

TOWN OF HOLDEN BEACH  
HOLDEN BEACH, NORTH CAROLINA  
FINANCIAL STATEMENTS  
June 30, 2017

# TOWN OF HOLDEN BEACH, NORTH CAROLINA

---

For the Year Ended June 30, 2017

Mayor:	J. Alan Holden
Commissioners:	John Fletcher
	Peter J Freer
	Kim Isenhour
	Ken Kyser
	Hudson A Royal
Town Manager/Finance Officer:	David W Hewett
Clerk:	Heather R Finnell

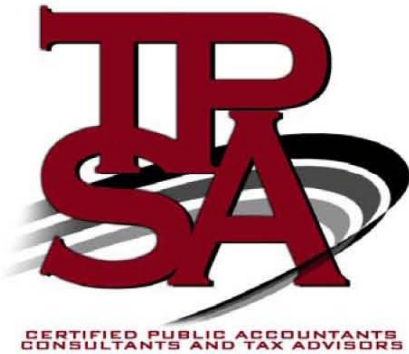
TOWN OF HOLDEN BEACH  
TABLE OF CONTENTS  
June 30, 2017

FINANCIAL SECTION	<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report		1-3
Management's Discussion and Analysis		4-9
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	10
Statement of Activities	2	11
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	3	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General and Major Special Revenue Funds	6	15-16
Statement of Fund Net Position – Proprietary Funds	7	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	8	18
Statement of Cash Flows – Proprietary Funds	9	19
Notes to the Financial Statements		20-35
Required Supplemental Financial Data		
Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees' Retirement System	A-1	36
Schedule of Contributions – Local Government Employees' Retirement System	A-2	37
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance	A-3	38
Schedule of Total Pension Liability as a Percentage of Covered Payroll	A-4	39

TOWN OF HOLDEN BEACH  
TABLE OF CONTENTS  
June 30, 2017

FINANCIAL SECTION	<u>Exhibit</u>	<u>Page</u>
Individual Fund Statements and Schedules:		
Comparative Balance Sheets – General Fund	B-1	40
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	B-2	41-43
Major Special Revenue Fund – BPART Tax Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	B-3	44
Major Special Revenue Fund – Canal Project Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	B-4	45-46
Major Special Revenue Fund – Central Reach Project Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	B-5	47
Water and Sewer Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP)	C-1	48-49
Other Schedules		
Schedule of Ad Valorem Taxes Receivable	D-1	50
Analysis of Current Tax Levy – Town-Wide Levy	D-2	51
Compliance		
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		52-53
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act		54-55
Schedule of Findings and Questioned Costs		56-57
Corrective Action Plan		58
Summary Schedule of Prior Year Audit Findings		59
Schedule of Expenditures of Federal and State Awards		60

## FINANCIAL SECTION



*Thompson, Price, Scott, Adams & Co, P.A.*

**P.O Box 398  
1626 S. Madison Street  
Whiteville, NC 28472  
Telephone (910) 642-2109  
Fax (910) 642-5958**

---

Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA

## Independent Auditors' Report

To the Honorable Mayor and  
Members of the Town Council  
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, 2017, 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 of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2017, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund, BPart Tax Fund, Canal Dredging Fund, and Central Reach Project 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 Management's Discussion and Analysis on pages 4 through 9, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 36 and 37, 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 pages 38 and 39, 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, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, 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, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, 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 November 2, 2017 on our consideration of the Town of Holden Beach's internal control over financial reporting and 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 the 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.

*Thompson, Price, Scott, Adams & Co., P.A.*

Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, North Carolina  
November 1, 2017



**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, 2017. 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.

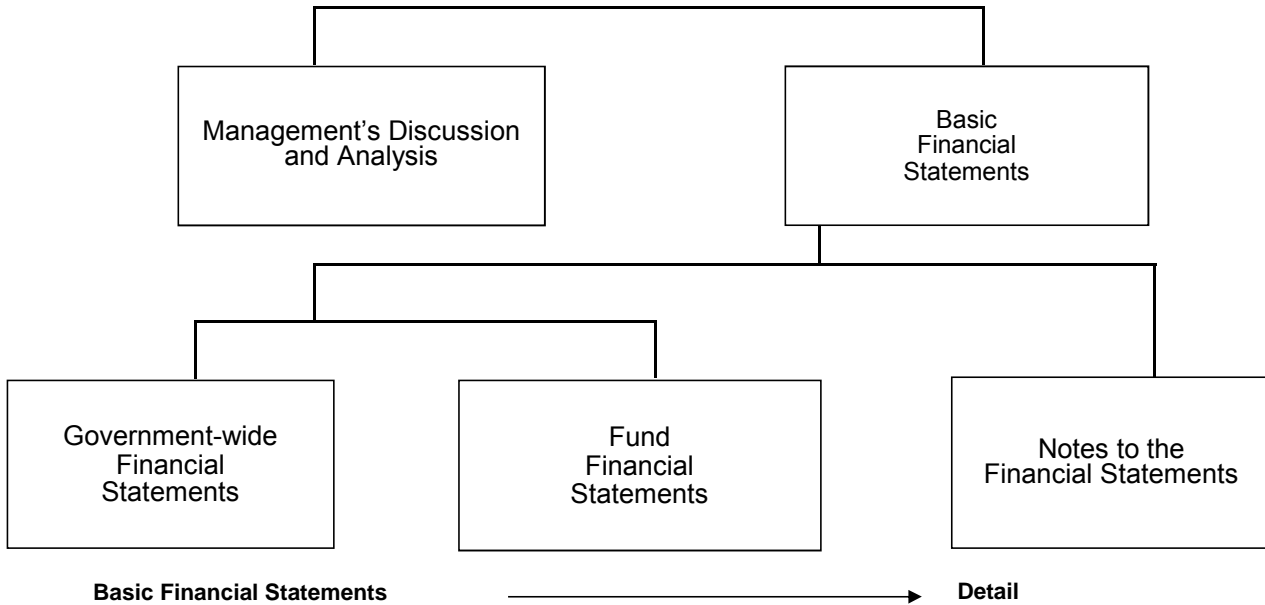
**Financial Highlights**

- 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 \$22,935,503 (*net position*).
- The government's total net position decreased by \$10,614,699 due to a decrease in the governmental activities of \$11,035,320 and increases in the business-type activities of \$420,621.
- As of the close of the current fiscal year, the Town of Holden Beach governmental funds reported combined ending fund balances of \$9,970,796, an increase of \$886,255 in comparison with the prior year. Of this total amount, \$1,420,603 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 \$1,420,603 or 42 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 9) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

**Government-Wide Financial Analysis**

**Town of Holden Beach Net Position  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 10,249,192	\$ 9,345,543	\$ 5,146,572	\$ 5,023,521	\$ 15,395,764	\$ 14,369,064
Capital Assets	7,879,426	7,509,364	17,039,683	17,355,101	24,919,109	24,864,465
Deferred outflows of resources	337,211	73,511	53,368	11,634	390,579	85,145
<b>Total Assets and Deferred Outflows</b>	<b>18,465,829</b>	<b>16,928,418</b>	<b>22,239,623</b>	<b>22,390,256</b>	<b>40,705,452</b>	<b>39,318,674</b>
Long-term liabilities	13,879,479	2,833,952	1,352,308	1,918,309	15,231,787	4,752,261
Other liabilities	1,748,222	499,081	732,952	733,763	2,481,174	1,232,844
Deferred inflows of resources	52,379	75,200	4,609	9,051	56,988	84,251
<b>Total Liabilities &amp; deferred inflows</b>	<b>15,680,080</b>	<b>3,408,233</b>	<b>2,089,869</b>	<b>2,661,123</b>	<b>17,769,949</b>	<b>6,069,356</b>
<b>Total net position</b>						
Net position:						
Net investment in capital assets	5,185,415	4,530,861	15,145,785	14,859,019	20,331,200	19,389,880
Restricted	101,590	608,339	-	-	101,590	608,339
Unrestricted	(2,501,256)	8,380,985	5,003,969	4,870,114	2,502,713	13,251,099
<b>Total net position</b>	<b>\$ 2,785,749</b>	<b>\$ 13,520,185</b>	<b>\$ 20,149,754</b>	<b>\$ 19,729,133</b>	<b>\$ 22,935,503</b>	<b>\$ 33,249,318</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 \$22,935,503 as of June 30, 2017. The Town's net position decreased by \$10,614,699 for the fiscal year ended June 30, 2017. However, the largest portion (88%) 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, \$101,590 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,502,713 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 98.56%, which is comparable to the statewide average in 2016 of 99.02%.

**Town of Holden Beach Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business -Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 291,877	\$ 340,146	\$ 2,044,362	\$ 2,010,651	\$ 2,336,239	\$ 2,350,797
Operating grants and contributions	3,443,965	45,800	-	-	3,443,965	45,800
Capital grants and contributions	-	-	1,556,626	1,607,107	1,556,626	1,607,107
General Revenues:						
Property Taxes	2,662,717	1,770,257	-	-	2,662,717	1,770,257
Other Taxes	2,581,258	2,429,244	-	-	2,581,258	2,429,244
Other	53,702	68,493	8,956	206	62,658	68,699
Total revenues:	<u>9,033,519</u>	<u>4,653,940</u>	<u>3,609,944</u>	<u>3,617,964</u>	<u>12,643,463</u>	<u>8,271,904</u>
Expenses:						
General government	843,439	813,046	-	-	843,439	813,046
Public Safety	998,432	972,367	-	-	998,432	972,367
Transportation	314,340	319,593	-	-	314,340	319,593
Environmental protection	109,819	129,151	-	-	109,819	129,151
Beach renourishment	17,502,692	1,976,398	-	-	17,502,692	1,976,398
Interest on long-term debt	300,117	99,908	-	-	300,117	99,908
Water and sewer	-	-	3,189,323	3,086,368	3,189,323	3,086,368
Total expenses	<u>20,068,839</u>	<u>4,310,463</u>	<u>3,189,323</u>	<u>3,086,368</u>	<u>23,258,162</u>	<u>7,396,831</u>
Increase in net position before transfers	(11,035,320)	343,477	420,621	531,596	(10,614,699)	875,073
Transfers	-	103,842	-	(103,842)	-	-
Increase in net position	(11,035,320)	447,319	420,621	427,754	(10,614,699)	875,073
Net position, July 1	13,520,185	13,072,866	19,729,133	19,301,379	33,249,318	32,374,245
Restatement	(178,905)	-	-	-	(178,905)	-
Prior Period Adjustment	479,789	-	-	-	479,789	-
Net position, restated	13,821,069	13,072,866	19,729,133	19,301,379	33,550,202	32,374,245
Net position, June 30	<u>\$ 2,785,749</u>	<u>\$ 13,520,185</u>	<u>\$ 20,149,754</u>	<u>\$ 19,729,133</u>	<u>\$ 22,935,503</u>	<u>\$ 33,249,318</u>

**Governmental activities.** Governmental activities decreased the Town's net position by \$11,035,320, thereby accounting for a substantial decline in the net position of the Town of Holden Beach. A key element of this decrease is as follows:

- Significant expenses for a beach renourishment project

**Business-type activities:** Business-type activities increased the Town of Holden Beach's net position by \$420,621. 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 \$1,420,603, while total fund balance of the general fund was \$1,798,086. 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 42% of general fund expenditures, while total fund balance represents 53% of the same amount.

At June 30, 2017, the governmental funds of Town of Holden Beach reported a combined fund balance of \$9,970,796, with an increase in fund balance of \$886,255.

**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 16-17 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 \$5,003,969. The total change in net position in the Water and Sewer fund was \$420,621. 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, 2017, totals \$24,919,109 (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	
	2017	2016	2017	2016	2017	2016
Land & Constr. In Progress	\$ 3,280,010	\$ 2,781,098	\$ 140,296	\$ 140,296	\$ 3,420,306	\$ 2,921,394
Buildings and distribution systems	4,045,443	4,146,239	16,421,606	16,867,955	20,467,049	21,014,194
Improvements and infrastructure	337,895	346,388	140,148	143,829	478,043	490,217
Machinery and equipment	66,124	78,900	337,633	203,021	403,757	281,921
Vehicles	149,954	156,739	-	-	149,954	156,739
<b>Total</b>	<b>\$ 7,879,426</b>	<b>\$ 7,509,364</b>	<b>\$ 17,039,683</b>	<b>\$ 17,355,101</b>	<b>\$ 24,919,109</b>	<b>\$ 24,864,465</b>

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, 2017, the Town had total debt of \$16,587,909 (excluding compensated absences). There was a net increase in total debt of \$11,113,354.

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 4.8%, which is slightly higher than the State average of 4.2%.
- The Town does continue to have a steady revenue stream of tourism dollars despite the overall sluggish economy in Southeastern North Carolina.

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

## BASIC FINANCIAL STATEMENTS

Town of Holden Beach, North Carolina  
Statement of Net Position  
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current Assets:			
Cash and Investments	\$ 7,479,789	\$ 4,401,944	\$ 11,881,733
Taxes Receivable (Net)	65,932	-	65,932
Accounts Receivable (Net)	441,959	582,116	1,024,075
Accrued Interest Receivable on Taxes	6,569	-	6,569
Due From Other Governments	793,343	21,969	815,312
Deposit - Interlocal Agreement	1,461,600	-	1,461,600
Internal Balances	-	-	-
Inventories	-	140,543	140,543
Cash and cash equivalents, restricted	-	-	-
Total current assets	<u>10,249,192</u>	<u>5,146,572</u>	<u>15,395,764</u>
Non-current Assets:			
Capital Assets:			
Land, Non-depreciable Improvements, and Construction in Progress	3,280,010	140,296	3,420,306
Other Capital Assets, Net of Depreciation	4,599,416	16,899,387	21,498,803
Total Capital Assets	<u>7,879,426</u>	<u>17,039,683</u>	<u>24,919,109</u>
Total Assets	<u>18,128,618</u>	<u>22,186,255</u>	<u>40,314,873</u>
Deferred Outflows of Resources			
Pension Deferrals	337,211	53,368	390,579
Total Deferred Outflows of Resources	<u>337,211</u>	<u>53,368</u>	<u>390,579</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	75,025	92,322	167,347
Due to other governments	65,816	-	65,816
Accrued Interest Payable	92,164	21,369	113,533
Compensated absences, due in one year	23,362	2,986	26,348
Bonds and notes payable, due in one year	1,491,855	616,275	2,108,130
Total current liabilities	<u>1,748,222</u>	<u>732,952</u>	<u>2,481,174</u>
Long-Term Liabilities:			
Compensated absences	92,903	12,337	105,240
Net pension liability	393,954	62,348	456,302
Total pension liability	190,466	-	190,466
Bonds and notes payable	13,202,156	1,277,623	14,479,779
Total long-term liabilities	<u>13,879,479</u>	<u>1,352,308</u>	<u>15,231,787</u>
Total Liabilities	<u>15,627,701</u>	<u>2,085,260</u>	<u>17,712,961</u>
Deferred Inflows of Resources			
Prepaid Taxes	18,010	-	18,010
Pension Deferrals	34,369	4,609	38,978
Total Deferred Inflows of Resources	<u>52,379</u>	<u>4,609</u>	<u>56,988</u>
<b>Net Position</b>			
Net Investment in Capital Assets	5,185,415	15,145,785	20,331,200
Restricted for:			
Stabilization by State Statute	101,590	-	101,590
Streets	-	-	-
Unrestricted	(2,501,256)	5,003,969	2,502,713
Total Net Position	<u>\$ 2,785,749</u>	<u>\$ 20,149,754</u>	<u>\$ 22,935,503</u>

The notes to the financial statements are an integral part of this statement.



Town of Holden Beach, North Carolina  
 Statement of Activities  
 For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 843,439	\$ 2,844	\$ -	\$ -	\$ (840,595)	\$ -	\$ (840,595)
Public safety	998,432	251,056	-	-	(747,376)	-	(747,376)
Transportation	314,340	-	35,000	-	(279,340)	-	(279,340)
Environmental protection	109,819	19,901	-	-	(89,918)	-	(89,918)
Beach renourishment	17,502,692	18,076	3,408,965	-	(14,075,651)	-	(14,075,651)
Interest and fees	300,117	-	-	-	(300,117)	-	(300,117)
<b>Total governmental activities</b>	<b>20,068,839</b>	<b>291,877</b>	<b>3,443,965</b>	<b>-</b>	<b>(16,332,997)</b>	<b>-</b>	<b>(16,332,997)</b>
Business-type activities:							
Water & Sewer	3,189,323	2,044,362	-	1,556,626	-	411,665	411,665
<b>Total business-type activities</b>	<b>3,189,323</b>	<b>2,044,362</b>	<b>-</b>	<b>1,556,626</b>	<b>-</b>	<b>411,665</b>	<b>411,665</b>
<b>Total primary government</b>	<b>23,258,162</b>	<b>2,336,239</b>	<b>3,443,965</b>	<b>1,556,626</b>	<b>(16,332,997)</b>	<b>411,665</b>	<b>(15,921,332)</b>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,662,717	-	2,662,717
Sales and use tax					162,087	-	162,087
Other taxes					2,419,171	-	2,419,171
Investment earnings					10,911	206	11,117
Gain/(Loss) on Sale of Capital Assets					8,750	8,750	17,500
Miscellaneous					34,041	-	34,041
Transfers					-	-	-
<b>Total general revenues and transfers</b>					<b>5,297,677</b>	<b>8,956</b>	<b>5,306,633</b>
<b>Change in net position</b>					<b>(11,035,320)</b>	<b>420,621</b>	<b>(10,614,699)</b>
Net position, beginning , previously reported					13,520,185	19,729,133	33,249,318
Restatement					(178,905)	-	(178,905)
Prior Period Adjustment					479,789	-	479,789
<b>Net position, beginning</b>					<b>13,821,069</b>	<b>19,729,133</b>	<b>33,550,202</b>
<b>Net position, ending</b>					<b>\$ 2,785,749</b>	<b>\$ 20,149,754</b>	<b>\$ 22,935,503</b>

The notes to the financial statements are an integral part of this statement.

Town of Holden Beach, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2017

	Major Funds				
	General Fund	BPART Tax Fund	Canal Dredging Fund	Central Reach Project	Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,759,620	\$ 4,005,804	\$ 1,714,365	\$ -	\$ 7,479,789
Restricted Cash	-	-	-	-	-
Receivables, net:					
Taxes	65,932	-	-	-	65,932
Accounts	18	394,897	47,044	-	441,959
Due from other governments	101,564	691,771	-	8	793,343
Deposit - Interlocal Agreement	-	1,461,600	-	-	1,461,600
Due from other funds	8	-	-	-	8
Total assets	<u>\$ 1,927,142</u>	<u>\$ 6,554,072</u>	<u>\$ 1,761,409</u>	<u>\$ 8</u>	<u>\$ 10,242,623</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 45,114	\$ 29,911	\$ -	\$ -	\$ 75,025
Due to other governments	-	65,816	-	-	65,816
Due to other funds	-	-	-	8	8
Total liabilities	<u>45,114</u>	<u>95,727</u>	<u>-</u>	<u>8</u>	<u>\$ 140,849</u>
Deferred Inflows of Resources					
Property taxes receivable	65,932	\$ -	\$ -	\$ -	\$ 65,932
Assessments receivable	-	-	47,044	-	47,044
Prepaid taxes	18,010	-	-	-	18,010
Total deferred inflows of resources	<u>\$ 83,942</u>	<u>\$ -</u>	<u>\$ 47,044</u>	<u>\$ -</u>	<u>\$ 130,986</u>
Fund balances:					
Restricted					
Stabilization by State Statute	101,590	-	-	-	101,590
Streets	-	-	-	-	-
Beach Renourishment	-	6,458,345	1,714,365	-	8,172,710
Assigned					
Subsequent year's expenditures	-	-	-	-	-
General government debt	275,893	-	-	-	275,893
Unassigned					
Total fund balances	<u>1,798,086</u>	<u>6,458,345</u>	<u>1,714,365</u>	<u>-</u>	<u>9,970,796</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,927,142</u>	<u>\$ 6,554,072</u>	<u>\$ 1,761,409</u>	<u>\$ 8</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are	7,879,426
Net Pension Asset (Liability)	(393,954)
Deferred outflows of resources related to pensions are not reported in the funds.	252,191
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	85,020
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	6,569
Earned revenues considered deferred inflows of resources in fund statements.	112,976
Deferred inflows of resources related to pensions are not reported in the funds.	(29,124)
Deferred inflows of resources related to pensions are not reported in the funds - LEOSSA	(5,245)
Total Pension Liability (LEOSSA)	(190,466)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	<u>(14,902,440)</u>
Net position of governmental activities	<u>\$ 2,785,749</u>

Town of Holden Beach, North Carolina  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2017

	Major Funds				Total Governmental Funds
	General Fund	BPART Tax Fund	Canal Dredging Fund	Central Reach Project	
<b>REVENUES</b>					
Ad valorem taxes	\$ 2,651,633	\$ -	\$ -	\$ -	\$ 2,651,633
Other taxes and licenses	162,087	1,887,106	298,168	-	2,347,361
Unrestricted intergovernmental	234,289	-	-	-	234,289
Restricted intergovernmental	121,914	3,322,051	-	-	3,443,965
Permits and fees	247,318	-	-	-	247,318
Sales and Service	27,821	-	-	-	27,821
Investment earnings	-	6,690	1,387	2,835	10,912
Miscellaneous	5,858	44,498	-	-	50,356
Total revenues	3,450,920	5,260,345	299,555	2,835	9,013,655
<b>EXPENDITURES</b>					
Current:					
General government	728,029	-	-	-	728,029
Public safety	961,807	-	-	-	961,807
Transportation	308,380	-	-	-	308,380
Environmental protection	109,486	-	-	-	109,486
Beach renourishment	-	2,545,194	5,647	14,959,043	17,509,884
Debt Service:					
Principal retirement	331,945	-	-	-	331,945
Interest and fees	103,302	130,800	-	-	234,102
Total expenditures	2,542,949	2,675,994	5,647	14,959,043	20,183,633
Excess (deficiency) of revenues over expenditures	907,971	2,584,351	293,908	(14,956,208)	(11,169,978)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer (to) from Bpart Fund	(835,344)	-	-	2,956,208	2,120,864
Transfer (to) from Central Reach Fund	-	(2,956,208)	-	-	(2,956,208)
Interlocal Agreement - Brunswick Co	-	-	-	-	-
Transfers to General Fund	-	835,344	-	-	835,344
Sale of Capital Assets	8,750	-	-	-	8,750
Long-term debt issued	47,483	-	-	12,000,000	12,047,483
Total other financing sources (uses)	(779,111)	(2,120,864)	-	14,956,208	12,056,233
Net change in fund balance	128,860	463,487	293,908	-	886,255
Fund Balances, beginning	1,669,226	5,994,858	1,420,457	-	9,084,541
Fund balances, ending	\$ 1,798,086	\$ 6,458,345	\$ 1,714,365	\$ -	\$ 9,970,796

Town of Holden Beach, North Carolina  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
 of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2017

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

Net changes in fund balances - total governmental funds	\$ 886,255
<p>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.</p>	
Compensated absences	(9,250)
Pension expense	(117,179)
<p>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.</p>	
Capital Outlay expenditures which were capitalized	66,606
Depreciation Expense for governmental assets	(176,333)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>	
	85,020
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
New long-term debt issued	(12,047,483)
Principal payments on long-term debt	331,945
Increase in accrued interest payable	(66,015)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in unavailable revenue for tax and assessment revenues	<u>11,114</u>
Total changes in net position of governmental activities	<u>\$ (11,035,320)</u>

Town of Holden Beach, North Carolina  
 Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2017

Exhibit 6

	General Fund				BPART Tax Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>								
Ad valorem taxes	\$ 2,653,908	\$ 2,654,008	\$ 2,651,633	\$ (2,375)	\$ 1,759,359	\$ -	\$ -	\$ -
Other taxes and licenses	143,366	143,366	162,087	18,721	631,330	1,759,359	1,887,106	127,747
Unrestricted intergovernmental revenues	216,336	216,336	234,289	17,953	-	1,500	-	(1,500)
Restricted intergovernmental revenues	34,714	34,714	121,914	87,200	-	6,627,557	3,322,051	(3,305,506)
Permits and fees	275,417	275,417	247,318	(28,099)	-	-	-	-
Sales and Services	14,750	14,750	-	(14,750)	1,500	-	-	-
Investment earnings	-	-	27,821	27,821	5,000	5,000	6,690	1,690
Miscellaneous	6,100	6,000	5,858	(142)	17,000	17,000	44,498	27,498
<b>Total revenues</b>	<b>3,344,591</b>	<b>3,344,591</b>	<b>3,450,920</b>	<b>106,329</b>	<b>2,414,189</b>	<b>8,410,416</b>	<b>5,260,345</b>	<b>(3,150,071)</b>
<b>Expenditures:</b>								
Current:								
General government	750,632	763,059	728,029	35,030	-	-	-	-
Public safety	1,013,140	935,968	961,807	(25,839)	-	-	-	-
Transportation	365,161	370,271	308,380	61,891	-	-	-	-
Environmental protection	168,876	168,877	109,486	59,391	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Beach renourishment	-	-	-	-	1,934,864	8,075,471	2,545,194	5,530,277
Debt Service:								
Principal retirement	277,624	335,181	331,945	3,236	-	-	-	-
Interest and fees	101,225	103,302	103,302	-	192,052	192,052	130,800	61,252
<b>Total expenditures</b>	<b>2,676,658</b>	<b>2,676,658</b>	<b>2,542,949</b>	<b>133,709</b>	<b>2,126,916</b>	<b>8,267,523</b>	<b>2,675,994</b>	<b>5,591,529</b>
Revenues over/(under) expenditures	667,933	667,933	907,971	240,038	287,273	142,893	2,584,351	2,441,458
Other financing sources (uses):								
Transfers (to) from BPART Fund	(835,344)	(835,344)	(835,344)	-	-	-	-	-
Transfers (to) from Enterprise Fund	120,000	120,000	-	(120,000)	-	-	-	-
Transfers (to) from Special Revenue Fund	42,411	42,411	-	(42,411)	-	-	-	-
Transfers (to) from Central Reach Project Fund	-	-	-	-	(3,000,000)	(3,000,000)	(2,956,208)	43,792
Interlocal Agreement - Brunswick County	-	-	-	-	(1,539,304)	(1,520,924)	-	1,520,924
Transfers (to) from General Fund	-	-	-	-	835,344	835,344	835,344	-
Sale of Capital Assets	5,000	5,000	8,750	3,750	-	-	-	-
Long term debt issued	-	-	47,483	47,483	-	-	-	-
Appropriated Fund Balance	-	-	-	-	3,416,687	3,542,687	-	(3,542,687)
<b>Total other financing sources (uses)</b>	<b>(667,933)</b>	<b>(667,933)</b>	<b>(779,111)</b>	<b>(111,178)</b>	<b>(287,273)</b>	<b>(142,893)</b>	<b>(2,120,864)</b>	<b>(1,977,971)</b>
Net change in fund balance	\$ -	\$ -	128,860	\$ 128,860	\$ -	\$ -	463,487	\$ 463,487
Fund balance, beginning			1,669,226				5,994,858	
Fund balance, end of year			<u>\$ 1,798,086</u>				<u>\$ 6,458,345</u>	

Town of Holden Beach, North Carolina  
 Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2017

Exhibit 6

	Canal Dredging Fund				Central Reach Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>								
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	1,695,290	1,695,290	298,168	(1,397,122)	-	-	-	-
Unrestricted intergovernmental revenues	-	-	-	-	-	-	-	-
Restricted intergovernmental revenues	-	-	-	-	-	-	-	-
Permits and fees	-	-	-	-	-	-	-	-
Sales and Services	-	-	-	-	-	-	-	-
Investment earnings	1,150	1,150	1,387	237	-	-	2,835	2,835
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	<u>1,696,440</u>	<u>1,696,440</u>	<u>299,555</u>	<u>(1,396,885)</u>	<u>-</u>	<u>-</u>	<u>2,835</u>	<u>2,835</u>
<b>Expenditures:</b>								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Beach renourishment	1,696,440	1,654,030	5,647	1,648,383	14,552,040	15,000,000	14,959,043	40,957
Debt Service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-	-	-
Total expenditures	<u>1,696,440</u>	<u>1,654,030</u>	<u>5,647</u>	<u>1,648,383</u>	<u>14,552,040</u>	<u>15,000,000</u>	<u>14,959,043</u>	<u>40,957</u>
Revenues over/(under) expenditures	-	42,410	293,908	251,498	(14,552,040)	(15,000,000)	(14,956,208)	43,792
Other financing sources (uses):								
Transfers (to) from BPART Fund	-	-	-	-	-	-	-	-
Transfers (to) from Enterprise Fund	-	-	-	-	-	-	-	-
Transfers (to) from Special Revenue Fund	-	-	-	-	-	-	-	-
Transfers (to) from Central Reach Project Fund	-	-	-	-	-	-	-	-
Interlocal Agreement - Brunswick County	-	-	-	-	-	-	-	-
Transfers (to) from General Fund	-	(42,410)	-	42,410	3,000,000	3,000,000	2,956,208	(43,792)
Sale of Capital Assets	-	-	-	-	-	-	-	-
Long term debt issued	-	-	-	-	11,552,040	12,000,000	12,000,000	-
Appropriated Fund Balance	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(42,410)</u>	<u>-</u>	<u>42,410</u>	<u>14,552,040</u>	<u>15,000,000</u>	<u>14,956,208</u>	<u>(43,792)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>293,908</u>	<u>\$ 293,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>1,420,457</u>				<u>-</u>	
Fund balance, end of year			<u>\$ 1,714,365</u>				<u>\$ -</u>	

Town of Holden Beach, North Carolina  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2017

	Major Enterprise Fund
	Water & Sewer Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 4,401,944
Accounts receivable (net)	582,116
Due From Other Governments	21,969
Inventories	140,543
Restricted Assets:	
Cash and cash equivalents	-
Total current assets	5,146,572
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets and construction in progress	140,296
Other capital assets, net of depreciation	16,899,387
Capital Assets (net)	17,039,683
Total noncurrent assets	17,039,683
Total Assets	\$ 22,186,255
Deferred Outflows of Resources	
Contributions to pension plan	\$ 53,368
Total deferred outflows of resources	\$ 53,368
<b>Liabilities</b>	
Current liabilities:	
Accounts Payable and Accrued Liabilities	\$ 92,322
Due to Other Funds	0
Accrued Interest	21,369
Compensated absences	2,986
Notes payable - current maturities	616,275
Total Current Liabilities	732,952
Noncurrent Liabilities	
Compensated Absences	12,337
Net Pension Liability	62,348
Notes payable - noncurrent maturities	1,277,623
Total Noncurrent liabilities	1,352,308
Total Liabilities	\$ 2,085,260
Deferred Inflows of Resources	
Pension Deferrals	\$ 4,609
<b>Net Position</b>	
Net investment in capital assets	\$ 15,145,785
Unrestricted	5,003,969
Total Net Position of Business - Type Activities	\$ 20,149,754

The notes to the financial statements are an integral part of this statement.

Town of Holden Beach, North Carolina  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2017

Exhibit 8

	Water & Sewer Fund
Operating revenues:	
Charges for services	\$ 1,812,099
Taps and connection fees	69,200
Impact fees	50,134
Share fees	7,825
Other operating revenues	105,104
Total operating revenues	2,044,362
Operating Expenses:	
Administration	109,167
Water and sewer operations	1,361,966
Depreciation	507,096
Total operating expenses	1,978,229
Operating income (loss)	66,133
Nonoperating revenues (expenses):	
Investment earnings	206
Capital charges	1,556,626
City capital charges	(1,160,520)
Interest expense	(50,574)
Total nonoperating revenues (expenses)	345,738
Income (Loss) Before Contributions and Transfers	411,871
Capital contributions	-
Sale of fixed assets	8,750
Transfers in (out)	-
Total Income (Loss) After Contributions and Transfers	420,621
Change in Net Position	420,621
Total Net Position, Beginning	19,729,133
Total Net Position, Ending	\$ 20,149,754



Town of Holden Beach, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2017

Exhibit 9

	Major Enterprise Fund
	Water & Sewer Fund
Cash flows from operating activities:	
Cash received from customers and users	\$ 2,050,666
Cash paid for goods and services	(1,185,745)
Cash paid to employees for services	(251,213)
Net cash provided by (used in) operating activities	613,708
Cash flows from capital and related financing activities:	
Principal paid on bonds	(602,184)
Interest paid on bonds	(58,409)
Sale of Assets	8,750
Acquisition and construction of capital assets	(191,678)
Net cash provided by (used in) capital and related financing activities	(843,521)
Cash flows from non-capital financing activities:	
Capital charges paid	(1,160,520)
Capital charges paid by customers	1,556,626
Transfers to other funds	-
Change in due to/from other funds	(495,458)
Net cash provided by (used in) non-capital financing activities	(99,352)
Cash flows from investment activities:	
Interest on investments	206
Net increase (decrease) in cash and cash equivalents	(328,959)
Cash and cash equivalents, July 1	4,730,903
Cash and cash equivalents, June 30	\$ 4,401,944
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 66,133
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	507,096
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	10,940
(Increase) decrease in due from other governments	(4,636)
(Increase) decrease in inventory	37,144
(Increase) decrease in deferred outflows of resources for pensions	(41,734)
(Increase) decrease in net pension asset	-
Increase (decrease) in accounts payable and accrued liabilities	(7,067)
Increase (decrease) in compensated absences payable	1,668
Increase (decrease) in deferred inflows of resources for pensions	(4,442)
Increase (decrease) in net pension liability	48,606
Total adjustments	547,575
Net cash provided by (used in) operating activities	\$ 613,708

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Holden Beach 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 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 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 nonmajor funds.

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

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for 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 Reach Fund - This fund is used to account for beach renourishment projects.

The Town reports the following major enterprise fund:

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

C. - Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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 to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

#### D. - Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, 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 Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT - Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The Town of Holden Beach did not have any investments at June 30, 2016.

2 Cash and Cash Equivalents - All cash is essentially demand deposits and is considered cash and cash equivalents.

3 Restricted Assets and Liabilities – 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 maintaining, 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 Government Activities	<u>\$ -</u>
Business-type Activities	
Water & Sewer Fund	
Customer Deposits	\$ -
Sewer Share	-
Total Business-type Activities	<u>\$ -</u>
Total Restricted Cash	<u><u>\$ -</u></u>

1 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, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016.

2 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.

3 Inventory –The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of material and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.

4 Capital Assets - Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at 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 of the Town are depreciated on a straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 Years
Other Improvements	50 Years
Infrastructure	30 Years
Equipment	10 Years
Furniture & Fixtures	10 Years
Computers	10 Years
Vehicles	6 Years
Miscellaneous	3 Years

5 Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred Inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid 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 five days vacation during the first year of employment, ten days during the second through third years of employments, fifteen days during the fourth through ninth year of employment, and twenty days after ten years of employment. The maximum accumulation of vacation is thirty days. Vacation is fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of 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 accumulation of one sick day per month of employment. 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## 11 Net Position/Fund Balances

### Net Position

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

### 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 either they are (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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

- Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.
- Assigned for General Government Debt – Portion of fund balance that has been budgeted by the Board for debt payment.

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.

## NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2017, the expenditures made for the Town's General Fund public safety function exceeded the authorized appropriations made by the governing board by \$25,839. The Town entered into an agreement to lease a police truck, but a budget amendment was not recorded to reflect the lease proceeds and the total cost of the truck. Therefore, the budget appears to be overspent as a result of this transaction. Management and the Board will more closely review the budget reports to ensure compliance in future years, and will make sure that all lease agreements are recorded in their entirety in the year of inception.

## NOTE 3: DETAIL NOTES ON ALL FUNDS

### A. - Assets

- 1 Deposits - All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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, 2017, the Town's deposits had a carrying amount of \$10,985,945 and a bank balance of \$111,160,003. Of the Town's bank balance, \$500,301 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Included in the carrying amount at June 30, 2017 was the Town's petty cash fund which totaled \$100.

- 2 Investments - At June 30, 2017, the Town of Holden Beach had \$895,788 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

### 3 Accounts Receivable and Due From Other Governments

The amounts presented in the Statement of Net Position are shown below:

	Governmental Activities	Business-type Activities
Sales Tax Refund Receivable	\$ 12,138	\$ 21,969
Charges for Services Receivable	-	184,561
Sewer Fees and Capital Charges Receivable	-	397,555
Occupancy Taxes Receivable	394,897	-
Assessments Receivable & Other Miscellaneous	48,083	-
Due From NC-Motor Vehicle Tax	2,416	-
Franchise Tax Receivable	45,575	-
Local Option Sales Tax Rec.	43,652	-
Grants - FEMA Reimbursements	688,541	-
Total	<u>\$ 1,235,302</u>	<u>\$ 604,085</u>

#### Receivables – Allowance for Doubtful Accounts

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2017 are net of the following allowances for doubtful accounts:

Fund	6/30/2017
General Fund:	
Taxes Receivable	\$ 52,000
Accounts Receivable	3,813
Total	<u>\$ 55,813</u>
Enterprise Fund:	
Accounts Receivable	<u>\$ 106,636</u>

### 4 Capital Assets

#### **Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases and Adjustments	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,648,983	\$ -	\$ -	\$ 2,648,983
Construction in Progress	611,904	19,123	-	631,027
Total capital assets not being depreciated	<u>3,260,887</u>	<u>19,123</u>	<u>-</u>	<u>3,280,010</u>
Capital assets being depreciated				
Buildings	5,039,883	-	-	5,039,883
Other Improvements & Infrastructure	424,664	-	-	424,664
Equipment	360,930	-	16,756	344,174
Vehicles	538,408	47,483	-	585,891
Total capital assets being depreciated	<u>6,363,885</u>	<u>47,483</u>	<u>16,756</u>	<u>6,394,612</u>
Less accumulated depreciation for:				
Buildings	893,644	100,796	-	994,440
Other Improvements & Infrastructure	78,276	8,493	-	86,769
Equipment	282,030	12,776	16,756	278,050
Vehicles	381,669	54,268	-	435,937
Total accumulated depreciation	<u>1,635,619</u>	<u>\$ 176,333</u>	<u>\$ 16,756</u>	<u>1,795,196</u>
Total capital assets being depreciated, net	<u>4,728,266</u>			<u>4,599,416</u>
Governmental activity capital assets, net	<u>\$ 7,989,153</u>			<u>\$ 7,879,426</u>

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

General Government	\$ 104,672
Public Safety	58,477
Transportation	4,108
Beach Renourishment & Recreational	9,076
Total Depreciation Expense	<u>\$ 176,333</u>

**Business-type activities:**

**Water and Sewer Fund**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 140,296	\$ -	\$ -	\$ 140,296
Total capital assets not being depreciated	<u>140,296</u>	<u>-</u>	<u>-</u>	<u>140,296</u>
Capital assets being depreciated:				
Plant and Distribution systems	22,317,453	-	-	22,317,453
Infrastructure	184,026	-	-	184,026
Furniture & Maintenance Equipment	554,925	191,678	16,756	729,847
Vehicles	78,847	-	-	78,847
Total capital assets being depreciated	<u>23,135,251</u>	<u>191,678</u>	<u>16,756</u>	<u>23,310,173</u>
Less accumulated depreciation for:				
Plant and Distribution systems	5,449,498	446,349	-	5,895,847
Infrastructure	40,197	3,681	-	43,878
Furniture & Maintenance Equipment	351,904	57,066	16,756	392,214
Vehicles	78,847	-	-	78,847
Total accumulated depreciation	<u>5,920,446</u>	<u>\$ 507,096</u>	<u>\$ 16,756</u>	<u>6,410,786</u>
Total capital assets being depreciated, net	<u>17,214,805</u>			<u>16,899,387</u>
Business-type activities capital assets, net	<u>\$ 17,355,101</u>			<u>\$ 17,039,683</u>

**Commitments**

The government does not have any active projects/commitments as of June 30, 2017.



## B Liabilities

### 1 Pension Plan and Postemployment Obligations

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

*Plan Description* - The Town of Holden Beach 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, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

*Contributions* – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2016, was 8.0% of compensation for law enforcement officers and 7.25% 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 \$98,475 for the year ended June 30, 2017.

*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, 2017, the Town reported a liability of \$456,302 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.0215%, which was a decrease of .00091% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$116,258. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,573	\$ 15,989
Changes of assumptions	31,253	-
Net difference between projected and actual earning on pension plan investments	252,278	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	17,744
Town contributions subsequent to the measurement date	98,475	-
Total	<u>\$ 390,579</u>	<u>\$ 33,733</u>

\$98,475 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 35,460
2019	35,527
2020	116,713
2021	70,671
2022	-
Thereafter	-
Total	<u>\$ 258,371</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 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 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 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 mortality improvements.

The actuarial assumptions used in the December 31, 2015 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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
	<u>100.0%</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.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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 asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate 7.25%	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 1,083,018	\$ 456,302	\$ (67,177)

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**

1 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. The Separation allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	-
Terminated plan members entitled to but no yet receiving benefits	-
Active Plan Members	<u>7</u>
Total	<u><u>7</u></u>

2 Summary of Significant Accounting Policies:

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

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

3 Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the RP-2014 and MP-2015 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments 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.

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

At June 30, 2017, the reported a total pension liability of \$190,466. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$16,806.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	5,245
County benefit payments and plan administrative expense made subsequent to the measurement	-	-
Total	<u>\$ -</u>	<u>\$ 5,245</u>

\$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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 803
2019	803
2020	803
2021	803
2022	803
Thereafter	1,230
	<u>\$ 5,245</u>

*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 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.86 percent) or one percentage point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 212,190	\$ 190,466	\$ 171,116

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

Beginning Balance	\$	178,905
Service Cost		11,222
Interest on the total pension liability		6,387
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the total pension liability		-
Changes of assumptions or other inputs		(6,048)
Benefit payments		-
Other changes		-
		<hr/>
Ending balance of the total pension liability	\$	<u>190,466</u>

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period ended December 31, 2015.

**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 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, 2017 were \$32,832, which consisted of \$23,342 from the Town and \$9,490 from law enforcement officers. The Town has also elected to contribute five percent of general employees' salaries to the plan on their behalf. General employees may also make voluntary contributions to the plan. Contributions for general employees for the year ended June 30, 2017 were \$57,524, which consisted of \$29,679 from the Town and \$27,845 from general employees.

**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 deferred outflows of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 98,475
Differences between expected and actual experience	8,573
Changes of assumptions	31,253
Net difference between projected and actual experience	<u>252,278</u>
Total	<u><u>\$ 390,579</u></u>

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

Taxes/Assessments Rec. (General & Special Revenue Funds)	\$ 112,976
Prepaid Taxes (General Fund)	18,010
Differences between expected and actual experience	15,989
Changes of assumptions - LEOSSA	5,245
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,744
Total	<u><u>\$ 169,964</u></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. 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 N.C. Farm Bureau Insurance. The Town has purchased commercial flood insurance for two structures, with \$153,300 coverage for one structure and \$500,000 in coverage for the second.

In accordance with G.S. 159-29, The Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each bonded for \$50,000. 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, 2017, 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.

### 6 Long-Term Obligations

Debt payable is summarized as follows:

#### Governmental Activities:

2.420% note, payable in annual installments of \$93,335, including interest, final payment due July 2024; secured by real estate	\$ 671,512
3.81% note, payable in annual installments of \$200,000, plus interest; final payment due March 2027; secured by real estate	1,991,954
Installment purchase, payable in annual installments of \$16,908, including interest, final payment due September 2018; secured by 1 Dodge vehicle	30,575
2.18% note, payable in annual installments of \$1,200,000, plus interest; final payment due October 2026; secured by pledged sources	<u>12,000,000</u>
Total	<u><u>\$ 2,663,466</u></u>

Business-Type Activities:

3.79% note, payable in annual installments of \$459,685 , including interest; final payment due November 2019; secured by real estate	\$ 1,511,618
3.79%, note, payable in annual installments of \$214,090, including interest; final payment due November 2019; secured by real estate	<u>382,280</u>
Total	<u>\$ 1,893,898</u>

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

Fiscal Year Ended	Governmental Activities			Business-type Activities			Total
	Principal	Interest	Total	Principal	Interest	Total	
2018	\$ 1,491,855	\$ 342,801	\$ 1,834,656	\$ 616,275	\$ 44,317	\$ 660,592	
2019	1,494,753	306,123	1,800,876	630,696	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	-	-	-	
2023-2027	7,266,980	452,792	7,719,772	-	-	-	
Total	<u>\$ 14,702,086</u>	<u>\$ 1,867,842</u>	<u>\$ 16,569,928</u>	<u>\$ 1,893,897</u>	<u>\$ 87,879</u>	<u>\$ 1,981,776</u>	

At June 30, 2017, the Town of Holden Beach had a legal debt margin of \$82,326,862. There were no authorized bonds that had not been issued as of June 30, 2017.

Changes in Long – Term Liabilities

A summary of long-term debt is as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balance
Governmental Activities:					
Notes Payable	\$ 2,938,729	\$ 12,000,000	\$ 275,263	\$ 14,663,466	\$ 1,477,084
Installment/Lease Purchases	39,744	47,483	56,682	30,545	14,771
Net Pension Liability (LGERs)	86,833	307,121	-	393,954	-
Total Pension Liability (LEOSSA)	178,905	11,561	-	190,466	-
Compensated Absences	107,015	9,250	-	116,265	23,362
Governmental activity long term liabilities	<u>\$ 3,351,226</u>	<u>\$ 12,375,415</u>	<u>\$ 331,945</u>	<u>\$ 15,394,696</u>	<u>\$ 1,515,217</u>
Business-type Activities:					
Notes Payable	\$ 2,496,082	\$ -	\$ 602,184	\$ 1,893,898	\$ 616,275
Net Pension Liability (LGERs)	13,742	48,606	-	62,348	-
Compensated Absences	13,655	1,668	-	15,323	2,986
Business-type activity long term liabilities	<u>\$ 2,523,479</u>	<u>\$ 50,274</u>	<u>\$ 602,184</u>	<u>\$ 1,971,569</u>	<u>\$ 619,261</u>

C Interfund Balances and Activity

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Central Reach Project	<u>\$ 8</u>
		<u>\$ 8</u>

The composition of interfund balances as of June 30, 2017 is as follows:

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2017, consist of the following:

From General Fund to Bpart Fund to allocate funding	\$ 835,344
From Bpart Fund to Central Reach Project Fund to provide funding for the project	2,956,208
Total Transfers	<u>\$ 3,791,552</u>

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.

D Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital Assets	\$ 7,879,426	\$ 17,039,683
Less Long Term Debt	(14,694,011)	(1,893,898)
(add back debt not related to capital assets)	12,000,000	-
Net Investment in Capital Assets	<u>\$ 5,185,415</u>	<u>\$ 15,145,785</u>

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	<u>\$1,798,086</u>
Less:	
Inventories	-
Stabilization by State Statute	101,590
Street-Powell Bill	-
Appropriated Fund Balance in 2018 budget	275,893
Working Capital/Fund Balance Policy	669,165
Remaining Fund Balance	<u>\$ 751,439</u>

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.

Jointly Governed Organization

The Town, in conjunction with twenty 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 \$409 to the Council during the fiscal year ended June 30, 2017.

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, 2017.

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 \$1,160,530. 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.



#### 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.

#### NOTE 4: 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.

#### NOTE 5: SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through November 2, 2017, the date the financial statements were available to be issued. No items were noted for disclosure.

#### NOTE 6: PRIOR PERIOD ADJUSTMENT

The Board recorded prior period adjustments in the government-wide statements to revise Construction in Process totals for a park that has been under construction since 2014. It was discovered that expenses had been excluded from the construction balance. This adjustment reclassified \$479,789 from net position to construction in process on the government-wide statements.

#### NOTE 7: CHANGE IN ACCOUNTING PRINCIPLES / RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$178,905.

**REQUIRED  
SUPPLEMENTARY FINANCIAL DATA**

---

This section contains additional information required by generally accepted  
accounting principles.

---

Schedule of Proportionate Share of Net Pension Asset for Local Government Employees Retirement System

Schedule of Contributions to Local Government Employees Retirement System

Schedule of Changes in Total Pension Liability

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Town of Holden Beach, North Carolina  
Town of Holden Beach's Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Four Fiscal Years\*

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Holden Beach's proportion of the net pension liability (asset) (%)	0.02150%	0.02241%	0.02219%	0.02290%
Holden Beach's proportion of the net pension liability (asset) (\$)	\$ 456,302	\$ 100,575	\$ (130,865)	\$ 276,033
Holden Beach's covered-employee payroll	\$ 1,244,202	\$ 1,169,403	\$ 1,122,226	\$ 1,113,573
Holden Beach's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.67%	8.60%	-11.66%	24.79%
Plan fiduciary net position as a percentage of the total pension liability**	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 Four Fiscal Years**

Local Government Employees' Retirement System

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

**Town of Holden Beach, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2017**

	<u>2017</u>
Beginning Balance	\$ 178,905
Service Cost	11,222
Interest on the total pension liability	6,387
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(6,048)
Benefit payments	-
Other changes	<u>-</u>
Ending balance of the total pension liability	<u><u>\$ 190,466</u></u>

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

**Town of Holden Beach, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2017**

	<u>2017</u>
Total pension liability	\$ 190,466
Covered payroll	380,126
Total pension liability as a percentage of payroll	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.

## INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Holden Beach, North Carolina  
General Fund  
Comparative Balance Sheets  
June 30, 2017 and June 30, 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,759,620	\$ 1,187,447
Taxes Receivable, net	65,932	57,047
Accounts Receivable, net	18	1,468
Due From Other funds	8	500,000
Due From Other Governments	101,564	97,315
Cash and cash equivalents, restricted	-	11,006
Total assets	<u>\$ 1,927,142</u>	<u>\$ 1,854,283</u>
<b>Liabilities and fund balances</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 45,114	\$ 48,334
Due to Other Governments	-	-
Due to Other Funds	-	60,218
Total liabilities	<u>\$ 45,114</u>	<u>\$ 108,552</u>
Deferred Inflows of Resources		
Property Taxes & Assessments Receivable	\$ 65,932	\$ 58,497
Prepaid Taxes	18,010	18,008
Total Deferred Inflows of Resources	<u>\$ 83,942</u>	<u>\$ 76,505</u>
Fund balances:		
Restricted:		
Stabilization by State Statue	\$ 101,590	\$ 597,333
Streets - Powell Bill	-	11,006
Debt Covenant	-	-
Assigned:		
Assigned for General Government Debt	275,893	378,849
Assigned for Subsequent Year's Expenditures	-	-
Unassigned	1,420,603	682,038
Total fund balances	<u>1,798,086</u>	<u>1,669,226</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,927,142</u>	<u>\$ 1,854,283</u>



Town of Holden Beach, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017			2016
	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>				
Ad Valorem taxes:				
Current year	\$ 2,589,522	\$ 2,630,668	\$ 41,146	\$ 1,779,610
Prior year	42,867	12,252	(30,615)	54,343
Penalties and interest	21,619	8,713	(12,906)	21,638
Total	<u>2,654,008</u>	<u>2,651,633</u>	<u>(2,375)</u>	<u>1,855,591</u>
Other taxes and licenses:				
Privilege license	-	-	-	-
Local option sales tax	143,366	162,087	18,721	151,810
Total	<u>143,366</u>	<u>162,087</u>	<u>18,721</u>	<u>151,810</u>
Unrestricted intergovernmental:				
Beer and Wine Tax	2,600	2,815	215	2,653
Telecommunications Tax	9,769	8,338	(1,431)	8,281
Franchise Tax	159,346	185,141	25,795	184,305
Video Program Tax	37,121	38,050	929	36,914
Sales Tax Refund	7,500	(55)	(7,555)	25,641
Total	<u>216,336</u>	<u>234,289</u>	<u>17,953</u>	<u>257,794</u>
Restricted intergovernmental revenues:				
FEMA Grant	-	86,914	86,914	-
Powell Bill allocation	34,714	35,000	286	35,038
Total	<u>34,714</u>	<u>121,914</u>	<u>87,200</u>	<u>35,038</u>
Permits and fees:				
Building permits	263,267	236,513	(26,754)	200,940
CAMA permits and reimbursements	9,300	6,805	(2,495)	7,120
Cable franchise fees	-	-	-	-
Other permits and fees	2,850	4,000	1,150	4,246
Total	<u>275,417</u>	<u>247,318</u>	<u>(28,099)</u>	<u>212,306</u>
Other Revenue:				
Investment earnings	-	-	-	49
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>49</u>
Sales and Services:				
Sales and services	14,750	27,821	13,071	12,628
Total	<u>14,750</u>	<u>27,821</u>	<u>13,071</u>	<u>12,628</u>
Miscellaneous:				
Other	6,000	5,858	(142)	46,400
Total	<u>6,000</u>	<u>5,858</u>	<u>(142)</u>	<u>46,400</u>
Total Revenues	<u>3,344,591</u>	<u>3,450,920</u>	<u>106,329</u>	<u>2,571,616</u>

Town of Holden Beach, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Favorable (Unfavorable)	2016
	Final Budget	Actual		Actual
<b>Expenditures</b>				
General Government:				
Governing body:				
Salaries and employee benefits	8,397	8,397	-	8,397
Other operating expenditures	146,036	122,209	23,827	128,429
Total	<u>154,433</u>	<u>130,606</u>	<u>23,827</u>	<u>136,826</u>
Administration:				
Salaries and employee benefits	425,543	435,730	(10,187)	402,558
Operating expenditures	183,083	161,693	21,390	173,365
Capital outlay	-	-	-	-
Total	<u>608,626</u>	<u>597,423</u>	<u>11,203</u>	<u>575,923</u>
Total General Government	<u>763,059</u>	<u>728,029</u>	<u>35,030</u>	<u>712,749</u>
Public safety:				
Police department:				
Salaries and employee benefits	607,056	606,926	130	587,324
Operating expenditures	71,406	63,234	8,172	72,811
Capital outlay	-	48,547	(48,547)	-
Total	<u>678,462</u>	<u>718,707</u>	<u>(40,245)</u>	<u>660,135</u>
Inspections:				
Salaries and employee benefits	211,888	211,448	440	201,158
Operating expenditures	45,618	31,652	13,966	67,473
Capital outlay	-	-	-	-
Total	<u>257,506</u>	<u>243,100</u>	<u>14,406</u>	<u>268,631</u>
Total Public Safety	<u>935,968</u>	<u>961,807</u>	<u>(25,839)</u>	<u>928,766</u>
Transportation:				
Streets and highways:				
Salaries and employee benefits	80,870	80,428	442	83,395
Operating expenditures	289,401	227,952	61,449	233,819
Total	<u>370,271</u>	<u>308,380</u>	<u>61,891</u>	<u>317,214</u>
Total Transportation	<u>370,271</u>	<u>308,380</u>	<u>61,891</u>	<u>317,214</u>
Environmental protection:				
Sanitation:				
Salaries and employee benefits	60,752	60,774	(22)	58,475
Other operating expenditures	108,125	48,712	59,413	70,544
Total	<u>168,877</u>	<u>109,486</u>	<u>59,391</u>	<u>129,019</u>
Total Environmental Protection	<u>168,877</u>	<u>109,486</u>	<u>59,391</u>	<u>129,019</u>

Town of Holden Beach, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2017  
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Favorable (Unfavorable)	2016
	Final Budget	Actual		Actual
Debt Service:				
Principal retirement	335,181	331,945	3,236	333,349
Interest and fees	103,302	103,302	-	102,424
Total debt service	<u>438,483</u>	<u>435,247</u>	<u>3,236</u>	<u>435,773</u>
Total expenditures	<u>2,676,658</u>	<u>2,542,949</u>	<u>133,709</u>	<u>2,523,521</u>
Revenues over (under) expenditures	<u>667,933</u>	<u>907,971</u>	<u>240,038</u>	<u>48,095</u>
Other financing sources (uses):				
Transfers from BPART Tax Fund	-	-	-	92,149
Transfers to BPART Tax Fund	(835,344)	(835,344)	-	-
Transfers from Special Revenue Fund	42,411	-	(42,411)	-
Transfers (to) from Enterprise Fund	120,000	-	(120,000)	103,842
Transfers (to) from Special Revenue Fund	-	-	-	-
Transfers from USDA Loan	-	-	-	26,288
Sale of Capital Assets	5,000	8,750	3,750	-
Long-term debt issued	-	47,483	47,483	-
Fund Balance Appropriated	-	-	-	-
Total	<u>(667,933)</u>	<u>(779,111)</u>	<u>(111,178)</u>	<u>222,279</u>
Net change in fund balance	<u>\$ -</u>	128,860	<u>\$ 128,860</u>	270,374
Fund balance:				
Beginning of year, July 1		1,669,226		1,398,852
Prior Period Adjustment		<u>-</u>		<u>-</u>
End of year, June 30		<u>\$ 1,798,086</u>		<u>\$ 1,669,226</u>

Town of Holden Beach, North Carolina  
Special Revenue Fund - BPART Tax Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017			2016
	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>				
Occupancy tax receipts	\$ 1,759,359	\$ 1,887,106	\$ 127,747	\$ 1,783,709
FEMA grants & DENR	6,627,557	3,322,051	(3,305,506)	10,762
Investment earnings	5,000	6,690	1,690	3,946
Sales Tax Refund	1,500	-	(1,500)	8,759
Miscellaneous	17,000	44,498	27,498	115,211
Total	<u>8,410,416</u>	<u>5,260,345</u>	<u>(3,150,071)</u>	<u>1,922,387</u>
<b>Expenditures</b>				
Salaries and employee benefits	248,169	236,514	11,655	233,225
Operating Expenditures	964,907	560,042	404,865	1,020,916
FEMA Expenditures	6,444,187	1,337,711	5,106,476	-
Capital Outlay	-	-	-	62,222
Lockwood Folly Dredging & Beach Nourishment	111,000	98,500	12,500	396,043
County's share of occupancy tax	307,208	312,427	(5,219)	291,311
Total	<u>8,075,471</u>	<u>2,545,194</u>	<u>5,530,277</u>	<u>2,003,717</u>
Debt Service	<u>192,052</u>	<u>130,800</u>	<u>61,252</u>	<u>-</u>
Revenues over (under) expenditures	<u>142,893</u>	<u>2,584,351</u>	<u>2,441,458</u>	<u>(81,330)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer (to) from General Fund	835,344	835,344	-	(92,149)
Transfer (to) Central Reach Project	(3,000,000)	(2,956,208)	43,792	-
Brunswick County Interlocal Reserve	(1,520,924)	-	1,520,924	-
Fund balance appropriated	3,542,687	-	(3,542,687)	-
Total other financing sources (uses)	<u>(142,893)</u>	<u>(2,120,864)</u>	<u>(1,977,971)</u>	<u>(92,149)</u>
Net change in fund balance	<u>\$ -</u>	<u>463,487</u>	<u>\$ 463,487</u>	<u>(173,479)</u>
Fund balance:				
Beginning of year, July 1		<u>5,994,858</u>		<u>6,168,337</u>
End of year, June 30		<u>\$ 6,458,345</u>		<u>\$ 5,994,858</u>

Town of Holden Beach, North Carolina  
Canal Dredging Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2017

Exhibit B-4

	Final Budget	Prior Years	Actual Current Years	Total to Date	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
Assessments HBH	\$ 129,436	\$ 651,907	128,552	\$ 780,459	\$ 651,023
Assessments HBH (Balance Forward)	448,704	92,792	-	92,792	(355,912)
Assessments HHC	84,580	447,508	(90,035)	357,473	272,893
Assessments HHC (Balance Forward)	164,757	15,458	164,757	180,215	15,458
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	91,991	59,160	92,480	151,640	59,649
Assessments HA (Balance Forward)	769,622	-	-	-	(769,622)
Prior Year Assessments HBH	700	23,741	1,104	24,845	24,145
Prior Year Assessments HH	5,000	14,747	780	15,527	10,527
Prior Year Assessments HA	500	17,053	530	17,583	17,083
Interest -HBH	250	5,323	419	5,742	5,492
Interest -HH	400	4,074	356	4,430	4,030
Interest - HA	500	6,227	612	6,839	6,339
Miscellaneous revenue	-	11,273	-	11,273	11,273
Miscellaneous revenue	-	168,197	-	168,197	168,197
Total revenues	<u>1,696,440</u>	<u>2,748,524</u>	<u>299,555</u>	<u>3,048,079</u>	<u>1,351,639</u>
<b>Expenditures:</b>					
<b>Holden Beach Harbor Project:</b>					
Administration	5,791	13,546	50	13,596	(7,805)
Professional services	5,791	165,983	-	165,983	(160,192)
Construction	434,317	261,909	-	261,909	172,408
Administration	-	338	-	338	(338)
Professional services	43,432	32,863	-	32,863	10,569
Construction Management	75,282	76,087	1,744	77,831	(2,549)
Total Holden Beach Harbor Project	<u>564,613</u>	<u>550,726</u>	<u>1,794</u>	<u>552,520</u>	<u>12,093</u>
<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	2,547	381	50	431	2,116
Professional services	2,547	23,836	-	23,836	(21,289)
Construction	243,275	85,086	1,744	86,830	156,445
Total Heritage Harbor Canal Project	<u>248,369</u>	<u>485,531</u>	<u>1,794</u>	<u>487,325</u>	<u>(238,956)</u>
<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	8,626	1,954	315	2,269	6,357
Professional services	8,626	57,865	-	57,865	(49,239)
Construction	823,796	410,969	1,744	412,713	411,083
Total Harbor Acres Canal Project	<u>841,048</u>	<u>551,167</u>	<u>2,059</u>	<u>553,226</u>	<u>287,822</u>
<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	<u>-</u>	<u>66,712</u>	<u>-</u>	<u>66,712</u>	<u>(66,712)</u>

Town of Holden Beach, North Carolina  
 Canal Dredging Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Non-GAAP)  
 From Inception and for the Fiscal Year Ended June 30, 2017

Exhibit B-4

	Final Budget	Prior Years	Actual Current Years	Total to Date	Variance Favorable (Unfavorable)
<b>Debt Service</b>	-	3,576	-	3,576	(3,576)
Total expenditures	1,654,030	1,657,712	5,647	1,663,359	(9,329)
Revenues Over (Under) Expenditures	42,410	1,090,812	293,908	1,384,720	1,342,310
<b>Other Financing Sources (Uses):</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	(42,410)	(42,028)	-	(42,028)	382
Appropriated fund balance	-	-	-	-	-
Total Other Financing Uses	(42,410)	329,645	-	329,645	372,055
Net change	\$ -	\$ 1,420,457	\$ 293,908	\$ 1,714,365	\$ 1,714,365

Town of Holden Beach, North Carolina  
Central Reach Project Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2017

Exhibit B-5

	Final Budget	Prior Years	Actual		Variance Favorable (Unfavorable)
			Current Years	Total to Date	
<b>Revenues:</b>					
Interest	\$ -	\$ -	\$ 2,835	\$ 2,835	\$ 2,835
Miscellaneous revenue	-	-	-	-	-
Total revenues	-	-	2,835	2,835	2,835
<b>Expenditures:</b>					
Administration	49,129	-	49,129	49,129	-
Professional services	268,199	-	268,198	268,198	1
Construction	14,432,470	-	14,396,245	14,396,245	36,225
Fence	229,912	-	229,912	229,912	-
Surveying	11,822	-	11,821	11,821	1
Designs	8,468	-	3,738	3,738	4,730
Total	15,000,000	-	14,959,043	14,959,043	40,957
<b>Debt Service</b>	-	-	-	-	-
Total expenditures	15,000,000	-	14,959,043	14,959,043	40,957
Revenues Over (Under) Expenditures	(15,000,000)	-	(14,956,208)	(14,956,208)	43,792
<b>Other Financing Sources (Uses):</b>					
Proceeds from Bonds	12,000,000	-	12,000,000	12,000,000	-
Transfer from General Fund	3,000,000	-	2,956,208	2,956,208	-
Appropriated fund balance	-	-	-	-	-
Total Other Financing Uses	15,000,000	-	14,956,208	14,956,208	-
Net change	\$ -	\$ -	\$ -	\$ -	\$ 43,792

Town of Holden Beach, North Carolina  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget & Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

	2017		Variance Favorable (Unfavorable)	2016
	Final Budget	Actual		Actual
<b>Revenues:</b>				
<b>Operating Revenues:</b>				
Water and sewer charges	\$ 1,718,037	\$ 1,812,099	\$ 94,062	\$ 1,681,738
Tap and connection fees	79,250	69,200	(10,050)	90,407
Impact fees	44,484	50,134	5,650	55,126
Share fees	45,000	7,825	(37,175)	65,575
Other operating revenues	104,522	105,104	582	117,805
<b>Total Operating Revenues</b>	<b>1,991,293</b>	<b>2,044,362</b>	<b>53,069</b>	<b>2,010,651</b>
<b>Nonoperating Revenues:</b>				
Interest on Investments	1,500	206	(1,294)	206
Capital charges	1,586,654	1,556,626	(30,028)	1,607,107
<b>Total Nonoperating Revenues</b>	<b>1,588,154</b>	<b>1,556,832</b>	<b>(31,322)</b>	<b>1,607,313</b>
<b>Total Revenues</b>	<b>3,579,447</b>	<b>3,601,194</b>	<b>21,747</b>	<b>3,617,964</b>
<b>Expenditures:</b>				
<b>Water &amp; Sewer Administration:</b>				
Salaries and employee benefits	53,683	54,610	(927)	54,610
Operating expenses	74,280	54,557	19,723	58,620
<b>Total Administration</b>	<b>127,963</b>	<b>109,167</b>	<b>18,796</b>	<b>113,230</b>
<b>Operations:</b>				
Salaries and Employee Benefits	198,641	198,271	370	209,068
Operating expenses	1,123,788	1,059,039	64,749	1,037,638
Capital Outlay	465,441	293,904	171,537	-
<b>Total Operations</b>	<b>1,787,870</b>	<b>1,551,214</b>	<b>236,656</b>	<b>1,246,706</b>
<b>Non-Operating:</b>				
City capital charges	1,160,521	1,160,520	1	1,164,145
<b>Debt Service:</b>				
Principal retirement	602,184	602,184	-	567,536
Interest and fees	58,409	50,574	7,835	68,106
<b>Total Debt Service</b>	<b>660,593</b>	<b>652,758</b>	<b>7,835</b>	<b>635,642</b>
<b>Total Expenditures</b>	<b>3,736,947</b>	<b>3,473,659</b>	<b>263,288</b>	<b>3,159,723</b>
<b>Other Financing Sources (Uses):</b>				
Transfer (to) from General Fund	(120,000)	-	120,000	(103,842)
Transfer (to) from BPART Fund	-	-	-	-
Sale of Fixed Assets	-	8,750	8,750	-
Appropriated fund balance	277,500	-	(277,500)	-
<b>Total Other Sources (Uses)</b>	<b>157,500</b>	<b>8,750</b>	<b>(148,750)</b>	<b>(103,842)</b>
<b>Revenues and Other Sources over Expenditures and Other Financing Uses</b>	<b>\$ -</b>	<b>136,285</b>	<b>\$ 136,285</b>	<b>354,399</b>



Town of Holden Beach, North Carolina  
Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget & Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2017  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)

Exhibit C-1

	2017		2016
	Final Budget	Actual	Variance Favorable (Unfavorable) Actual
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling Items:			
Principal retirement		602,184	567,536
Capital Outlay		191,678	-
Deferred outflows of resources for contributions made to pension plan in current fiscal year		13,455	11,406
Pension Expense		(15,885)	(6,922)
Depreciation		(507,096)	(498,665)
Total Reconciling items		284,336	73,355
Change in net position		\$ 420,621	\$ 427,754

## OTHER SCHEDULES

---

This section includes additional information on property taxes.

---

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Town of Holden Beach, North Carolina  
 General Fund  
 Schedule of Ad Valorem Taxes Receivable  
 June 30, 2017

Fiscal Year	Uncollected Balance 6/30/2016	Additions	Collections And Credits	Uncollected Balance 6/30/2017
2016-2017	\$ -	\$ 2,668,074	\$ 2,629,563	\$ 38,511
2015-2016	24,486	-	5,581	18,905
2014-2015	13,226	-	1,252	11,974
2013-2014	11,112	-	875	10,237
2012-2013	9,862	-	944	8,918
2011-2012	9,323	-	639	8,684
2010-2011	9,368	-	602	8,766
2009-2010	8,171	-	1,481	6,690
2008-2009	4,663	-	38	4,625
2007-2008	624	-	2	622
2006-2007	212	-	212	-
Totals	<u>\$ 91,047</u>	<u>\$ 2,668,074</u>	<u>\$ 2,641,189</u>	117,932

Less: Allowance for Uncollectible Accounts:  
 General Fund 52,000  
 Ad valorem taxes receivable - net \$ 65,932

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 2,651,633
Reconciling items:	
Interest & Penalties Collected	(8,713)
NCVTS Fees Charged	(1,227)
Miscellaneous adjustments and releases	(504)
Subtotal	<u>(10,444)</u>
Total collections and credits	<u>\$ 2,641,189</u>

Town of Holden Beach, North Carolina  
 Analysis of Current Tax Levy  
 Town - Wide Levy  
 For the Fiscal Year Ended June 30, 2017

Exhibit D-2

	<u>Town - Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 1,212,760,909	0.220	<u>\$ 2,668,074</u>	<u>\$ 2,639,138</u>	<u>\$ 28,936</u>
Net levy			2,668,074	2,639,138	28,936
Uncollected taxes at June 30, 2017			<u>\$ 38,511</u>	<u>\$ 38,511</u>	<u>\$ -</u>
Current year's taxes collected			<u>\$ 2,629,563</u>	<u>\$ 2,600,627</u>	<u>\$ 28,936</u>
Current levy collection percentage			<u>98.56%</u>	<u>98.54%</u>	<u>100.00%</u>

## COMPLIANCE SECTION



*Thompson, Price, Scott, Adams & Co, P.A.*

**P.O Box 398**

**1626 S. Madison Street**

**Whiteville, NC 28472**

**Telephone (910) 642-2109**

**Fax (910) 642-5958**

---

**Alan W. Thompson, CPA**

**R. Bryon Scott, CPA**

**Gregory S. Adams, CPA**

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

**Independent Auditors' Report**

To the Honorable Mayor and  
Members of the Board of Town Commissioners  
Town of 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Holden Beach as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Town of Holden Beach's basic financial statements, and have issued our report thereon dated November 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Holden Beach's internal control over financial reporting (internal control) 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 of Holden Beach's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or 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 the 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 were not identified. Given these limitations, during our audit we did not have any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and responses that we consider to be significant deficiencies [17-01, 17-02].

*Members*

*American Institute of CPAs - N.C. Association of CPAs - AICPA Division of firms*

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Holden Beach's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The Town of Holden Beach's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 Town'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.

*Thompson, Rice, Scott, Adams & Co., P.A.*

*Whiteville, NC*

**November 1, 2017**



---

**Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA**

Report On Compliance With Requirements Applicable to Each Major Federal Program And  
Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the  
State Single Audit Implementation Act

Independent Auditors' Report

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

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

We have audited the Town of Holden Beach's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Holden Beach's major federal programs for the year ended June 30, 2017. The Town of Holden Beach's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Town of Holden Beach's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Holden Beach's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Holden Beach's compliance.



In our opinion, Town of Holden Beach complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of the Town of Holden Beach is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Holden Beach's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Thompson, Rice, Scott, Adams & Co., P.A.*

---

Whiteville, NC  
November 1, 2017

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2017

**Section I. Summary of Auditors' Results**

Financial Statements

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

Internal control over financial reporting:

Material Weakness (es) identified?  Yes  No

Significant Deficiency(s) identified that are not considered to be material weaknesses  Yes  None Reported

Noncompliance material to financial statements noted  Yes  No

Federal Awards

Internal control over major Federal programs:

Material weaknesses identified?  Yes  No

Significant Deficiency(s) identified that are not considered to be material weaknesses  Yes  None Reported

Noncompliance material to federal awards  Yes  No

Type of auditor's report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)  Yes  No

Identification of major Federal programs:

<u>CFDA</u>	<u>Program Name</u>
97.036	Disaster Grants - Public Assistance

Dollar threshold to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2017

---

**Section II. Financial Statement Findings**

---

FINDING: 17-1  
SIGNIFICANT DEFICIENCY

Inadequate Design of Internal Controls over the Preparation of the Financial Statements

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 had been prepared accurately.

Condition: The finance department staff is competent, capable and performs daily and monthly functions very well. Their expertise is limited, however, in the area of financial statement preparation in accordance with generally accepted accounting principles, specifically with full accrual basis statements now required by GASB 34. In addition, the Town has not made the adjusting entries provided by the auditor for several years.

Effect: The Town's auditor must prepare the financial statements of the Town. Additionally, any reports provided to the Commissioners can not be relied on, as the ledger does not reflect adjustments made in previous years.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The Town should designate an individual responsible for the review of the financial statements. In addition, the Town should ensure that all adjusting entries are posted each year.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. However, there are limited financial resources for training the finance department staff in GAAP, and it's not considered to be cost beneficial to obtain additional assistance in this area.

FINDING: 17-2  
SIGNIFICANT DEFICIENCY

Prior Period Adjustment

Criteria: AU-C 260 requires communication of certain matters related to internal control over financial reporting.

Condition: The Board recorded prior period adjustments in the government-wide statements to revise Construction in Process totals for a park that has been under construction since 2014. It was discovered that expenses had been excluded from the construction balance. This adjustment reclassified \$479,789 from net position to construction in process on the government-wide statements.

Effect: This is an indicator of a control deficiency that is regarded as a significant deficiency.

Cause: The expenses for the project were not set up in a separate fund and were overlooked as project items that should be capitalized.

Recommendation: The Board should implement internal control procedures that will require timely reviews of the financial statements to ensure that balances are properly recorded.

Views of responsible officials and planned corrective actions: The Town agrees with this finding.

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2017

---

**Section II. Financial Statement Findings**

---

SIGNIFICANT DEFICIENCY

17-1 Name of contact person: David Hewett, Finance Director

Corrective Action: The Town will evaluate steps to take in the future on this issue.

Proposed Completion Date: The Town of Holden Beach's governing board feels that there are limited financial resources at this time for training the finance department staff in GAAP and that it is not cost beneficial to obtain additional assistance in this area.

17-2 Name of contact person: David Hewett, Finance Director

Corrective Action: The Town will review the financial statements and make adjustments as necessary throughout the year to reconcile the accounts.

Proposed Completion Date: The Board will implement the above procedure immediately.

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
Summary of Prior Year Audit Findings  
For the Fiscal Year Ended June 30, 2017

---

Section II. Financial Statement Findings

---

None Report (was not subject to GAS in previous year)

**Town of Holden Beach, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For The Fiscal Year Ended June 30, 2017**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed (Direct &amp; Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Awards:					
<u>U.S. Department of the Interior</u>					
Fish and Wildlife Service					
Boating Infrastructure Grant Program (BIG)	15.622		\$ <u>89,238</u>	\$ <u>-</u>	\$ <u>-</u>
<u>N.C. Dept. of Environmental Quality</u>					
Division of Coastal Management					
Clean Vessel Act Grant Program	15.605		\$ <u>19,530</u>	\$ <u>-</u>	\$ <u>-</u>
Total U.S. Department of the Interior			\$ <u>108,768</u>	\$ <u>-</u>	\$ <u>-</u>
<u>U.S. Department of Homeland Security</u>					
Disaster Grants - Public Assistance					
	97.036		\$ <u>3,282,760</u>	\$ <u>-</u>	\$ <u>-</u>
Total Assistance - Federal Programs			\$ <u>3,391,528</u>	\$ <u>-</u>	\$ <u>-</u>
State Awards:					
<u>N.C. Dept. of Transportation</u>					
Powell Bill					
			\$ <u>-</u>	\$ <u>46,006</u>	\$ <u>-</u>
<u>N.C. Dept. of Environmental Quality</u>					
North Carolina Parks and Recreation Trust Fund Grant					
			\$ <u>-</u>	\$ <u>17,437</u>	\$ <u>-</u>
Total Assistance - State Programs			\$ <u>-</u>	\$ <u>63,443</u>	\$ <u>-</u>
Total Assistance			\$ <u>3,391,528</u>	\$ <u>63,443</u>	\$ <u>-</u>

Notes to the Schedule of Expenditures of State Financial Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Holden Beach under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Holden Beach, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Holden Beach.

2 Summary of Significant Accounting Policies

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

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