287	-	11,287

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

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2018 were \$30,871, which consisted of \$22,191 from the Town and \$8,680 from the law enforcement officers.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**2. Other Employment Benefits**

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

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

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in the current year	\$ 99,235
Pension deferrals – LGERS	151,634
Pension deferrals – LEOSSA	24,539
Total	<u>\$ 275,408</u>

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

<u>Source</u>	<u>Amount</u>
Pension deferrals - LGERS	\$ 20,887
Pension deferrals – LEOSSA	4,442
Assessments receivable	31,187
Property taxes receivable	99,028
Prepaid taxes	18,010
Total	<u>\$ 173,554</u>

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability, public officials' liability and auto liability coverage, property coverage up to the total insured values of the property policy and workers' compensation coverage up to statutory limits.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

4. Risk Management (Continued)

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

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

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

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

5. Claims, Judgments and Contingent Liabilities

As of June 30, 2018, the Town was not involved in any civil or legal actions which in the opinion of management and the Town’s attorney would have an adverse or material effect on the Town’s financial position.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

6. Long-Term Obligations

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

Governmental Activities:

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2.420% note, payable in annual installments of \$93,335 including interest, final payment due July 2024; secured by real estate	\$ 594,428
3.81% note, payable in annual installments of \$200,000, plus interest; final payment due March 2027; secured by real estate	1,791,954
Installment purchase, payable in annual installments of \$16,908, including interest, final payment due September 2018; secured by 1 Dodge vehicle	15,774
2.18% note, payable in annual installments of \$1,200,000, plus interest; final payment due October 2026; secured by pledged sources	10,800,000
Total governmental activities notes payable	<u>\$ 13,202,156</u>

Business-type Activities:

Water and Sewer Fund

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3.79% note, payable in annual installments of \$459,635, including interest; final payment due November 2019; secured by real estate	\$ 871,622
3.79% note, payable in annual installments of \$219,090, including interest; final payment due November 2019; secured by real estate	<u>405,961</u>
Total business-type activities notes payable	<u>\$ 1,277,623</u>

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

6. Long-Term Obligations (Continued)

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

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

Fiscal Year Ended	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 1,494,724	\$ 306,123	\$ 1,800,847	\$ 630,697	\$ 29,896	\$ 660,592
2020	1,480,860	269,328	1,750,188	646,926	13,666	660,592
2021	1,482,817	233,591	1,716,408	-	-	-
2022	1,484,821	263,207	1,748,028	-	-	-
2023	1,486,874	161,974	1,648,848	-	-	-
2024-2027	5,772,060	290,818	6,062,878	-	-	-
<b>Total</b>	<b>\$ 13,202,156</b>	<b>\$ 1,525,041</b>	<b>\$ 14,727,197</b>	<b>\$ 1,277,623</b>	<b>\$ 43,562</b>	<b>\$ 1,321,184</b>

At June 30, 2018, the Town of Holden Beach had a legal debt margin of \$83,659,991. There were no authorized bonds that had not been issued as of June 30, 2018.

B. Changes in Long – Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Notes Payable	\$ 14,663,466	\$ -	\$ 1,477,084	\$ 13,186,382	\$ 1,478,950
Installment/Lease Purchases	30,545	-	14,771	15,774	15,774
Net pension liability (LGERS)	393,954	-	99,637	294,317	-
Total pension liability (LEOSSA)	190,466	49,538	-	240,004	-
Compensated absences	116,265	-	22,556	93,709	25,000
<b>Governmental activity long-term liabilities</b>	<b>\$ 15,394,696</b>	<b>\$ 49,538</b>	<b>\$ 1,614,048</b>	<b>\$ 13,830,186</b>	<b>\$ 1,519,724</b>
Business-type activities:					
Water and Sewer Fund					
Notes Payable	\$ 1,893,898	\$ -	\$ 616,275	\$ 1,277,623	\$ 630,697
Net pension liability (LGERS)	62,348	-	17,510	44,838	-
Compensated absences	15,323	-	2,973	12,350	3,000
<b>Water Sewer Fund long-term liabilities</b>	<b>\$ 1,971,569</b>	<b>\$ -</b>	<b>\$ 636,758</b>	<b>\$ 1,334,811</b>	<b>\$ 633,697</b>
<b>Business activity long-term liabilities</b>	<b>\$ 1,971,569</b>	<b>\$ -</b>	<b>\$ 636,758</b>	<b>\$ 1,334,811</b>	<b>\$ 633,697</b>



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2018, consist of the following:

From General Fund to BPART Fund to allocate funding \$ 806,576

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

**D. Net Investment in Capital Assets**

	Governmental	Business-Type
Capital Assets	\$ 7,774,345	\$ 16,589,587
Less Long Term Debt	(13,202,156)	(1,277,622)
(add back debt not related to capital assets)	10,800,000	-
Net Investment in Capital Assets	\$ 5,372,189	\$ 15,311,965

**E. Fund Balance**

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

Total fund balance-General Fund	\$ 2,077,335
Less:	
Stabilization by State Statute	256,810
Streets – Powell Bill	34,512
Appropriated Fund Balance in 2019 budget	34,977
General government debt	285,183
Remaining Fund Balance	\$ 1,465,853

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 25% of budgeted expenditures.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**III. Jointly Governed Organization**

The Town, in conjunction with other local governments, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing boards. The Town paid membership fees of \$412 to the Council during the fiscal year ended June 30, 2018.

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, 2018.

**IV. Contracted Service Agreement**

The Town has entered into a sewer service agreement with Brunswick County for the East/West Brunswick Regional Wastewater Project. The term of the agreement is from July 2002 for thirty (30) years or five years after the last maturity of the bonds issued to finance the project. Brunswick County has financed, constructed, and is operating a regional sewer system and the Town, which is using this system for transmission and treatment of the Town's sewage, has agreed to participate with the County in financing the project. The Town is responsible for assisting in paying for a portion of the operation and maintenance of the system, and the Town also has to pay its share of the financing costs the County incurred for construction. The total amounts that the Town is responsible for are approximately 22.43% of the County's 2004A Revenue Bond of \$31,540,000, 33.33% of the County's 2004 Revolving Loan of \$20,000,000, and 33.33% of the County's 2005 Revolving Loan of \$10,000,000. The Town also has to pay the same percentages of the interest on these debts. The payments made in the current year for the capital charges to Brunswick County totaled \$1,156,217. The subsequent years' payment will decrease gradually over the 25 year life span of the debt to a final payment of \$606,451 in 2029. The Town levies a capital charge to residents in order to fund the payments.

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**V. Interlocal Agreement with Brunswick County**

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

**VI. 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.

**VII. Significant Effects of Subsequent Events**

Subsequent events have been evaluated through April 8, 2019, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

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**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Town of Holden Beach's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Five Fiscal Years \***

**Schedule 1**

**Local Government Employees' Retirement System**

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

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

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

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

Schedule 2

**Local Government Employees' Retirement System**

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2018**

**Schedule 3**

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

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

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2018**

**Schedule 4**

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

Notes to the schedules:

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



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## **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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## General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2018**

	2018		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 2,639,221	\$ 2,683,352	\$ 44,131
Prior year	20,100	25,004	4,904
Interest and penalties	7,500	10,807	3,307
Total	<u>2,666,821</u>	<u>2,719,163</u>	<u>52,342</u>
Other taxes and licenses:			
Local option sales tax	148,185	168,389	20,204
Privilege licenses	-	-	-
Total	<u>148,185</u>	<u>168,389</u>	<u>20,204</u>
Unrestricted intergovernmental:			
Beer and wine tax	2,600	2,742	142
Telecommunications tax	8,550	7,793	(757)
Franchise tax	157,850	212,456	54,606
Video program tax	38,137	37,645	(492)
Sales tax refund	7,500	9,008	1,508
Total	<u>214,637</u>	<u>269,644</u>	<u>55,007</u>
Restricted intergovernmental:			
FEMA grant	-	-	-
Powell Bill allocation	34,303	35,071	768
Total	<u>34,303</u>	<u>35,071</u>	<u>768</u>
Permits and fees:			
Building permits	213,343	260,494	47,151
CAMA permits and reimbursements	8,442	7,235	(1,207)
Cable franchise fees	-	-	-
Other permits and fees	2,300	3,075	775
Total	<u>224,085</u>	<u>270,804</u>	<u>46,719</u>
Investment earnings	<u>-</u>	<u>-</u>	<u>-</u>
Sales and services	<u>17,740</u>	<u>30,979</u>	<u>13,239</u>
Miscellaneous	<u>22,000</u>	<u>16,648</u>	<u>(5,352)</u>
Total revenues	<u>3,327,771</u>	<u>3,510,698</u>	<u>182,927</u>

## General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**  
(Continued)

	2018		Variance Positive (Negative)
	Budget	Actual	
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits	\$ 8,400	\$ 8,397	\$ 3
Operating expenses	151,036	155,541	(4,505)
Total	<u>159,436</u>	<u>163,938</u>	<u>(4,502)</u>
Administration:			
Salaries and employee benefits	469,143	455,935	13,208
Operating expenses	165,000	135,227	29,773
Capital outlay	-	-	-
Total	<u>634,143</u>	<u>591,162</u>	<u>42,981</u>
Total general government	<u>793,579</u>	<u>755,100</u>	<u>38,479</u>
Public safety:			
Inspections, zoning and safety:			
Salaries and employee benefits	220,236	216,129	4,107
Operating expenses	58,350	52,407	5,943
Capital outlay	-	-	-
Total	<u>278,586</u>	<u>268,536</u>	<u>10,050</u>
Police:			
Salaries and employee benefits	616,113	586,894	29,219
Operating expenses	76,500	62,468	14,032
Capital outlay	59,634	-	59,634
Total	<u>752,247</u>	<u>649,362</u>	<u>102,885</u>
Total public safety	<u>1,030,833</u>	<u>917,898</u>	<u>112,935</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	85,130	80,753	4,377
Operating expenses	268,019	216,024	51,995
Total	<u>353,149</u>	<u>296,777</u>	<u>56,372</u>
Total transportation	<u>353,149</u>	<u>296,777</u>	<u>56,372</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits	58,978	58,872	106
Operating expenses	59,703	46,393	13,310
Total	<u>118,681</u>	<u>105,265</u>	<u>13,416</u>
Total environmental protection	<u>118,681</u>	<u>105,265</u>	<u>13,416</u>

## General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2018  
(Continued)**

	2018		Variance Positive (Negative)
	Budget	Actual	
Debt service:			
Principal	\$ 275,893	\$ 291,855	\$ (15,962)
Interest	-	94,281	(94,281)
Total	<u>275,893</u>	<u>386,136</u>	<u>(110,243)</u>
Total expenditures	<u>2,572,135</u>	<u>2,461,176</u>	<u>110,959</u>
Revenues over (under) expenditures	755,636	1,049,522	293,886
Other financing sources (uses):			
Transfers from canal dredging fund	50,940	-	(50,940)
Sale of capital assets	-	15,832	15,832
Transfers (to) from other funds:	(806,576)	(806,576)	-
Long-term debt issued	-	20,471	20,471
Total	<u>(755,636)</u>	<u>(770,273)</u>	<u>36,303</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	279,249	<u>\$ 330,189</u>
Fund balance, beginning		<u>1,798,086</u>	
Fund balance, ending		<u>\$ 2,077,335</u>	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

Schedule 6

Special Revenue Fund - BPART Tax Fund

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

For the Fiscal Year Ended June 30, 2018

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2017)

	2018		Variance Positive (Negative)	2017
	Budget	Actual		Actual
<b>Revenues:</b>				
Occupancy tax receipts	\$ 1,800,250	\$ 2,138,047	\$ 337,797	\$ 1,887,106
FEMA grants and DENR	6,119,727	221,989	(5,897,738)	3,322,051
Investment earnings	5,000	26,947	21,947	6,690
Sales tax refund	-	-	-	-
Miscellaneous	113,553	45,340	(68,213)	44,498
Total	<u>8,038,530</u>	<u>2,432,323</u>	<u>(5,606,207)</u>	<u>5,260,345</u>
<b>Expenditures:</b>				
Salaries and employee benefits	206,636	191,047	15,589	236,514
Operating expenditures	1,001,098	613,227	387,871	560,042
FEMA expenditures	5,996,227	65,580	5,930,647	1,337,711
Capital outlay	-	66,654	(66,654)	-
Lockwood Folly Dredging and Beach Nourishment	150,000	84,000	66,000	98,500
County's share of occupancy tax	295,500	357,550	(62,050)	312,427
Total	<u>7,649,461</u>	<u>1,378,058</u>	<u>6,271,403</u>	<u>2,545,194</u>
Debt service	<u>1,448,520</u>	<u>1,448,084</u>	<u>436</u>	<u>130,800</u>
Revenues over (under) expenditures	(1,059,451)	(393,819)	665,632	2,584,351
Other financing sources (uses):				
Transfers (to) from other funds:	806,576	806,576	-	(2,120,864)
Total	<u>806,576</u>	<u>806,576</u>	<u>-</u>	<u>(2,120,864)</u>
Fund balance appropriated	<u>252,875</u>	<u>-</u>	<u>252,875</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>412,757</u>	<u>\$ 412,757</u>	<u>\$ 463,487</u>
Fund balance, beginning		<u>6,458,345</u>		
Fund balance, ending		<u>\$ 6,871,102</u>		

TOWN OF HOLDEN BEACH, NORTH CAROLINA

Schedule 7

Canal Dredging Funds

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

From Inception and For the Year Ended June 30, 2018

	Final		Actual		Variance
	Budget	Prior	Current	Total to	Positive
		Years	Year	Date	(Negative)
<b>Revenues:</b>					
Assessments HBH	\$ 139,280	\$ 780,459	\$ 142,072	\$ 922,531	\$ 783,251
Assessments HBH (Balance Forward)	576,197	92,792	-	92,792	(483,405)
Assessments HHC	136,518	357,473	119,079	476,552	340,034
Assessments HHC (Balance Forward)	237,446	180,215	-	180,215	(57,231)
Assessments HAC	-	1,087,030	-	1,087,030	1,087,030
Assessments HAC ( Balance Forward)	-	120,990	-	120,990	120,990
Assessments Blockade Runner	-	23,044	-	23,044	23,044
Assessments HA	92,801	151,640	93,871	245,511	152,710
Assessments HA (Balance Forward)	860,971	-	-	-	(860,971)
Prior Year Assessments HBH	900	24,845	2,210	27,055	26,155
Prior Year Assessments HH	1,500	15,527	54	15,581	14,081
Prior Year Assessments HA	300	17,583	1,443	19,026	18,726
Interest - HBH	250	5,742	1,470	7,212	6,962
Interest - HH	250	4,430	3,139	7,569	7,319
Interest - HA	300	6,839	533	7,372	7,072
Miscellaneous revenue - HBH	47,264	11,273	-	11,273	(35,991)
Miscellaneous revenue - HH	24,779	168,197	-	168,197	143,418
Miscellaneous revenue - HA	62,944	-	-	-	(62,944)
<b>Total revenues</b>	<b>2,181,700</b>	<b>3,048,079</b>	<b>363,871</b>	<b>3,411,950</b>	<b>1,230,250</b>
<b>Expenditures:</b>					
<b>Holden Beach Harbor Project:</b>					
Administration	7,166	13,596	101	13,697	(6,531)
Professional services	60,913	165,983	22,844	188,827	(127,914)
Construction	584,734	261,909	-	261,909	322,825
Administration	-	338	-	338	(338)
Professional services	-	32,863	-	32,863	(32,863)
Construction management	93,162	77,831	7,080	84,911	8,251
Total Holden Beach Harbor Project	745,975	552,520	30,025	582,545	163,430
<b>Heritage Harbor Canal Project:</b>					
Administration	-	69	-	69	(69)
Professional services	-	120,796	-	120,796	(120,796)
Construction	-	255,363	-	255,363	(255,363)
Administration	3,757	431	101	532	3,225
Professional services	3,757	23,836	-	23,836	(20,079)
Construction	379,336	86,830	20,401	107,231	272,105
Total Heritage Harbor Canal Project	386,850	487,325	20,502	507,827	(120,977)
<b>Harbor Acres Canal Project:</b>					
Administration	-	193	-	193	(193)
Professional services	-	48,520	-	48,520	(48,520)
Construction	-	31,666	-	31,666	(31,666)
Administration	9,544	2,269	248	2,517	7,027
Professional services	9,544	57,865	-	57,865	(48,321)
Construction	974,369	412,713	26,560	439,273	535,096
Total Harbor Acres Canal Project	993,457	553,226	26,808	580,034	413,423
<b>Blockade Runner Project:</b>					
Administration	-	275	-	275	(275)
Professional services	-	15,800	-	15,800	(15,800)
Construction	-	50,637	-	50,637	(50,637)
Total Blockade Runner Project	-	66,712	-	66,712	(66,712)

TOWN OF HOLDEN BEACH, NORTH CAROLINA

Schedule 7

Canal Dredging Funds

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP)  
From Inception and For the Year Ended June 30, 2018

	Final Budget	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Debt service</b>	-	3,576	-	3,576	(3,576)
Total expenditures	2,126,282	1,663,359	77,335	1,740,694	385,588
Revenues over (under) expenditures	55,418	1,384,720	286,536	1,671,256	1,615,838
<b>Other Financing Sources:</b>					
Transfer from General Fund	-	358,529	-	358,529	358,529
Transfer from General Fund	-	13,144	-	13,144	13,144
Transfer from Capital Project Funds	-	343,192	-	343,192	343,192
Transfer to Dredging Special Revenue	-	(343,192)	-	(343,192)	(343,192)
Transfer to General Fund	(55,418)	(42,028)	-	(42,028)	13,390
Fund balance appropriated		-	-	-	-
Total other financing uses	(55,418)	329,645	-	329,645	385,063
Net change in fund balance	\$ -	\$1,714,365	\$ 286,536	\$2,000,901	\$ 2,000,901

TOWN OF HOLDEN BEACH, NORTH CAROLINA

Schedule 8

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2018

	2018		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Operating revenues:			
Water and sewer charges	\$ 1,734,835	\$ 1,880,214	\$ 145,379
Tap and connection fees	79,250	71,724	(7,526)
Impact fees	42,765	56,748	13,983
Share fees	45,000	45,125	125
Other operating charges	100,609	127,441	26,832
Total operating revenues	<u>2,002,459</u>	<u>2,181,252</u>	<u>178,793</u>
Nonoperating revenues:			
Interest earnings	1,500	206	(1,294)
Capital charges	1,582,616	1,579,905	(2,711)
Total revenues	<u>3,586,575</u>	<u>3,761,363</u>	<u>174,788</u>
<b>Expenditures:</b>			
Water and sewer administration:			
Salaries and employee benefits	57,406	55,394	2,012
Operating expenditures	74,750	57,114	17,636
Total expenditures	<u>132,156</u>	<u>112,508</u>	<u>19,648</u>
Operations:			
Salaries and employee benefits	247,225	233,553	13,672
Operating expenses	1,206,003	1,033,766	172,237
Capital outlay	1,931,000	268,002	1,662,998
Total expenditures	<u>3,384,228</u>	<u>1,535,321</u>	<u>1,848,907</u>
Non-Operating:			
City capital charges	1,156,218	1,156,217	1
Total expenditures	<u>1,156,218</u>	<u>1,156,217</u>	<u>1</u>
Debt services:			
Principal retirement	616,276	616,276	-
Interest and other charges	137,652	44,317	93,335
	<u>753,928</u>	<u>660,593</u>	<u>93,335</u>
Total expenditures	<u>5,426,530</u>	<u>3,464,639</u>	<u>1,961,891</u>
Revenues over (under) expenditures	<u>(1,839,955)</u>	<u>296,724</u>	<u>2,136,679</u>



TOWN OF HOLDEN BEACH, NORTH CAROLINA

Schedule 8

Water and Sewer Fund

Schedule of Revenues and Expenditures (Continued)

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2018

	2018		Variance Positive (Negative)
	Final Budget	Actual	
Other financing sources (uses):			
Transfers (to) from other funds:			
General fund	\$ -	\$ -	\$ -
Appropriated fund balance	1,839,955	-	(1,839,955)
Total	<u>1,839,955</u>	<u>-</u>	<u>(1,839,955)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	296,724	<u>\$ 296,724</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Principal retirement		616,276	
Depreciation		(519,510)	
Deferred outflows of resources for contributions made to pension plan in the current year		32,486	
Pension expense		(30,181)	
Capital outlay		<u>69,413</u>	
Change in net position		<u>\$ 465,208</u>	

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## **OTHER SCHEDULES**

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**TOWN OF HOLDEN BEACH, NORTH CAROLINA**

Schedule 9

**Schedule of Ad Valorem Taxes Receivable**

**June 30, 2018**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$2,687,011	\$2,661,419	\$ 25,592
2016-2017	38,511	-	13,363	25,148
2015-2016	18,905	-	3,694	15,211
2014-2015	11,974	-	1,565	10,409
2013-2014	10,237	-	1,298	8,939
2012-2013	8,918	-	1,682	7,236
2011-2012	8,684	-	1,904	6,780
2010-2011	8,766	-	576	8,190
2009-2010	6,690	-	-	6,690
2008-2009	4,625	-	604	4,021
2007-2008	622	-	-	622
2006-2007	-	-	-	-
	<u>\$ 117,932</u>	<u>\$2,687,011</u>	<u>\$2,686,105</u>	<u>118,838</u>
Less: allowance for uncollectible accounts:				
	General Fund			<u>(19,810)</u>
Ad valorem taxes receivable - net				<u>\$ 99,028</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,719,163
Reconciling items:				
	Penalties and interest collected			(10,807)
	Other			<u>(22,251)</u>
	Subtotal			<u>(33,058)</u>
Total collections and credits				<u>\$ 2,686,105</u>

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**

**Schedule 10**

**Analysis of Current Tax Levy**

**Town-Wide Levy**

**For the Fiscal Year Ended June 30, 2018**

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 1,210,776,841	0.2200	\$ 2,687,011	\$ 2,663,709	\$ 23,302
Net levy			2,687,011	2,663,709	23,302
Uncollected taxes at June 30, 2018			(25,592)	(25,592)	-
Current year's taxes collected			\$ 2,661,419	\$ 2,638,117	\$ 23,302
Current levy collection percentage			99.05%	99.04%	100.00%

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## **COMPLIANCE SECTION**

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Member:  
American Institute of  
Certified Public Accountants

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

Member:  
North Carolina Association of  
Certified Public Accountants

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**Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance  
And Other Matters Based On An Audit Of Financial Statements Performed  
In Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden Beach ("the Town") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 8, 2019

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs we did identify certain deficiencies in internal control that we consider to be a material weaknesses and significant deficiencies [2018-001 and 2018-002].

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002.

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

The Town of Holden Beach's responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

*Rivers & Associates LLP*

Raleigh, North Carolina  
April 8, 2019

**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

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

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**Financial Statements**

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

Internal control over financial reporting:

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

**Federal Awards**

Identification of major federal programs:

There are no major Federal awards.

**State Awards**

Identification of major State programs:

There are no major State awards.





**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2018**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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**Finding 2018-001**  
**SIGNIFICANT DEFICIENCY**

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

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

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

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

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

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

**Corrective Action/Management Response:**

Management has increased the administration budget for travel and training. This increase will allow the finance staff to attend classes on government finance and reporting.

Management has also acquired part time services to perform financial reporting, train and assist current staff in preparation of the town's financial reports.



**TOWN OF HOLDEN BEACH, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2018**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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**Finding 2018-002**

**MATERIAL WEAKNESS**

**Criteria:** The Town is not accounting for its finances on a full accrual basis.

**Condition:** The Town's finance department is not recording all transactions on the accrual basis of accounting, especially at year-end. The Town has relied on the auditor to convert many of its receivable and payable/accruals to the full accrual basis. In addition, the Town has not properly corrected auditor adjustments from previous audits; therefore fund balance is continually incorrect.

**Effect:** The Town's financials are incorrect during the year and reports given to management and the Town Board may be incorrect and fully reliance cannot be placed on them. In addition, this led to material adjusting journal entries by the auditor.

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

**Recommendation:** The Town should implement a system that closes out the books on a monthly and annual basis under full accrual accounting. The Town should reconcile its trial balances to the audited financial statements to ensure all balances agree and beginning fund balance is correct.

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

**Corrective Action/Management Response:**

The town is recording all transactions in the Business Type Funds on the accrual basis of accounting during the fiscal year and year-end. The Town is recording all transactions in all other funds on the modified accrual basis Pursuant to North Carolina General Statute (NCGS) 159.26.c.

Management has acquired part time services to perform financial reporting, train and assist current staff in preparation of the town's financial report and to reconcile its trial balances to the audited financial statements to ensure all balances agree and beginning fund balances are correct.

**TOWN OF BENSON, NORTH CAROLINA**  
**Summary Schedule of Prior Year Audit Finding**  
**For the Year Ended June 30, 2018**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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**Finding 2017-001**

Status: Repeated finding as 2018-001

**Finding 2017-002**

Status: Corrected.