



**TOWN OF HOLDEN BEACH
AUDIT COMMITTEE MEETING
HOLDEN BEACH TOWN HALL – PUBLIC ASSEMBLY
MONDAY, OCTOBER 30, 2023 - 2:00 P.M.**

1. Call to Order
2. Agenda Approval
3. Approval of Minutes
4. Public Comment
5. Discussion of Fiscal Year 2022 - 2023 External Audit Report with Representative of External Audit Firm
6. Adjournment



**TOWN OF HOLDEN BEACH
AUDIT COMMITTEE
WEDNESDAY, JULY 26, 2023 – 10:30 A.M.**

The Audit Committee of the Town of Holden Beach met for a meeting on Wednesday, July 26, 2023 at 10:30 a.m. in the Town Hall Public Assembly. Present were Regular Members Mark Fleischhauer, Jeanine Richman and Jeff Tansill; Alternate Member Mike Felmlly; Town Manager David W. Hewett; Town Clerk Heather Finnell; and Budget & Fiscal Analyst Daniel McRainey. Regular Member Tony Chavonne was not able to attend the meeting.

Vice-Chair Richman called the meeting to order.

AGENDA APPROVAL

Motion by Member Tansill to approve the agenda; second by Member Fleischhauer; approved by unanimous vote.

APPROVAL OF MINUTES

Motion by Member Tansill to approve the prior minutes (February 13, 2023).

Motion by Member Fleischhauer to strike the raw score from the minutes; second by Member Tansill; approved by unanimous vote.

Motion by Member Fleischhauer that the minutes be approved as amended; second by Member Tansill; approved by unanimous vote.

PUBLIC COMMENT

No public was present.

DISCUSSION OF ONGOING FISCAL YEAR 2022 – 2023 AUDIT WITH EXTERNAL AUDIT FIRM REPRESENTATIVE

Elsa Watts from Martin Starnes provided an update on the audit process. For single audit purposes, there are two major programs they are auditing, the PARTF grant that was for the pier purchase and the Lockwood Folly Water Resources Grant. She went over the timeline and steps

for completion. They should be on track for the October 31st deadline. She would expect a good draft by mid to late September.

Ms. Watts provided information on the single audits that are being completed.

The PARTF grant for the pier was discussed.

CONFIRMATION OF AUDIT SCHEDULE AND DATES OF PRESENTATIONS TO THE AUDIT COMMITTEE AND BOARD OF COMMISSIONERS

Town Clerk Finnell will solicit availability for October.

OTHER BUSINESS

The Board would like to know if a commissioner will be assigned to the committee. Town Clerk Finnell will see if a member of the Board of Commissioners would like to add it to the agenda.

Ms. Watts said they are still in process on the audit. As they find recommendations, they will make them. She provided information on services they assist the Town with.

ADJOURNMENT

Motion to adjourn by Member Fleischhauer at 11:01 a.m.; second by Member Tansill; approved by unanimous vote.

**TOWN OF HOLDEN BEACH
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

TOWN OF HOLDEN BEACH, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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TOWN OF HOLDEN BEACH, NORTH CAROLINA

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TOWN OF HOLDEN BEACH, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Holden Beach, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Holden Beach's basic financial statements as listed in the table of contents.

In our opinion the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Holden Beach, North Carolina, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and BPART Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee Payroll be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Holden Beach's basic financial statements. The budgetary schedules and other schedules, as well as the accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023, on our consideration of the Town of Holden Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Holden Beach's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Holden Beach's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 11, 2023

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Management's Discussion and Analysis

As management of the Town of Holden Beach, we offer readers of the Town of Holden Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Holden Beach for the fiscal year ended June 30, 2023. 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

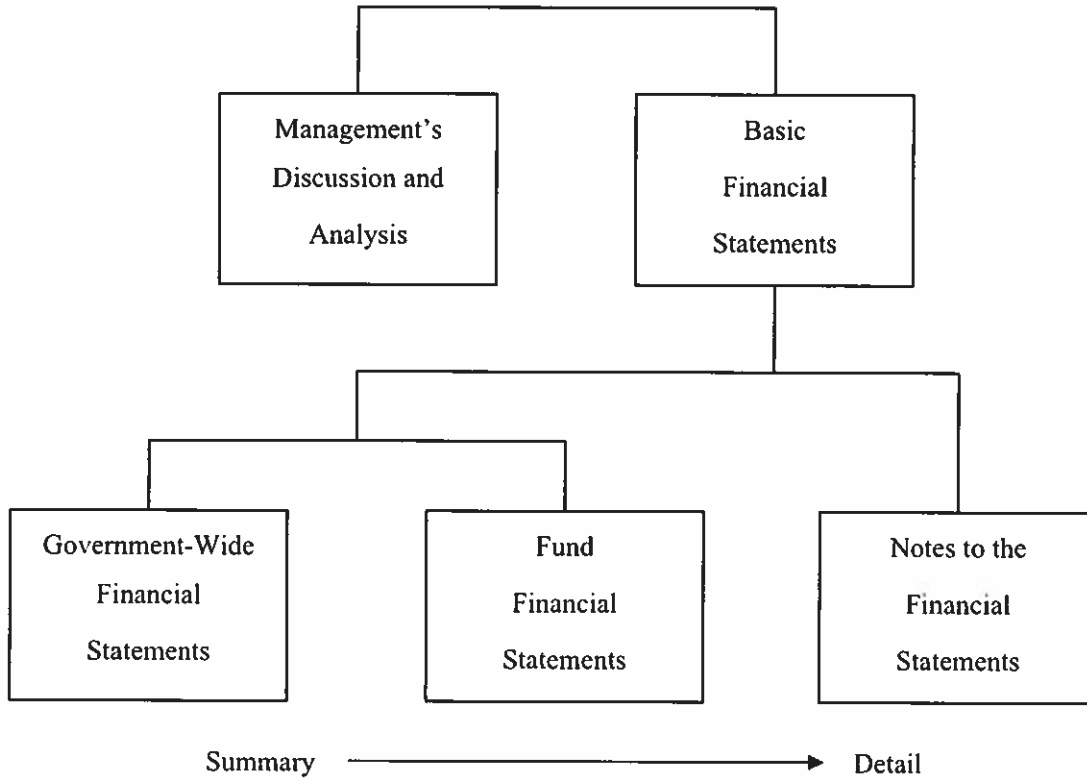
- The assets and deferred outflows of resources of the Town of Holden Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$37,534,036 (*net position*).
- The government's total net position increased by \$3,832,825, primarily due to an increase in the governmental activities of \$3,694,770 and increases in the business-type activities of \$138,055.
- As of the close of the current fiscal year, the Town of Holden Beach's governmental funds reported combined ending fund balances of \$15,006,628, a decrease of \$25,479,755 in comparison with the prior year. Of this amount, \$4,727,031 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 \$4,727,031, or 78%, of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of the Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Government-Wide Financial Analysis

Town of Holden Beach's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets and Deferred						
Outflows of Resources:						
Current and other assets	\$ 15,330,181	\$ 41,000,945	\$ 5,743,782	\$ 5,468,369	\$ 21,073,963	\$ 46,469,314
Capital assets	11,545,853	11,650,889	18,477,394	18,973,372	30,023,247	30,624,261
Deferred outflows of resources	727,535	563,039	81,835	54,212	809,370	617,251
Total assets and deferred outflows of resources	27,603,569	53,214,873	24,303,011	24,495,953	51,906,580	77,710,826
Liabilities and Deferred						
Inflows of Resources:						
Long-term liabilities	8,525,633	9,892,436	2,544,206	2,777,744	11,069,839	12,670,180
Other liabilities	2,303,000	29,981,433	347,131	337,070	2,650,131	30,318,503
Deferred inflows of resources	127,767	408,640	504,772	612,292	632,539	1,020,932
Total liabilities and deferred inflows of resources	10,956,400	40,282,509	3,396,109	3,727,106	14,352,509	44,009,615
Net Position:						
Net investment in capital assets	7,152,270	2,935,394	15,745,879	15,926,171	22,898,149	18,861,565
Restricted - Stabilization by SS	3,259,443	5,133,301	-	-	3,259,443	5,133,301
Beach renourishment/beach inlet	5,350,219	5,704,089	-	-	5,350,219	5,704,089
Unrestricted	865,202	(840,420)	5,161,023	4,842,676	6,026,225	4,002,256
Total net position	\$ 16,627,134	\$ 12,932,364	\$ 20,906,902	\$ 20,768,847	\$ 37,534,036	\$ 33,701,211

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 \$37,534,036 as of June 30, 2023. The Town's net position increased by \$3,832,825 for the fiscal year ended June 30, 2023. The largest portion of net position (61%) reflects the Town's net investment in capital assets (e.g., land, construction in progress, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Holden Beach

less any related debt still outstanding that was issued to acquire those items. The Town of Holden Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Holden Beach's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Holden Beach's net position, \$8,609,662 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,026,225 is unrestricted.

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

- Continued diligence in the collection of property taxes provided for a tax collection percentage of almost 100%.
- Cooling of local construction decreased building permit related revenues by 23% over prior year
- Large numbers of beach visitors occupying rental homes longer, extension of the "beach" season earlier in the calendar year and later into the fall, remote work and learning have all have contributed to occupancy tax revenues collections increasing to an all time high in excess of \$3.9 million.
- First full year of paid parking revenues exceeded \$500k.

Town of Holden Beach's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 947,332	\$ 633,211	\$ 2,396,293	\$ 2,417,303	\$ 3,343,625	\$ 3,050,514
Operating grants and contributions	942,418	43,799	-	-	942,418	43,799
Capital grants and contributions	583,898	23,067,018	1,495,831	1,270,322	2,079,729	24,337,340
General revenues:						
Property taxes	2,837,411	2,828,811	-	-	2,837,411	2,828,811
Other taxes	5,117,217	4,730,112	-	-	5,117,217	4,730,112
Other	805,337	230,355	227,190	70,794	1,032,527	301,149
Total revenues	<u>11,233,613</u>	<u>31,533,306</u>	<u>4,119,314</u>	<u>3,758,419</u>	<u>15,352,927</u>	<u>35,291,725</u>
Expenses:						
General government	1,273,426	953,850	-	-	1,273,426	953,850
Public safety	1,463,062	1,336,977	-	-	1,463,062	1,336,977
Transportation	645,867	6,375,034	-	-	645,867	6,375,034
Environmental protection	232,974	243,138	-	-	232,974	243,138
Beach nourishment	3,409,188	21,806,148	-	-	3,409,188	21,806,148
Interest on long-term debt	514,326	259,597	-	-	514,326	259,597
Water and sewer	-	-	3,981,259	3,741,163	3,981,259	3,741,163
Total expenses	<u>7,538,843</u>	<u>30,974,744</u>	<u>3,981,259</u>	<u>3,741,163</u>	<u>11,520,102</u>	<u>34,715,907</u>
Change in net position	3,694,770	558,562	138,055	17,256	3,832,825	575,818
Net Position:						
Beginning of year - July 1	<u>12,932,364</u>	<u>12,373,802</u>	<u>20,768,847</u>	<u>20,751,591</u>	<u>33,701,211</u>	<u>33,125,393</u>
End of year - June 30	<u>\$ 16,627,134</u>	<u>\$ 12,932,364</u>	<u>\$ 20,906,902</u>	<u>\$ 20,768,847</u>	<u>\$ 37,534,036</u>	<u>\$ 33,701,211</u>

Governmental Activities. Governmental activities increased the Town of Holden Beach's net position by \$3,694,770.

Business-Type Activities. Business-type activities increased the Town of Holden Beach's net position by \$138,055.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Holden Beach. At the end of the current fiscal year, available fund balance of the General Fund was \$5,158,971, while total fund balance was \$5,596,041. The governing body of the Town of Holden Beach has determined that the Town should maintain an available fund balance of 40% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 140% of General Fund expenditures, while total fund balance represents 151% of the same amount.

At June 30, 2023, the governmental funds of the Town of Holden Beach reported a combined fund balance of \$15,006,628 with a decrease in fund balance of \$25,479,755.

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 the fiscal year ending June 30, 2023 were due to necessary estimate adjustments once more exact information was available and 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 \$5,161,023. The total change in net position in the Water and Sewer Fund was an increase of \$138,055. 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, 2023 totals \$30,023,247 (net of accumulated depreciation and amortization). These assets include buildings, land, improvements, equipment, water capacity, and construction in progress.

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

- No major capital assets were acquired in FY 2023.

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and construction in progress	\$ 2,648,983	\$ 2,648,983	\$ 475,231	\$ 475,231	\$ 3,124,214	\$ 3,124,214
Buildings and distribution systems	3,125,632	3,213,852	17,318,549	17,840,962	20,444,181	21,054,814
Improvements and infrastructure	5,120,739	5,229,480	118,062	121,743	5,238,801	5,351,223
Machinery and equipment	189,148	127,280	473,016	458,247	662,164	585,527
Vehicles	384,995	431,294	90,483	77,189	475,478	508,483
Leased equipment	20,035	-	-	-	20,035	-
Subscriptions	56,321	-	2,053	-	58,374	-
Total	\$ 11,545,853	\$ 11,650,889	\$ 18,477,394	\$ 18,973,372	\$ 30,023,247	\$ 30,624,261

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

Long-Term Debt. As of June 30, 2023, the Town of Holden Beach had total debt of \$13,256,714 (excluding compensated absences). There was a net decrease in total debt of \$29,206,176. The key factor of this decrease was due to the retirement of a large portion of the special obligation bond associated with the FEMA storm damage repair project.

Town of Holden Beach's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Direct placement installment purchase	\$ 9,193,583	\$ 38,704,924	\$ -	\$ -	\$ 9,193,583	\$ 38,704,924
Direct Placement bond anticipation notes	-	-	2,731,515	3,047,201	2,731,515	3,047,201
Net pension liability (LGERS)	860,676	243,662	116,983	32,845	977,659	276,507
Net pension liability (LEO)	353,957	434,258	-	-	353,957	434,258
Compensated absences	109,208	93,473	25,217	20,638	134,425	114,111
Total	\$ 10,517,424	\$ 39,476,317	\$ 2,873,715	\$ 3,100,684	\$ 13,391,139	\$ 42,577,001

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Holden Beach is approximately \$101,630,982. There were no authorized bonds that had not been issued as of June 30, 2023.

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

Economic Factors and Next Year's Budgets and Rates

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

- Occupancy tax revenues continue to experience growth with collections experiencing an 8% increase over prior year. Holden Beach continues to be a destination for those seeking to escape the confines of larger cities with rental property tax revenue collections continuing to spread into the traditionally off-season months.
- Construction revenues on the island shrank by almost \$100k as the supply chain issues and increasing interest rates have driven the cost of construction up with a corresponding decrease in new home construction.
- Improvements to recently acquired properties- the Holden Beach Fishing Pier and Block Q - are programmed to be constructed during the upcoming fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities. The Town's ad valorem tax rate for the fiscal year ending June 30, 2024, equals 14 cents per one hundred dollars of valuation. Recruitment for human capital continues to be challenging for employers across America and is especially challenging at Holden Beach where many of the Town's positions are one deep. Vacancies continue for positions funded in previous years budgets for one Law Enforcement position and one position in Public Works in addition to a newly funded Parks and Recreation facilities maintenance technician in the FY24 budget.

Paid Parking Implementation – On 1 May 2022 the Town implemented paid parking for approximately six hundred spaces. The FY 2023 full year estimate for this new revenue stream was close to a quarter of a million dollars but actual revenues received doubled that projection. While FY23 parking revenues were accounted for in the General Fund and the BPART Fund due to statutory restrictions on the use of parking revenues; parking revenues are accounted for in the FY24 BPART Fund after receiving approval via local enabling legislation to use paid parking receipts for any public purpose.

Business-Type Activities. Water and Sewer revenues cumulatively grew 8% in FY 24 over FY 23 reflecting a full year of consumption at the pass through wholesale water rate increase implemented by Brunswick County in January of 2023. To the contrary water and sewer capacity fees mirrored the slowing construction pace at Holden Beach and cumulatively saw shortfalls of approximately 40% in transfers to capital reserve accounts when compared to original budgeted amounts. Having completed the second ("Lift Station #3 – 800 OBW") of three sewer lift station upfits in the spring of 2021 the Town opted due to an unfavorable bid climate to not finish its sewer lift station rehabilitation program with the completion of its third lift station rehabilitation undertaking ("Lift Station #2 - Greensboro") in Spring 2022. The Town intends to reengage on the project in the summer and fall of 2023 in hopes of a better bid climate with the amount of capital borrowed equaling approximately \$3 million but ultimately being dependent on the timing and ability of an EPA federal appropriation to augment existing and available funding that will accommodate the Town's desire to proceed with the lift station upfit expeditiously.

Requests for Information

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,632,813	\$ 749,762	\$ 7,382,575
Taxes receivable, net	69,336	-	69,336
Accounts receivable, net	1,508,284	272,187	1,780,471
Due from other governments	270,578	176,904	447,482
Inventories	-	283,821	283,821
Leases receivable	-	53,369	53,369
Deposit - interlocal agreement	1,303,160	-	1,303,160
Restricted cash	5,525,975	3,737,068	9,263,043
Total current assets	15,310,146	5,273,111	20,583,257
Non-current assets:			
Lease receivable, non-current	-	470,671	470,671
Capital assets:			
Subscription assets, net of amortization	56,321	2,053	58,374
Right to use assets, net of amortization	20,035	-	20,035
Land, non-depreciable improvements and construction in progress	2,648,983	475,231	3,124,214
Other capital assets, net of depreciation	8,820,514	18,000,110	26,820,624
Total capital assets	11,545,853	18,477,394	30,023,247
Total non-current assets	11,545,853	18,948,065	30,493,918
Total assets	26,855,999	24,221,176	51,077,175
Deferred Outflows of Resources:			
Pension deferrals	727,535	81,835	809,370
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	73,620	3,008	76,628
Due to other governments	139,170	-	139,170
Accrued interest	98,419	14,614	113,033
Current portion of compensated absences	27,302	6,304	33,606
Current portion of long-term liabilities	1,964,489	323,205	2,287,694
Total current liabilities	2,303,000	347,131	2,650,131

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Long-term liabilities:			
Compensated absences	81,906	18,913	100,819
Net pension liability	860,676	116,983	977,659
Total pension liability	353,957	-	353,957
Due in more than one year	<u>7,229,094</u>	<u>2,408,310</u>	<u>9,637,404</u>
Total long-term liabilities	<u>8,525,633</u>	<u>2,544,206</u>	<u>11,069,839</u>
Total liabilities	<u>10,828,633</u>	<u>2,891,337</u>	<u>13,719,970</u>
Deferred Inflows of Resources:			
Leases	-	503,877	503,877
Pension deferrals	<u>127,767</u>	<u>895</u>	<u>128,662</u>
Total deferred inflows of resources	<u>127,767</u>	<u>504,772</u>	<u>632,539</u>
Net Position:			
Net investment in capital assets	7,152,270	15,745,879	22,898,149
Restricted for:			
Stabilization by state statute	3,259,443	-	3,259,443
Beach renourishment/beach inlet	5,350,219	-	5,350,219
Unrestricted	<u>865,202</u>	<u>5,161,023</u>	<u>6,026,225</u>
Total net position	<u>\$ 16,627,134</u>	<u>\$ 20,906,902</u>	<u>\$ 37,534,036</u>

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

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TOWN OF HOLDEN BEACH, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,273,426	\$ 481,192	\$ 211,616	\$ -
Public safety	1,463,062	318,985	-	-
Transportation	645,867	1,380	44,262	-
Environmental protection	232,974	59,790	-	-
Beach renourishment	3,409,188	85,985	686,540	583,898
Interest on long-term debt	514,326	-	-	-
Total governmental activities	<u>7,538,843</u>	<u>947,332</u>	<u>942,418</u>	<u>583,898</u>
Business-Type Activities:				
Water and sewer	<u>3,981,259</u>	<u>2,396,293</u>	-	<u>1,495,831</u>
Total primary government	<u>\$ 11,520,102</u>	<u>\$ 3,343,625</u>	<u>\$ 942,418</u>	<u>\$ 2,079,729</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (580,618)	\$ -	\$ (580,618)
Public safety	(1,144,077)	-	(1,144,077)
Transportation	(600,225)	-	(600,225)
Environmental protection	(173,184)	-	(173,184)
Beach renourishment	(2,052,765)	-	(2,052,765)
Interest on long-term debt	(514,326)	-	(514,326)
Total governmental activities	<u>(5,065,195)</u>	<u>-</u>	<u>(5,065,195)</u>
Business-Type Activities:			
Water and sewer	-	(89,135)	(89,135)
Total primary government	<u>(5,065,195)</u>	<u>(89,135)</u>	<u>(5,154,330)</u>
General Revenues:			
Taxes:			
Property taxes, levied for general purpose	2,837,411	-	2,837,411
Sales and use tax	424,660	-	424,660
Other taxes	4,692,557	-	4,692,557
Unrestricted investment earnings	245,731	160,332	406,063
Miscellaneous	559,606	66,858	626,464
Total general revenues	<u>8,759,965</u>	<u>227,190</u>	<u>8,987,155</u>
Change in net position	3,694,770	138,055	3,832,825
Net Position:			
Beginning of year, July 1	<u>12,932,364</u>	<u>20,768,847</u>	<u>33,701,211</u>
End of year - June 30	<u>\$ 16,627,134</u>	<u>\$ 20,906,902</u>	<u>\$ 37,534,036</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	Major Funds						Total Governmental Funds
	Special Revenue Funds			Capital Project Funds			
	General Fund	BPART Tax Fund	American Rescue Plan Fund	Canal Dredging Fund	FEMA Capital Project Fund	Beach Renourishment & Inlet Management Capital Reserve Fund	
Assets:							
Cash and cash equivalents	\$ 5,196,005	\$ -	\$ -	\$ -	\$ -	\$ 1,436,808	\$ 6,632,813
Cash and cash equivalents, restricted	-	2,301,570	-	3,224,405	-	-	5,525,975
Taxes receivable, net	69,336	-	-	-	-	-	69,336
Accounts receivable, net	12,541	1,485,234	-	10,509	-	-	1,508,284
Deposit - interlocal government receivable	-	1,303,160	-	-	-	-	1,303,160
Due from other governments	236,599	33,582	-	345	52	-	270,578
Due from other funds	198,813	-	-	-	-	-	198,813
Total assets	\$ 5,713,294	\$ 5,123,546	\$ -	\$ 3,235,259	\$ 52	\$ 1,436,808	\$ 15,508,959
Liabilities, Deferred Inflows of Resources, and Fund Balances:							
Liabilities:							
Accounts payable and accrued liabilities	\$ 37,034	\$ 36,585	\$ -	\$ 1	\$ -	\$ -	\$ 73,620
Due to other governments	-	139,170	-	-	-	-	139,170
Due to other funds	-	-	-	-	198,813	-	198,813
Total liabilities	37,034	175,755	-	1	198,813	-	411,603
Deferred Inflows of Resources:							
Assessments receivable	10,883	-	-	10,509	-	-	21,392
Property taxes receivable	69,336	-	-	-	-	-	69,336
Total deferred inflows of resources	80,219	-	-	10,509	-	-	90,728
Fund Balances:							
Restricted:							
Stabilization by state statute	437,070	2,821,976	-	345	52	-	3,259,443
Beach renourishment/beach inlet	-	2,125,815	-	3,224,404	-	-	5,350,219
Committed:							
Beach renourishment/beach inlet	-	-	-	-	-	1,436,808	1,436,808
Assigned:							
Subsequent year's expenditures	431,940	-	-	-	-	-	431,940
Unassigned	4,727,031	-	-	-	(198,813)	-	4,528,218
Total fund balances	5,596,041	4,947,791	-	3,224,749	(198,761)	1,436,808	15,006,628
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,713,294	\$ 5,123,546	\$ -	\$ 3,235,259	\$ 52	\$ 1,436,808	\$ 15,508,959

The accompanying notes are an integral part of the financial statements

TOWN OF HOLDEN BEACH, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

		<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:		
Total fund balances, governmental funds		\$ 15,006,628
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Gross capital assets at historical cost	\$ 13,997,843	
Accumulated depreciation/amortization	<u>(2,528,346)</u>	11,469,497
Right to use leased assets and subscription assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
		76,356
Accrued interest payable		
		(98,419)
Deferred outflows of resources related to pensions are not reported in the funds.		
		727,535
Earned revenues considered deferred inflows of resources in fund statements		
		90,728
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).	(9,193,583)	
Compensated absences	(109,208)	
Net pension liability	(860,676)	
Total pension liability	<u>(353,957)</u>	(10,517,424)
Deferred inflows of resources related to pensions are not reported in the funds.		
		<u>(127,767)</u>
Net position of governmental activities		<u>\$ 16,627,134</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Major Funds						Total Governmental Funds
	Special Revenue Funds			Capital Project Funds			
	General Fund	BPART Tax Fund	American Rescue Plan Fund	Canal Dredging Fund	FEMA Capital Project Fund	Beach Renourishment & Inlet Management Capital Reserve Fund	
Revenues:							
Ad valorem taxes	\$ 2,835,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,835,291
Other taxes and licenses	525,092	3,963,288	-	336,706	-	-	4,825,086
Unrestricted intergovernmental	281,447	-	-	-	-	-	281,447
Restricted intergovernmental	44,262	803,984	211,616	-	583,898	-	1,643,760
Permits and fees	787,686	85,985	-	-	-	-	873,671
Sales and service	73,661	-	-	-	-	-	73,661
Investment earnings	53,589	137,945	-	32,650	-	21,547	245,731
Miscellaneous	20,821	545,619	-	-	-	-	566,440
Total revenues	4,621,849	5,536,821	211,616	369,356	583,898	21,547	11,345,087
Expenditures:							
Current:							
General government	1,191,105	-	-	-	-	-	1,191,105
Public safety	1,351,877	-	-	-	-	-	1,351,877
Beach renourishment	-	3,167,926	-	95,104	13,528	-	3,276,558
Transportation	626,115	100,947	-	-	-	-	727,062
Environmental protection	247,661	-	-	-	-	-	247,661
Debt service:							
Principal	241,335	1,724,405	-	-	27,628,909	-	29,594,649
Interest	38,886	238,410	-	-	244,343	-	521,639
Total expenditures	3,696,979	5,231,688	-	95,104	27,886,780	-	36,910,551
Revenues over (under) expenditures	924,870	305,133	211,616	274,252	(27,302,882)	21,547	(25,565,464)
Other Financing Sources (Uses):							
Transfers from General Fund	-	274,395	-	-	-	-	274,395
Transfer to BPART Tax Fund	(274,395)	-	-	-	-	(871,892)	(1,146,287)
Transfers to General Fund	-	-	(211,616)	(82,226)	-	-	(293,842)
Transfer from Canal Dredging Fund	82,226	-	-	-	-	-	82,226
Transfer from American Rescue Plan Fund	211,616	-	-	-	-	-	211,616
Transfer from Beach Renourishment Fund	-	871,892	-	-	-	-	871,892
Subscription liabilities issued	81,597	1,711	-	-	-	-	83,308
Sales of capital assets	2,401	-	-	-	-	-	2,401
Total other financing sources (uses)	103,445	1,147,998	(211,616)	(82,226)	-	(871,892)	85,709
Net change in fund balances	1,028,315	1,453,131	-	192,026	(27,302,882)	(850,345)	(25,479,755)
Fund Balances:							
Beginning of year - July 1	4,567,726	3,494,660	-	3,032,723	27,104,121	2,287,153	40,486,383
End of year - June 30	\$ 5,596,041	\$ 4,947,791	\$ -	\$ 3,224,749	\$ (198,761)	\$ 1,436,808	\$ 15,006,628

The accompanying notes are an integral part of the financial statements

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

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

Net change in fund balances - total governmental funds (Exhibit D)		\$	(25,479,755)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital outlay expenditures which were capitalized	\$	164,209	
Depreciation expense for governmental assets		<u>(370,842)</u>	(206,633)
Loss on disposal of capital assets			(9,235)
Right-to-use leased asset and subscription asset capital outlay expenditures which were capitalized			78,447
Amortization of right to use leased assets and subscription assets is not reported as an expenditure in the governmental funds statement.			5,011
Lease liability issued and subscriptions issued provides current financial resources to governmental funds			(83,308)
Pension expense - LGERS			(64,191)
Pension expense - LEOSSA			(27,153)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items			
Principal payments on long-term debt			29,594,649
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.			
Compensated absences		(15,735)	
Accrued interest		<u>7,313</u>	(8,422)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
Change in unavailable revenue for tax and assessment revenues			<u>(104,640)</u>
Change in net position in governmental activities per Exhibit B		\$	<u>3,694,770</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund			Variance with Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 2,822,950	\$ 2,822,950	\$ 2,835,291	\$ 12,341
Other taxes and licenses	262,887	385,387	525,092	139,705
Unrestricted intergovernmental	269,576	269,576	281,447	11,871
Restricted intergovernmental	43,500	43,500	44,262	762
Permits and fees	563,495	607,649	787,686	180,037
Sales and services	83,050	83,050	73,661	(9,389)
Investment earnings	20,000	20,000	53,589	33,589
Miscellaneous	21,750	21,750	20,821	(929)
Total revenues	<u>4,087,208</u>	<u>4,253,862</u>	<u>4,621,849</u>	<u>367,987</u>
Expenditures:				
Current:				
General government	1,071,705	1,214,154	1,191,105	23,049
Public safety	1,621,808	1,508,912	1,351,877	157,035
Transportation	903,057	1,414,363	626,115	788,248
Environmental protection	249,576	274,813	247,661	27,152
Beach renourishment	-	-	-	-
Debt service:				
Principal	200,000	241,335	241,335	-
Interest	37,794	41,249	38,886	2,363
Total expenditures	<u>4,083,940</u>	<u>4,694,826</u>	<u>3,696,979</u>	<u>997,847</u>
Revenues over (under) expenditures	<u>3,268</u>	<u>(440,964)</u>	<u>924,870</u>	<u>1,365,834</u>
Other Financing Sources (Uses):				
Transfers from other funds	82,226	293,842	293,842	-
Transfers to other funds	(274,395)	(274,395)	(274,395)	-
Subscriptions	-	-	81,597	81,597
Sale of capital assets	5,000	5,000	2,401	(2,599)
Appropriated fund balance	<u>183,901</u>	<u>416,517</u>	<u>-</u>	<u>(416,517)</u>
Total other financing sources (uses)	<u>(3,268)</u>	<u>440,964</u>	<u>103,445</u>	<u>(337,519)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,028,315</u>	<u>\$ 1,028,315</u>
Fund Balance:				
Beginning of year - July 1			<u>4,567,726</u>	
End of year - June 30			<u>\$ 5,596,041</u>	

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023**

	BPART Tax Fund			Variance with Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	3,726,696	3,560,212	3,963,288	403,076
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	854,223	803,984	(50,239)
Permits and fees	35,047	41,801	85,985	44,184
Sales and services	-	-	-	-
Investment earnings	5,010	5,010	137,945	132,935
Miscellaneous	22,060	128,310	545,619	417,309
Total revenues	<u>3,788,813</u>	<u>4,589,556</u>	<u>5,536,821</u>	<u>947,265</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	150,000	202,192	100,947	101,245
Environmental protection	-	-	-	-
Beach renourishment	2,824,286	3,758,546	3,167,926	590,620
Debt service:				
Principal	1,724,405	1,726,116	1,724,405	1,711
Interest	236,409	238,410	238,410	-
Total expenditures	<u>4,935,100</u>	<u>5,925,264</u>	<u>5,231,688</u>	<u>693,576</u>
Revenues over (under) expenditures	<u>(1,146,287)</u>	<u>(1,335,708)</u>	<u>305,133</u>	<u>1,640,841</u>
Other Financing Sources (Uses):				
Transfers from other funds	1,146,287	1,252,537	1,146,287	(106,250)
Transfers to other funds	-	-	-	-
Subscriptions	-	-	1,711	1,711
Sale of capital assets	-	-	-	-
Appropriated fund balance	-	83,171	-	(83,171)
Total other financing sources (uses)	<u>1,146,287</u>	<u>1,335,708</u>	<u>1,147,998</u>	<u>(187,710)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,453,131</u>	<u>\$ 1,453,131</u>
Fund Balance:				
Beginning of year - July 1			<u>3,494,660</u>	
End of year - June 30			<u>\$ 4,947,791</u>	

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023**

	Major Enterprise Fund
	<u>Water and Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 749,762
Accounts receivable - net	272,187
Due from other governments	176,904
Inventories	283,821
Lease receivable	53,369
Cash and cash equivalents, restricted	<u>3,737,068</u>
Total current assets	<u>5,273,111</u>
Non-current assets:	
Leases receivable, net of current portion	<u>470,671</u>
Capital assets:	
Land and construction in progress	475,231
Other capital assets, net of depreciation	18,000,110
Subscription assets, net of amortization	<u>2,053</u>
Total capital assets	<u>18,477,394</u>
Total non-current assets	<u>18,948,065</u>
Total assets	<u>24,221,176</u>
Deferred Outflows of Resources:	
Pension deferrals	<u>81,835</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	3,008
Accrued interest	14,614
Current portion of compensated absences	6,304
Current portion of long-term debt	<u>323,205</u>
Total current liabilities	<u>347,131</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023**

	Major Enterprise Fund
	<u>Water and Sewer Fund</u>
Non-current liabilities:	
Compensated absences	18,913
Net pension liability	116,983
Lease liability	
Non-current portion of long-term debt	<u>2,408,310</u>
Total non-current liabilities	<u>2,544,206</u>
 Total liabilities	 <u>2,891,337</u>
 Deferred Inflows of Resources:	
Pension deferrals	895
Leases	<u>503,877</u>
Total deferred inflows of resources	<u>504,772</u>
 Net Position:	
Net investment in capital assets	15,745,879
Unrestricted	<u>5,161,023</u>
 Total net position	 <u>\$ 20,906,902</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Major Enterprise Fund
	Water and Sewer Fund
Operating Revenues:	
Charges for services	\$ 2,268,460
Taps and connection fees	65,911
Other operating revenues	61,922
Total operating revenues	<u>2,396,293</u>
Operating Expenses:	
General operations	277,529
Water and sewer operations	1,889,429
Depreciation/amortization	633,325
Total operating expenses	<u>2,800,283</u>
Operating income (loss)	<u>(403,990)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	160,332
Lease revenue	59,758
Capital charges	1,495,831
County capital charges	(988,131)
Interest and other charges	(192,845)
Sale of capital assets	7,100
Total non-operating revenues (expenses)	<u>542,045</u>
Change in net position	138,055
Net Position:	
Beginning of year - July 1	<u>20,768,847</u>
End of year - June 30	<u>\$ 20,906,902</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Major Enterprise Fund <hr/> Water and Sewer Fund <hr/>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,348,467
Cash paid for goods and services	(1,898,524)
Cash paid to or on behalf of employees for services	(419,336)
Other operating revenues	52,996
Net cash provided by (used) operating activities	<u>83,603</u>
Cash Flows from Non-Capital Financing Activities:	
Capital charges paid	(988,131)
Capital charges received from customers	<u>1,495,831</u>
Net cash provided (used) by non-capital financing activities	<u>507,700</u>
Cash Flows from Capital and Related Financing Activities:	
Principal paid on bonds/loans	(315,686)
Interest paid on bonds/loans	(189,412)
Lease revenue	59,758
Acquisition and construction of capital assets	<u>(137,347)</u>
Net cash provided (used) by capital and related financing activities	<u>(582,687)</u>
Cash Flows from Investing Activities:	
Proceeds from sale of capital assets	7,100
Investment earnings	<u>160,332</u>
Net cash provided (used) by investing activities	<u>167,432</u>
Net increase (decrease) in cash and cash equivalents	176,048
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>4,310,782</u>
End of year - June 30	<u>\$ 4,486,830</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Major Enterprise Fund
	Water and Sewer Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (403,990)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	633,325
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	14,096
Decrease (increase) in leases receivable	50,831
Decrease (increase) in due from other governments	(30,821)
Increase (decrease) in net pension liability	84,138
Increase (decrease) in accounts payable and accrued liabilities	59
Increase (decrease) in inventories	(133,471)
Increase (decrease) in accrued vacation	4,579
Increase (decrease) in deferred inflows of resources for leases	(59,757)
(Increase) decrease in deferred outflows of resources for pensions	(27,623)
Increase (decrease) in deferred inflows of resources for pensions	(47,763)
Total adjustments	<u>487,593</u>
Net cash provided (used) by operating activities	<u>\$ 83,603</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements. The fund financial statements provide information about the Town’s funds, including the fiduciary fund. Separate statements for each fund category – governmental, and proprietary – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Town reports the following major governmental funds:

Governmental Funds

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

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

American Rescue Plan Fund. This special revenue fund is used to account for the Town's portion of the American Rescue Plan Act funding.

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

FEMA Capital Project Fund. This capital project fund is used to account for various FEMA projects.

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide and proprietary funds are reported using the economic resources measurement focus. The 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. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

D. Budgetary Data

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

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

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

Deposits and Investments

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

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

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

The North Carolina Capital Management Trust (NCCMT) which consists of two SEC-registered funds, is authorized by G.S. 159-30(c)(8). The Government Portfolio is a SEC registered (2a-7) money market mutual fund which invests in treasuries and government agencies and is rated AAAM by S&P and AAA-mf by Moody Investor Services. The Government Portfolio is reported at fair value.

Cash and Cash Equivalents

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Restricted Assets

Cash and investments are restricted in the BPART Tax Fund and Canal Dredging Fund for beach renourishment because their use is completely restricted to the purpose for which they were levied and in the Enterprise Fund for the sewer capital fees.

	<u>Amount</u>
Governmental Activities:	
BPART Tax Fund:	
Beach renourishment	\$ 2,301,570
Canal Dredging Fund:	
Canal dredging	<u>3,224,405</u>
Total governmental activities	<u>\$ 5,525,975</u>
Business-Type Activities:	
Water and Sewer Fund:	
Sewer capital fees	<u>\$ 3,737,068</u>
Total business-type activities	<u>\$ 3,737,068</u>

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022.

Allowance for Doubtful Accounts

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

Inventory

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

Leases Receivable

The Town's leases receivable are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Capital Assets

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

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

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

Right to Use Assets

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Subscription Assets

The Town has recorded the right-to-use subscription assets related to subscriptions-based information technology arrangements (SBITAs) as a result of implementing GASB 96. The right to use subscription assets are initially measured at an amount equal to the initial measurement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The right-to-use subscription assets are amortized on a straight-line basis over the life of the related SBITA.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Deferred Outflows/Inflows of Resources

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

Long-Term Obligations

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

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

Compensated Absences

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Beach Renourishment/Inlet – portion of fund balance that is restricted by laws and grantors for beach renourishment and inlet management projects.

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

Assigned for Subsequent Year's Expenditures – portion of fund balance that has been appropriated by the Board for subsequent year's expenditures.

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

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

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

F. Defined Benefit Cost Sharing Plans

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

G. Revenues, Expenditures, and Expenses

Use of Estimates

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

2. Detail Notes on All Funds

A. Assets

Deposits

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

At June 30, 2023, the Town's deposits had a carrying amount of \$13,139,516 and a bank balance of \$13,749,359. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by the collateral held under the Pooling Method. At June 30, 2023, the Town's petty cash totaled \$100.

Investments

As of June 30, 2023, the Town has the following investments and maturities:

<u>Investment Type</u>	<u>Valuation</u>			
	<u>Measurement Method</u>	<u>Book Value at 6/30/23</u>	<u>Less than 6 months</u>	<u>1-3 Years</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$ 3,506,002</u>	<u>\$ 3,506,002</u>	<u>\$ -</u>

Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAM rating from S&P and AAA-mf by Moody's Investor Service.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

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

Credit Risk. The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's and AAA-mf by Moody's Investors Service as of June 30, 2023.

Receivables

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023, are net of the following allowances for doubtful accounts:

	Taxes	Accounts	Due from Other Governments	Total
Governmental Activities:				
General Fund	\$ 74,039	\$ 14,904	\$ 236,599	\$ 325,542
BPART Tax Fund	-	1,485,234	33,582	1,518,816
FEMA Capital Project Fund	-	-	52	52
Canal Dredging Fund	-	10,509	345	10,854
Allowance for doubtful accounts	(4,703)	(2,363)	-	(7,066)
Total governmental activities	\$ 69,336	\$ 1,508,284	\$ 270,578	\$ 1,848,198
Business-Type Activities:				
Water and Sewer Fund:				
Total receivables	\$ -	\$ 274,176	\$ 176,904	\$ 451,080
Allowance for doubtful accounts	-	(1,989)	-	(1,989)
Total business-type activities	\$ -	\$ 272,187	\$ 176,904	\$ 449,091

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Local option sales tax	\$	95,877
Sales tax		305,858
Franchise tax		41,872
Other governments		<u>3,875</u>
Total	\$	<u>447,482</u>

Leases Receivable

The Town entered into a 161-month lease which commenced on July 1, 2021 as lessor for the use of property for Brunswick Avenue. An initial lease receivable was recorded in the amount of \$468,882. At June 30, 2023, the value of the lease receivable was \$415,618. The lessee is required to make monthly fixed payments of \$2,888. The lease has an interest rate of 1.9660%. The infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was \$398,987, and the Town recognized lease revenue of \$34,948 during the fiscal year. The lessee has two extension options, each for 60 months.

The Town entered into a 74-month lease which commenced on July 1, 2021 as lessor for the use of property for 120 Rothschild Street. An initial lease receivable was recorded in the amount of \$154,510. At June 30, 2023, the value of the lease receivable was \$108,422. The lessee is required to make monthly fixed payments of \$1,985. The lease has an interest rate of 1.3350%. The land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was \$104,891, and the Town recognized lease revenue of \$24,810 during the fiscal year. The lessee has one 60-month extension option.

Year Ending June 30	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 53,369	\$ 9,214	\$ 62,583
2025	55,367	8,305	63,672
2026	57,436	7,359	64,795
2027	59,578	6,373	65,951
2028	42,015	5,435	47,450
2029-2033	196,766	15,864	212,630
2034-2036	59,509	881	60,390
Total	<u>\$ 524,040</u>	<u>\$ 53,431</u>	<u>\$ 577,471</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Capital Assets

Governmental Capital Assets

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

	<u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 2,648,983	\$ -	\$ -	\$ 2,648,983
Depreciable Assets:				
Buildings and structures	4,410,987	-	-	4,410,987
Other improvements and infrastructure	5,437,099	-	-	5,437,099
Equipment	428,264	88,800	19,561	497,503
Vehicles	1,010,005	75,409	82,143	1,003,271
Leased equipment	32,385	-	5,011	27,374
Subscriptions	-	83,458	-	83,458
Total depreciable assets	<u>11,318,740</u>	<u>247,667</u>	<u>106,715</u>	<u>11,459,692</u>
Less Accumulated Depreciation/Amortization:				
Buildings and structures	1,197,135	88,220	-	1,285,355
Other improvements and infrastructure	207,619	108,741	-	316,360
Equipment	300,984	22,708	15,337	308,355
Vehicles	578,711	121,708	82,143	618,276
Leased equipment	5,011	2,328	-	7,339
Subscriptions	-	27,137	-	27,137
Total accumulated depreciation/amortization	<u>2,289,460</u>	<u>\$ 370,842</u>	<u>\$ 97,480</u>	<u>2,562,822</u>
Governmental activities capital assets, net	<u>\$ 11,678,263</u>			<u>\$ 11,545,853</u>

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

General government	\$ 143,400
Public safety	78,614
Transportation	3,608
Beach renourishment & recreational	123,039
Environmental protection	22,181
Total	<u>\$ 370,842</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2023, are as follows:

	<u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>
Water and Sewer Fund:				
Non-Depreciable Assets:				
Land	\$ 475,231	\$ -	\$ -	\$ 475,231
Total non-depreciable assets	<u>475,231</u>	<u>-</u>	<u>-</u>	<u>475,231</u>
Depreciable Assets:				
Plant and distribution systems	26,120,667	-	-	26,120,667
Infrastructure	184,026	-	-	184,026
Furniture and maintenance equipment	856,246	92,624	-	948,870
Vehicles	217,379	39,591	45,887	211,083
Subscriptions	-	5,132	-	5,132
Total depreciable capital assets	<u>27,378,318</u>	<u>137,347</u>	<u>45,887</u>	<u>27,469,778</u>
Less Accumulated				
Depreciation/Amortization:				
Plant and distribution systems	8,279,705	522,413	-	8,802,118
Infrastructure	62,283	3,681	-	65,964
Furniture and maintenance equipment	397,999	77,855	-	475,854
Vehicles	140,190	26,297	45,887	120,600
Subscriptions	-	3,079	-	3,079
Total accumulated depreciation/amortization	<u>8,880,177</u>	<u>\$ 633,325</u>	<u>\$ 45,887</u>	<u>9,467,615</u>
Capital assets, net	<u>\$ 18,973,372</u>			<u>\$ 18,477,394</u>

B. Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2023:

	<u>Vendors</u>	<u>Interest</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities	<u>\$ 53,605</u>	<u>\$ 98,419</u>	<u>\$ 20,015</u>	<u>\$ 172,039</u>
Business-Type Activities:				
Water and Sewer Fund	<u>\$ -</u>	<u>\$ 14,614</u>	<u>\$ 3,008</u>	<u>\$ 17,622</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Holden Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, was 13.04% of compensation for law enforcement officers and 12.10% 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 \$204,996 for the year ended June 30, 2023.

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, 2023, the Town reported a liability of \$977,659 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2022 (measurement date), the Town's proportion was 0.01733%, which was an decrease of 0.00070% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$277,939. At June 30, 2023, 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	\$ 42,122	\$ 4,130
Changes of assumptions	97,548	-
Net difference between projected and actual earnings on pension plan investments	323,127	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,362	3,459
Contributions subsequent to the measurement date	204,996	-
Total	\$ 684,155	\$ 7,589

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

\$204,996 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2024	\$ 149,448
2025	130,650
2026	37,532
2027	153,940
2028	-
Thereafter	-
Total	<u>\$ 471,570</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increase	3.25 percent to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021 actuarial valuation were based on the results of an actuarial experience study, prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic fixed income	7.0%	5.0%
Inflation sensitive	6.0%	2.7%
Total	100.0%	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those 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 benefits payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.50%, 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 1,764,549	\$ 977,659	\$ 329,216

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Law Enforcement Officers' Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>8</u>
Total	<u><u>9</u></u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employee's Retirement System for the five-year period ending December 31, 2019.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-Median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$13,335 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, 2023, the Town reported a total pension liability of \$353,957. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$40,488.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,018	\$ 33,779
Changes of assumptions and other inputs	81,529	87,294
Town benefit payments and plan administrative expense made subsequent to the measurement date	6,668	-
Total	\$ 125,215	\$ 121,073

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

\$6,668 paid as benefits came due and administrative expenses incurred subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	\$ 8,461
2025	8,227
2026	5,222
2027	5,222
2028	(16,342)
Thereafter	<u>(13,316)</u>
Total	<u>\$ (2,526)</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 4.31 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.31 percent) or 1-percentage point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	<u>\$ 393,424</u>	<u>\$ 353,957</u>	<u>\$ 318,253</u>

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

	2023
Beginning balance	\$ 434,258
Service cost	19,955
Interest on the total pension liability	9,621
Differences between expected and actual experience in the measurement of the total pension liability	(10,896)
Changes of assumptions or other inputs	(85,646)
Benefit payments	<u>(13,335)</u>
Ending balance of the total pension liability	<u>\$ 353,957</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 277,939	\$ 40,488	\$ 318,427
Pension liability	977,659	353,957	1,331,616
Proportionate share of the net pension liability	0.01733%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 42,122	\$ 37,018	\$ 79,140
Changes of assumptions	97,548	81,529	179,077
Net difference between projected and actual earnings on plan investments	323,127	-	323,127
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,362	-	16,362
Benefit payments and administrative costs paid subsequent to the measurement date	204,996	6,668	211,664
Total deferred outflows of resources	\$ 684,155	\$ 125,215	\$ 809,370

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ 4,130	\$ 33,779	\$ 37,909
Changes of assumptions	-	87,294	87,294
proportionate share of contributions	3,459	-	3,459
Total deferred inflows of resources	\$ 7,589	\$ 121,073	\$ 128,662

Supplemental Retirement Income Plan for Law Enforcement Officers

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

(ACFR) for the state of North Carolina. The state's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent (5%) of each officer's salary, and all amounts are vested immediately. Law enforcement officers may also make voluntary contributions to the Plan. Contributions for the year ended June 30, 2023 were \$33,138, which consisted of \$25,253 from the Town and \$7,885 from the law enforcement officers. No amounts were forfeited.

Other Employment Benefits

Death Benefit Plan

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

Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Pension deferrals - LGERS	\$ 684,155
Pension deferrals - LEOSSA	125,215
Total	<u>\$ 809,370</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

Source	General Fund Balance Sheet	Statement of Net Position
Pension deferrals - LGERS	\$ -	\$ 7,589
Pension deferrals - LEOSSA	-	121,073
Leases	-	503,877
Assessments receivable	21,392	-
Property taxes receivable	69,336	-
Total	<u>\$ 90,728</u>	<u>\$ 632,539</u>

Risk Management

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

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

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

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 is bonded \$1,000,000 and the Tax Collector is bonded \$50,000 through a commercial surety bond. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Claims, Judgments, and Contingent Liabilities

At June 30, 2023, the Town was not involved in any civil or legal actions which in the opinion of the Town's management and the Town's attorney would have an adverse or material effect on the Town's financial position.

Long-Term Obligations

Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On 07/01/2021, Holden Beach, NC entered into a 46-month lease as Lessee for the use of Xerox Copier - Town. An initial lease liability was recorded in the amount of \$14,162. As of 06/30/2023, the value of the lease liability is \$6,836. Holden Beach is required to make monthly fixed payments of \$314. The lease has an interest rate of 1.0110%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$14,162 with accumulated amortization of \$7,389.

On 02/21/2022, Holden Beach, NC entered into a 60-month lease as Lessee for the use of PB - Tax Postage Meter. An initial lease liability was recorded in the amount of \$18,223. As of 06/30/2023, the value of the lease liability is \$12,876. Holden Beach is required to make quarterly fixed payments of \$953. The lease has an interest rate of 1.9120%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 is \$18,223 with accumulated amortization of \$4,961.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 7,305	\$ 272	\$ 7,577
2025	6,784	166	6,950
2026	3,731	81	3,812
2027	1,892	14	1,906
Total	\$ 19,712	\$ 533	\$ 20,245

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Subscriptions

The Town has entered into subscription-based information technology arrangements (SBITAs). The SBITAs qualify as other than short-term SBITAs under GASB 96 and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

On 12/09/2022, the Town of Holden Beach entered into a 24-month subscription for the use of Focus Voip Door Security. An initial subscription liability was recorded in the amount of \$8,208. As of 06/30/2023, the value of the subscription liability is \$5,854. The Town of Holden Beach is required to make monthly fixed payments of \$353. The subscription has an interest rate of 3.3470%. The value of the right to use asset as of 06/30/2023 is \$8,208 with accumulated amortization of \$2,303.

On 07/01/2022, the Town of Holden Beach entered into a 32-month subscription for the use of ATMC WiFi. An initial subscription liability was recorded in the amount of \$7,036. As of 06/30/2023, the value of the subscription liability is \$4,521. The Town of Holden Beach is required to make monthly fixed payments of \$220. The subscription has an interest rate of 2.3540%. The value of the right to use asset as of 06/30/2023 is \$7,186 with accumulated amortization of \$2,692.

On 07/01/2022, the Town of Holden Beach entered into a 20-month subscription for the use of GGE Microsoft 365. An initial subscription liability was recorded in the amount of \$32,630. As of 06/30/2023, the value of the subscription liability is \$13,171. The Town of Holden Beach is required to make monthly fixed payments of \$4,636. The subscription has an interest rate of 2.1940%. The value of the right to use asset as of 06/30/2023 is \$32,631 with accumulated amortization of \$19,578.

On 07/01/2022, the Town of Holden Beach entered into a 21-month subscription for the use of Focus Voip Handset. An initial subscription liability was recorded in the amount of \$5,760. As of 06/30/2023, the value of the subscription liability is \$2,642. The Town of Holden Beach is required to make monthly fixed payments of \$267. The subscription has an interest rate of 2.1940%. The value of the right to use asset as of 06/30/2023 is \$5,760 with accumulated amortization of \$3,161.

On 04/14/2023, the Town of Holden Beach entered into a 36-month subscription for the use of DebtBook Platform. An initial subscription liability was recorded in the amount of \$34,805. As of 06/30/2023, the value of the subscription liability is \$25,055. The Town of Holden Beach is required to make annual fixed payments of \$9,750. The subscription has an interest rate of 2.5030%. The value of the right to use asset as of 06/30/2023 is \$34,805 with accumulated amortization of \$2,482.

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 32,779	\$ 958	\$ 33,737	\$ 2,071	\$ 17	\$ 2,088
2025	16,393	351	16,744	-	-	-
Total	\$ 49,172	\$ 1,309	\$ 50,481	\$ 2,071	\$ 17	\$ 2,088

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Installment Notes Payable

Governmental Activities:

3.81% direct placement note, payable in annual installments of \$200,000, plus interest; final payment due March 2027; secured by real estate	\$ 791,954
3.18% direct placement note, payable in annual installments of \$191,072, including interest; final payment due September 2037; secured by real estate	2,866,078
3.18% direct placement note, payable in annual installments of \$333,333, plus interest; final payment due March 2025; secured by real estate	666,667
2.18% direct placement note, payable in annual installments of \$1,200,000, plus interest; final payment due October 2026; secured by pledged sources	<u>4,800,000</u>
Total governmental activities notes payable	<u>\$ 9,124,699</u>

Business-Type Activities:

Water and Sewer Fund:

2.420% direct placement note, payable in annual installments of \$93,335 including interest; final payment due July 2024; secured by real estate	\$ 180,106
2.100% direct placement note, payable in annual installments of \$64,770, plus interest; final payment due January 2026; secured by pledged sources	151,427
1.920% direct placement note, payable in annual installments of \$119,245, plus interest; final payment due October 2036; secured by real estate	1,669,433
2.290% direct placement note, payable in annual installments of \$54,034, plus interest; final payment due October 2036; secured by real estate	<u>728,478</u>
Total business-type activities notes payable	<u>\$ 2,729,444</u>

The Town's outstanding note from direct placements related to governmental activities of \$791,954 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Town's outstanding note from direct placements related to governmental activities of \$2,866,078 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

The Town's outstanding note from direct placements related to governmental activities of \$666,667 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

The Town's outstanding note from direct placements related to governmental activities of \$4,800,000 is secured by pledged sources. Upon default, interest shall accrue at the default rate specified in the debt agreement and principal of and interest on this note shall be payable in immediately available funds.

The Town's outstanding note from direct placements related to business-type activities of \$180,106 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

The Town's outstanding note from direct placements related to business-type activities of \$151,427 is secured by pledged sources. Upon default, interest shall accrue at the default rate specified in the debt agreement and principal of and interest on this note shall be payable in immediately available funds.

The Town's outstanding note from direct placements related to business-type activities of \$1,669,433 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

The Town's outstanding note from direct placements related to business-type activities of \$728,478 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

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

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 1,924,405	\$ 231,037	\$ 2,155,442	\$ 321,134	\$ 54,532	\$ 375,666
2025	1,924,406	180,581	2,104,987	352,934	47,920	400,854
2026	1,591,072	130,125	1,721,197	171,279	37,033	208,312
2027	1,583,026	90,268	1,673,294	171,279	36,552	207,831
2028	191,072	63,798	254,870	171,279	33,071	204,350
Thereafter	1,910,718	303,801	2,214,519	1,541,539	123,816	1,665,355
Total	<u>\$ 9,124,699</u>	<u>\$ 999,610</u>	<u>\$ 10,124,309</u>	<u>\$ 2,729,444</u>	<u>\$ 332,924</u>	<u>\$ 3,062,368</u>

At June 30, 2023, the Town had a legal debt margin of approximately \$101,630,982. There were no authorized bonds that had not been issued as of June 30, 2023.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

	<u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Direct placement notes payable	\$ 38,678,013	\$ -	\$(29,553,314)	\$ 9,124,699	\$ 1,924,405
Lease liabilities	26,911	-	(7,199)	19,712	7,305
Subscription liabilities	-	83,308	(34,136)	49,172	32,779
Net pension liability (LGERS)	243,662	617,014	-	860,676	-
Total pension liability (LEOSSA)	434,258	-	(80,301)	353,957	-
Compensated absences	<u>93,473</u>	<u>61,582</u>	<u>(45,847)</u>	<u>109,208</u>	<u>27,302</u>
Governmental activities long-term liabilities	<u>\$ 39,476,317</u>	<u>\$ 761,904</u>	<u>\$(29,720,797)</u>	<u>\$ 10,517,424</u>	<u>\$ 1,991,791</u>
Business-Type Activities:					
Water and Sewer Fund:					
Direct placement notes payable	\$ 3,047,201	\$ -	\$(317,757)	\$ 2,729,444	\$ 321,134
Subscription liabilities	-	5,131	(3,060)	2,071	2,071
Net pension liability (LGERS)	32,845	84,138	-	116,983	-
Compensated absences	<u>20,638</u>	<u>34,212</u>	<u>(29,633)</u>	<u>25,217</u>	<u>6,304</u>
Business-type long-term liabilities	<u>\$ 3,100,684</u>	<u>\$ 123,481</u>	<u>\$(350,450)</u>	<u>\$ 2,873,715</u>	<u>\$ 329,509</u>

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

Interfund Balances and Activity

Due to/Due From Other Funds

Due to/from other funds as of June 30, 2023 consist of the following:

Due from FEMA Capital Project Fund to General Fund for a cash advance of grants receivable	<u>\$198,813</u>
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TOWN OF HOLDEN BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Transfers to/from Other Funds

Transfers to/from other funds for the year ended June 30, 2023 consist of the following:

Transfer to GF from ARP Fund for revenue replacement	\$	211,616
Transfer to the GF to provide support from the Canal Dredging Fund- Holden Beach Harbor, Heritage Harbor, and Harbor Acres		82,226
Transfer from GF to BPART for future renourishment projects		274,395
From Beach Renourishment & Inlet Management Capital Reserve Fund to BPART Fund in order to provide partial funding for Lockwood Folly Inlet Crossing Navigation Maintenance Dredge		871,892

Net Investment in Capital Assets

	Governmental Activities	Business-Type Activities
Capital assets	\$ 11,545,853	\$ 18,477,394
Less: Long-term debt	(9,193,583)	(2,731,515)
(Debt not related to capital assets)	4,800,000	-
Net investment in capital assets	<u>\$ 7,152,270</u>	<u>\$ 15,745,879</u>

Fund Balance

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

Total fund balance - General Fund	\$	5,596,041
Less:		
Stabilization by state statute		437,070
Appropriated fund balance in 2024 budget		431,940
Remaining fund balance	\$	4,727,031

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

3. Jointly Governed Organization

The Town, in conjunction with other local governments, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing boards. The Town paid memberships fees of \$467 to the Council during the fiscal year ended June 30, 2023.

4. Contracted Service Agreement

The Town is party to 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 capital and operating costs of the project. The Town is responsible for assisting in paying for a portion of the operation and maintenance of the system based on its consumption, and the Town also has to pay its pro rata share of the financing of capital costs the County incurred for construction. The total amounts that the Town is responsible for are approximately 22.43% of the County's 2004A Revenue Bond of \$31,540,000, 33.33% of the County's 2005 Revolving Loan of \$10,000,000. The Town also has to pay the same percentages of the interest on these debts. The notes payable amount to Brunswick County in the year ending 30 June 2023 was \$4,884,304. The subsequent years' payment will decrease gradually over the 25-year life span of the debt with final payout in 2029. The Town levies a capital charge authorized by special legislation to residents in order to fund the payments.

5. Interlocal Agreement with Brunswick County

The Town entered into an interlocal agreement with Brunswick County to assist in financing a beach renourishment project; aka "Central Reach Project". The Town borrowed \$12,000,000 to finance the project. Per the agreement, the Town was required to deposit with the County for the largest debt service payment required over the subsequent 10 years of the loan. In each fiscal year that the special obligation bonds are outstanding, the County will include in its budget and agrees to appropriate the total amount of debt service due in each fiscal year. On each date that debt service is due on the special obligation bonds, the County agrees to pay the Town the amount of debt service due on the special obligation bonds. The Town expects to make the payment of debt service due on special obligations binds from its other available funds and, to the extent that it does, the County will not be required to make any payment to the Town of such date. The County is only required to make its payment on or after any date the payment of debt service on the special obligation bonds is due if the Town has not made a payment. The Town remitted \$1,461,600 to the County on October 20, 2016, and this payment is reflected on the general ledger as a Deposit – Brunswick County Interlocal Agreement. At the end of each fiscal year, the County will remit back to the Town any amount in its Reserve Fund in excess of the remaining maximum annual debt service on the special obligation bonds. The balance of the deposit was \$1,303,160 at June 30, 2023.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

6. Implementation of GASB 96

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

7. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

8. Significant Effects of Subsequent Events

On August 17, 2021, the Town of Holden Beach's Board approved authorizing the negotiation of an installment financing contract in the amount of \$8,500,000 to finance utilities projects and the acquisition of pier property. The upfit of Lift Station 2 (Greensboro St) was not executed but the repayment of \$2.56 million in costs incurred for the upfit of Lift Station 3 (800 block) was installment financed in addition to the Pier properties being acquired with the issuance of installment financing debt in the amount of \$3.057 million. It is anticipated that the Town will reengage with the upfit of Lift Station 2 Greensboro in the fall of 2023 with an estimated two million dollar plus borrowing. Pier repairs estimated at \$1 million dollars are programmed for the winter of 23/24.

The Town acquired additional real estate "Block Q properties" during the fiscal year ending 30 June 2022. Purchase price was \$2 million with \$1 million down and the residual owner financed for three years at 3.84%. Town has programmed Block Q parking improvements for construction during the winter of 23/24.

The Town has provided matching funds in the amount of \$723,393 to the NCDOT for construction of bike lanes along Ocean Boulevard coincidental with its resurfacing during the winter of 2023. Final costs of the project and hence the Town's obligation to provide additional funding remain unknown at this time.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

9. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, The American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$211,616 of fiscal recovery funds to be paid in two equal installments. The first installment of \$105,808 was received in July 2021. The second installment was received in July 2022. ARPA funds were used on stormwater management projects completed by the end of June 2023.

10. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance of Individual Funds

At year-end the Town reported a deficit fund balance in the following fund:

FEMA Capital Project Fund	<u>\$198,761</u>
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Corrective Action Plan. The deficit fund balance is due partially to a timing issue as well as some expenses that ended up not qualifying for reimbursement. The Town will do a fund transfer to cover the difference in money not reimbursed through CAT Z after the final reimbursement is received.

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TOWN OF HOLDEN BEACH, NORTH CAROLINA

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

	Local Governmental Employees' Retirement System				
	2023	2022	2021	2020	2019
Holden Beach's proportion of the net pension liability (asset) (%)	0.01733%	0.01803%	0.01762%	0.01764%	0.02020%
Holden Beach's proportion of the net pension liability (asset) (\$)	\$ 977,659	\$ 276,507	\$ 629,638	\$ 481,735	\$ 479,213
Holden Beach's covered payroll*	\$ 1,459,798	\$ 1,424,752	\$ 1,268,586	\$ 1,293,634	\$ 1,278,751
Holden Beach's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	66.97%	19.41%	49.63%	37.24%	37.04%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

* 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 PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS ***

	Local Governmental Employees' Retirement System				
	2018	2017	2016	2015	2014
Holden Beach's proportion of the net pension liability (asset) (%)	0.02220%	0.02150%	0.02241%	0.02219%	0.02290%
Holden Beach's proportion of the net pension liability (asset) (\$)	\$ 339,155	\$ 456,302	\$ 100,575	\$ (130,865)	\$ 276,033
Holden Beach's covered payroll*	\$ 1,310,048	\$ 1,244,202	\$ 1,169,403	\$ 1,122,226	\$ 1,113,573
Holden Beach's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	26.52%	34.83%	8.08%	(11.19%)	24.60%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	98.79%	102.64%

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**TOWN OF HOLDEN BEACH'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

Local Governmental Employees' Retirement System					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 204,996	\$ 172,232	\$ 147,789	\$ 116,711	\$ 103,877
Contributions in relation to the contractually required contribution	<u>204,996</u>	<u>172,232</u>	<u>147,789</u>	<u>116,711</u>	<u>103,877</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Holden Beach's covered payroll	\$ 1,654,484	\$ 1,459,798	\$ 1,424,752	\$ 1,268,586	\$ 1,293,634
Contributions as a percentage of covered payroll	12.39%	11.80%	10.37%	9.20%	8.03%

TOWN OF HOLDEN BEACH, NORTH CAROLINA

TOWN OF HOLDEN BEACH'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS

Law Enforcement Officers' Special Separation Allowance				
	2023	2022	2021	2020
Beginning balance	\$ 434,258	\$ 457,185	\$ 268,329	\$ 216,140
Service cost	19,955	22,476	15,683	11,215
Interest on the total pension liability	9,621	8,695	8,533	7,600
Differences between expected and actual experience in the measurement of the total pension liability	(10,896)	(25,288)	44,417	37,806
Changes of assumptions or other inputs	(85,646)	(15,475)	133,408	10,251
Benefit payments	(13,335)	(13,335)	(13,185)	(14,683)
Ending balance of the total pension liability	<u>\$ 353,957</u>	<u>\$ 434,258</u>	<u>\$ 457,185</u>	<u>\$ 268,329</u>

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS**

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

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A
PERCENTAGE OF COVERED EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance				
	2023	2022	2021	2020
Total pension liability	\$ 353,957	\$ 434,258	\$ 457,185	\$ 268,329
Covered employee payroll	434,116	447,362	482,781	452,570
Total pension liability as a percentage of covered employee payroll	81.54%	97.07%	94.70%	59.29%

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.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A
PERCENTAGE OF COVERED EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS**

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	2023		
	Budget	Actual	Variance Over/Under
Revenues:			
Ad Valorem Taxes:			
Current year	\$ 2,771,950	\$ 2,795,583	\$ 23,633
Prior year	36,000	25,378	(10,622)
Interest and penalties	15,000	14,330	(670)
Total	<u>2,822,950</u>	<u>2,835,291</u>	<u>12,341</u>
Other Taxes and Licenses:			
Local option sales tax	262,587	424,660	162,073
Other taxes and licenses	122,800	100,432	(22,368)
Total	<u>385,387</u>	<u>525,092</u>	<u>139,705</u>
Unrestricted Intergovernmental:			
Beer and wine tax	2,600	4,387	1,787
Telecommunications tax	4,000	5,451	1,451
Franchise tax	218,476	225,487	7,011
Video program tax	37,000	46,122	9,122
Sales tax refund	7,500	-	(7,500)
Total	<u>269,576</u>	<u>281,447</u>	<u>11,871</u>
Restricted Intergovernmental:			
Powell Bill allocation	<u>43,500</u>	<u>44,262</u>	<u>762</u>
Permits and Fees:			
Building permits	336,031	303,211	(32,820)
CAMA permits and reimbursements	8,520	7,735	(785)
On street parking	231,444	424,979	193,535
Off street parking	27,754	50,961	23,207
Other permits and fees	3,900	800	(3,100)
Total	<u>607,649</u>	<u>787,686</u>	<u>180,037</u>
Sales and Services	<u>83,050</u>	<u>73,661</u>	<u>(9,389)</u>
Investment Earnings	<u>20,000</u>	<u>53,589</u>	<u>33,589</u>
Miscellaneous	<u>21,750</u>	<u>20,821</u>	<u>(929)</u>
Total revenues	<u>4,253,862</u>	<u>4,621,849</u>	<u>367,987</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	2023		Variance Over/Under
	Budget	Actual	
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	8,399	7,751	648
Operating expenses	210,356	188,261	22,095
Total	218,755	196,012	22,743
Administration:			
Salaries and employee benefits	606,882	582,293	24,589
Operating expenses	299,057	241,593	57,464
Capital outlay	89,460	171,207	(81,747)
Total	995,399	995,093	306
Total general government	1,214,154	1,191,105	23,049
Public Safety:			
Inspections, Zoning, and Safety:			
Salaries and employee benefits	309,727	293,832	15,895
Operating expenses	78,224	41,936	36,288
Total	387,951	335,768	52,183
Police:			
Salaries and employee benefits	864,039	817,333	46,706
Operating expenses	164,732	110,026	54,706
Capital outlay	92,190	88,750	3,440
Total	1,120,961	1,016,109	104,852
Total public safety	1,508,912	1,351,877	157,035
Transportation:			
Streets and Highways:			
Salaries and employee benefits	124,631	121,779	2,852
Operating expenses	1,289,732	504,336	785,396
Total transportation	1,414,363	626,115	788,248

TOWN OF HOLDEN BEACH, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	2023		Variance Over/Under
	Budget	Actual	
Environmental Protection:			
Sanitation:			
Salaries and employee benefits	82,073	56,223	25,850
Operating expenses	149,740	148,945	795
Capital outlay	43,000	42,493	507
Total environmental protection	<u>274,813</u>	<u>247,661</u>	<u>27,152</u>
Debt Service:			
Principal	241,335	241,335	-
Interest	41,249	38,886	2,363
Total	<u>282,584</u>	<u>280,221</u>	<u>2,363</u>
Total expenditures	<u>4,694,826</u>	<u>3,696,979</u>	<u>997,847</u>
Revenues over (under) expenditures	<u>(440,964)</u>	<u>924,870</u>	<u>1,365,834</u>
Other Financing Sources (Uses):			
Transfers from Canal Dredging Fund	293,842	293,842	-
Sale of capital assets	5,000	2,401	(2,599)
Subscriptions	-	81,597	81,597
Transfers (to) from other funds	(274,395)	(274,395)	-
Appropriated fund balance	416,517	-	(416,517)
Total other financing sources (uses)	<u>440,964</u>	<u>103,445</u>	<u>(337,519)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,028,315</u>	<u>\$ 1,028,315</u>
Fund Balance:			
Beginning of year - July 1		<u>4,567,726</u>	
End of year - June 30		<u>\$ 5,596,041</u>	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**MAJOR SPECIAL REVENUE FUND - BPART TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023**

	2023		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Occupancy tax receipts	\$ 3,560,212	\$ 3,963,288	\$ 403,076
CAMA Grant	216,723	166,484	(50,239)
NCDWR Grant	637,500	637,500	-
Off street parking	39,648	72,801	33,153
Camp site fees	2,153	13,184	11,031
Investment earnings	5,010	137,945	132,935
Miscellaneous	128,310	545,619	417,309
Total revenues	<u>4,589,556</u>	<u>5,536,821</u>	<u>947,265</u>
Expenditures:			
Beach renourishment:			
Salaries and employee benefits	173,932	168,938	4,994
Operating expenditures	2,082,984	1,497,358	585,626
Lockwood Folly Dredging and Beach Nourishment	850,000	850,000	-
County's share of occupancy tax	651,630	651,630	-
Total beach renourishment expenditures	<u>3,758,546</u>	<u>3,167,926</u>	<u>590,620</u>
Transportation:			
Pier	202,192	100,947	101,245
Debt Service:			
Principal	1,726,116	1,724,405	1,711
Interest	238,410	238,410	-
Total debt service	<u>1,964,526</u>	<u>1,962,815</u>	<u>1,711</u>
Total expenditures	<u>5,925,264</u>	<u>5,231,688</u>	<u>693,576</u>
Revenues over (under) expenditures	<u>(1,335,708)</u>	<u>305,133</u>	<u>1,640,841</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**MAJOR SPECIAL REVENUE FUND - BPART TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023**

	2023		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Total revenues	1,252,537	1,146,287	(106,250)
Subscriptions	-	1,711	1,711
Appropriated fund balance	<u>83,171</u>	<u>-</u>	<u>(83,171)</u>
Total other financing sources (uses)	<u>1,335,708</u>	<u>1,147,998</u>	<u>(187,710)</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>1,453,131</u>	 <u>\$ 1,453,131</u>
 Fund Balance:			
Beginning of year - July 1		<u>3,494,660</u>	
 End of year - June 30		 <u>\$ 4,947,791</u>	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR SPECIAL REVENUE FUND - AMERICAN RESCUE PLAN FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total To Date	
Revenues:					
Restricted intergovernmental:					
American Rescue Plan Act	\$ 211,616	\$ -	\$ 211,616	\$ 211,616	\$ -
Revenues over (under) expenditures	211,616	-	211,616	211,616	-
Other Financing Sources (Uses):					
Transfer to General Fund	(211,616)	-	(211,616)	(211,616)	-
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			-		
End of year - June 30			\$ -		

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - CANAL DREDGING FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total To Date	Variance Over/Under
		Prior Years	Current Year		
Revenues:					
Assessments HBH	\$ 139,280	\$ 1,098,403	\$ 136,757	\$ 1,235,160	\$ 1,095,880
Assessments HHC	136,518	567,019	119,200	686,219	549,701
Assessments HAC	-	274,554	-	274,554	274,554
Assessments HA	75,400	230,909	75,973	306,882	231,482
Prior Year Assessments HBH	-	36,399	-	36,399	36,399
Prior Year Assessments HHC	-	28,032	4,516	32,548	32,548
Prior Year Assessments HA	-	31,277	260	31,537	31,537
Interest - HBH	-	27,532	11,381	38,913	38,913
Interest - HHC	-	26,116	10,837	36,953	36,953
Interest - HA	-	36,239	10,432	46,671	46,671
Miscellaneous revenue - HBH	-	351,084	-	351,084	351,084
Miscellaneous revenue - HHC	-	397,400	-	397,400	397,400
Miscellaneous revenue - HA	-	162,889	-	162,889	162,889
Total revenues	<u>351,198</u>	<u>3,267,853</u>	<u>369,356</u>	<u>3,637,209</u>	<u>3,286,011</u>
Expenditures:					
Holden Beach Harbor Project:					
Administration	12,021	4,571	903	5,474	6,547
Professional services	112,177	17,616	30,639	48,255	63,922
Construction	901,563	11,055	117	11,172	890,391
Construction management	146,270	3,767	-	3,767	142,503
Total Holden Beach Harbor Project	<u>1,172,031</u>	<u>37,009</u>	<u>31,659</u>	<u>68,668</u>	<u>1,103,363</u>
Heritage Harbor Canal Project:					
Administration	8,498	6,397	903	7,300	1,198
Professional services	18,498	7,070	17,611	24,681	(6,183)
Construction	801,527	442,204	13,146	455,350	346,177
Total Heritage Harbor Canal Project	<u>828,523</u>	<u>455,671</u>	<u>31,660</u>	<u>487,331</u>	<u>341,192</u>
Heritage Access Canal Project:					
Administration	12,372	5,236	1,029	6,265	6,107
Professional services	22,372	7,071	17,611	24,682	(2,310)
Total revenues	<u>1,171,533</u>	<u>54,572</u>	<u>13,145</u>	<u>67,717</u>	<u>1,103,816</u>
Total Heritage Access Canal Project	<u>1,206,277</u>	<u>66,879</u>	<u>31,785</u>	<u>98,664</u>	<u>1,107,613</u>
Total expenditures	<u>3,206,831</u>	<u>559,559</u>	<u>95,104</u>	<u>654,663</u>	<u>2,552,168</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - CANAL DREDGING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total To Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues over (under) expenditures	<u>(2,855,633)</u>	<u>2,708,294</u>	<u>274,252</u>	<u>2,982,546</u>	<u>5,838,179</u>
Other Financing Sources (Uses):					
Transfers from General Fund	-	324,429	-	324,429	324,429
Transfer to General Fund	(82,226)	-	(82,226)	(82,226)	-
Appropriated fund balance	<u>2,937,859</u>	-	-	-	<u>(2,937,859)</u>
Total	<u>2,855,633</u>	<u>324,429</u>	<u>(82,226)</u>	<u>242,203</u>	<u>(2,613,430)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,032,723</u>	<u>\$ 192,026</u>	<u>\$ 3,224,749</u>	<u>\$ 3,224,749</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - FEMA CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Prior Years	Actual		Variance Over/Under
			Current Year	Total To Date	
Revenues:					
FEMA Florence PW 674 (0) CAT G	\$ 15,861,220	\$ 8,459,364	\$ 221,362	\$ 8,680,726	\$ (7,180,494)
FEMA Michael PW 11 (0) CAT G	8,547,506	5,179,966	134,229	5,314,195	(3,233,311)
FEMA Florence PW 2547 (0) CAT Z	798,855	10,833	146	10,979	(787,876)
FEMA Michael PW 158 (0) CAT Z	427,376	10,833	146	10,979	(416,397)
FEMA Dorian PW 00221 (0) CAT G	15,496,802	7,032,874	177,547	7,210,421	(8,286,381)
FEMA Dorian PW 494 CAT Z	775,835	10,833	146	10,979	(764,856)
FEMA Isaias PW 50 CAT G	3,838,038	2,304,611	50,176	2,354,787	(1,483,251)
FEMA Isaias PW 238 CAT Z	198,387	6,666	146	6,812	(191,575)
Interest income	-	8,031	-	8,031	8,031
Total revenues	<u>45,944,019</u>	<u>23,024,011</u>	<u>583,898</u>	<u>23,607,909</u>	<u>(22,336,110)</u>
Expenditures:					
FEMA Florence PW 674 (0) CAT G	15,861,220	8,631,958	3,382	8,635,340	7,225,880
FEMA Michael PW 11 (0) CAT G	8,547,506	5,209,497	3,382	5,212,879	3,334,627
FEMA Florence PW 2547 (0) CAT Z	735,957	88,792	-	88,792	647,165
FEMA Michael PW 158 (0) CAT Z	393,726	88,521	-	88,521	305,205
FEMA Dorian PW 00221 (0) CAT G	15,496,802	7,047,141	3,382	7,050,523	8,446,279
FEMA Dorian PW 494 CAT Z	714,750	87,328	-	87,328	627,422
FEMA Isaias PW 50 CAT G	3,838,038	2,312,424	3,382	2,315,806	1,522,232
FEMA Isaias PW 238 CAT Z	182,767	83,138	-	83,138	99,629
Total FEMA expenditures	<u>45,770,766</u>	<u>23,548,799</u>	<u>13,528</u>	<u>23,562,327</u>	<u>22,208,439</u>
Debt Service:					
Principal	27,628,909	-	27,628,909	27,628,909	-
Interest	244,344	-	244,343	244,343	1
Total debt service	<u>27,873,253</u>	<u>-</u>	<u>27,873,252</u>	<u>27,873,252</u>	<u>1</u>
Total expenditures	<u>73,644,019</u>	<u>23,548,799</u>	<u>27,886,780</u>	<u>51,435,579</u>	<u>22,208,440</u>
Revenues over (under) expenditures	(27,700,000)	(524,788)	(27,302,882)	(27,827,670)	(127,670)
Other Financing Sources (Uses):					
Loan proceeds	<u>27,700,000</u>	<u>27,628,909</u>	<u>-</u>	<u>27,628,909</u>	<u>(71,091)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 27,104,121</u>	<u>\$(27,302,882)</u>	<u>\$ (198,761)</u>	<u>\$ (198,761)</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND -
 BEACH RENOURISHMENT & INLET MANAGEMENT CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total To Date	Variance Over/Under
		Prior Years	Current Year		
Revenues:					
Interest	\$ 2,247,002	\$ 24,366	\$ 21,547	\$ 45,913	\$ (2,201,089)
Other Financing Sources (Uses):					
Transfers to other funds	(2,247,002)	(1,336,286)	(871,892)	(2,208,178)	38,824
Transfers from other funds	-	3,599,073	-	3,599,073	3,599,073
Total	(2,247,002)	2,262,787	(871,892)	1,390,895	3,637,897
Net change in fund balance	\$ -	\$ 2,287,153	(850,345)	\$ 1,436,808	\$ 1,436,808
Fund Balance:					
Beginning of year - July 1			2,287,153		
End of year - June 30			\$ 1,436,808		

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Water and sewer charges	\$ 2,498,240	\$ 2,268,460	\$ (229,780)
Tap and connection fees	86,000	65,911	(20,089)
Other operating charges	<u>164,501</u>	<u>61,917</u>	<u>(102,584)</u>
Total operating revenues	<u>2,748,741</u>	<u>2,396,288</u>	<u>(352,453)</u>
Non-operating revenues:			
Interest earnings	10,212	54,077	43,865
Sale of capital assets	7,988	7,100	(888)
Lease revenue	-	59,758	59,758
Capital charges	<u>1,429,575</u>	<u>1,495,831</u>	<u>66,256</u>
Total non-operating revenues	<u>1,447,775</u>	<u>1,616,766</u>	<u>168,991</u>
Total revenues	<u>4,196,516</u>	<u>4,013,054</u>	<u>(183,462)</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits	68,869	72,921	(4,052)
Operating expenditures	<u>101,447</u>	<u>81,340</u>	<u>20,107</u>
Total water and sewer administration	<u>170,316</u>	<u>154,261</u>	<u>16,055</u>
Operations:			
Salaries and employee benefits	365,901	355,572	10,329
Operating expenditures	1,865,218	1,538,230	326,988
Capital outlay	<u>3,732,079</u>	<u>255,201</u>	<u>3,476,878</u>
Total operations	<u>5,963,198</u>	<u>2,149,003</u>	<u>3,814,195</u>
Non-operating:			
County capital charges	<u>988,132</u>	<u>988,131</u>	<u>1</u>
Debt service:			
Principal retirement	320,817	320,817	-
Interest and other charges	<u>192,769</u>	<u>192,769</u>	<u>-</u>
Total debt service	<u>513,586</u>	<u>513,586</u>	<u>-</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Total expenditures	7,635,232	3,804,981	3,830,251
Total revenues	(3,438,716)	208,073	3,646,789
Other Financing Sources (Uses):			
Transfers (to) from other funds:			
Capital reserve funds (intrafund, net)	44,714	44,714	-
Loan proceeds	3,166,843	-	(3,166,843)
Subscription liability issued	-	5,132	5,132
Appropriated fund balance	227,159	-	(227,159)
Total other financing sources (uses)	<u>3,438,716</u>	<u>49,846</u>	<u>(3,388,870)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	257,919	<u>\$ 257,919</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Principal retirement		320,817	
Depreciation and amortization		(633,325)	
Net revenue from capital reserve consolidation		106,255	
Capital reserve transfers - intrafund		(44,714)	
Change in deferred outflows of resources - pensions		27,623	
Change in compensated absences		4,579	
Change in deferred inflows of resources - pensions		47,763	
Subscription liabilities issued		(5,132)	
Subscription assets capitalized		5,132	
Principal payments- subscriptions		3,061	
Change in net pension liability		(84,138)	
Capital outlay not capitalized		(117,854)	
Capital outlay		<u>250,069</u>	
Change in net position		<u>\$ 138,055</u>	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

WATER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Interest income	\$ 151,051	\$ 48,337	\$ (102,714)
Other Financing Sources (Uses):			
Transfer to other funds	(151,051)	(44,714)	106,337
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,623</u>	<u>\$ 3,623</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SEWER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Interest income	\$ 301,543	\$ 57,918	\$ (243,625)
Other Financing Sources (Uses):			
Transfer to other funds	(301,543)	-	301,543
Net change in fund balance	<u>\$ -</u>	<u>\$ 57,918</u>	<u>\$ 57,918</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2023

<u>Year Ended June 30</u>	<u>Uncollected Balance July 1, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022-2023	\$ -	\$ 2,838,902	\$ 2,816,185	\$ 22,717
2021-2022	13,739	-	8,417	5,322
2020-2021	25,652	-	-	25,652
2019-2020	5,243	270	5,513	-
2018-2019	-	1,744	1,744	-
2017-2018	1,118	498	1,616	-
2016-2017	9,213	-	838	8,375
2015-2016	9,660	-	1,429	8,231
2014-2015	1,451	-	526	925
2013-2014	3,095	-	278	2,817
2012-2013	2,017	-	2,017	-
Total	<u>\$ 71,188</u>	<u>\$ 2,841,414</u>	<u>\$ 2,838,563</u>	<u>74,039</u>
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(4,703)</u>
Ad valorem taxes receivable, net				<u>\$ 69,336</u>
Reconcilement with Revenues:				
Ad valorem taxes - General Fund				<u>\$ 2,835,291</u>
Reconciling items:				
Penalties and interest collected				14,330
Other				(9,041)
Write-offs				<u>(2,017)</u>
Total reconciling items				<u>3,272</u>
Total collections and credit				<u>\$ 2,838,563</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2023

	Town-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 1,419,451,000	\$ 0.2000	\$ 2,838,902	\$ 2,794,934	\$ 43,968
Total property valuation	\$ 1,419,451,000				
Net Levy			2,838,902	2,794,934	43,968
Uncollected taxes at June 30, 2023			(22,717)	(22,717)	-
Current Year's Taxes Collected			<u>\$ 2,816,185</u>	<u>\$ 2,772,217</u>	<u>\$ 43,968</u>
Current Levy Collection Percentage			<u>99.20%</u>	<u>99.19%</u>	<u>100.00%</u>

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Holden Beach, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 11, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 11, 2023

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

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

Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Holden Beach, North Carolina's, compliance with the types of compliance requirements identified as subject to audit 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 state programs for the year ended June 30, 2023. The Town of Holden Beach's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the 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 state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Holden Beach and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Town of Holden Beach's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Holden Beach's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Holden Beach's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Holden Beach's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Holden Beach's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town of Holden Beach's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Town of Holden Beach's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, non-compliance with a type of compliance requirement of a state 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 non-compliance with a type of compliance requirement of a state 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 state 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 11, 2023

TOWN OF HOLDEN BEACH, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Non-compliance material to financial statements noted? No

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor’s report issued on compliance for major state programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major state programs:

Program Name

Water Resources Development Project Grant Program
Parks and Recreation Trust Fund

Auditee qualified as low-risk auditee? No

2. Financial Statement Findings

None reported.

3. State Award Findings and Questioned Costs

None reported.

TOWN OF HOLDEN BEACH, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

None reported.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>State Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Passed-Through to Subrecipients</u>
Federal Awards:					
<u>U.S. Department of Homeland Security</u>					
<u>Federal Emergency Management Agency</u>					
Passed through N.C. Department of Public Safety:					
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	4412-DR-NC	\$ 73,410	\$ 31,604	\$ -
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	4393-DR-NC	138,760	53,387	-
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	4568-DR-NC	10,370	10,591	-
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	4465-DR-NC	105,899	42,434	-
Total			<u>328,439</u>	<u>138,016</u>	<u>-</u>
<u>U.S. Department of Treasury</u>					
<u>State and Local Fiscal Recovery Funds</u>					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	NC0211	211,616	-	-
State Grants:					
<u>N.C. Department of Parks and Recreation</u>					
N.C. Parks and Recreation Trust Fund (PARTF)			-	500,000	-
<u>N.C. Department of Environmental Quality</u>					
<u>Division of Coastal Management</u>					
Beach and Waterfront Access grant			-	166,484	-
Water Resources Development Project Grant Program			-	637,500	-
<u>N.C. Department of Transportation</u>					
Powell Bill			-	44,262	-
Total federal grants			<u>\$ 540,055</u>		
Total state grants				<u>\$ 1,486,262</u>	

Notes to the Schedule of Expenditures of Federal and State 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, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. 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 position 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.

(3) Indirect Cost Rate

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