

TOWN OF HOLDEN BEACH



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2016

TOWN OF HOLDEN BEACH, NORTH CAROLINA

For the Year Ended June 30, 2016

Mayor: J. Alan Holden

Commissioners: John Fletcher

Peter J Freer

Kim Isenhour

Ken Kyser

Hudson A Royal

Town Manager/Finance Officer: David W Hewett

Clerk: Heather R Finnell

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Financial Section

- **Independent Auditors' Report**
- **Management's Discussion and Analysis**
- **Government-wide Financial Statements**
- **Fund Financial Statements**
- **Notes to Financial Statements**



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

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

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden Beach, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Holden Beach, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund, BPart Tax Fund and Canal Dredging Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Thompson, Price, Scott, Adams & Co., P.A.
Whiteville, North Carolina
November 30, 2016

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

As management of the Town of Holden Beach, we offer readers of the Town of Holden Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Holden Beach for the fiscal year ended June 30, 2016. 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.

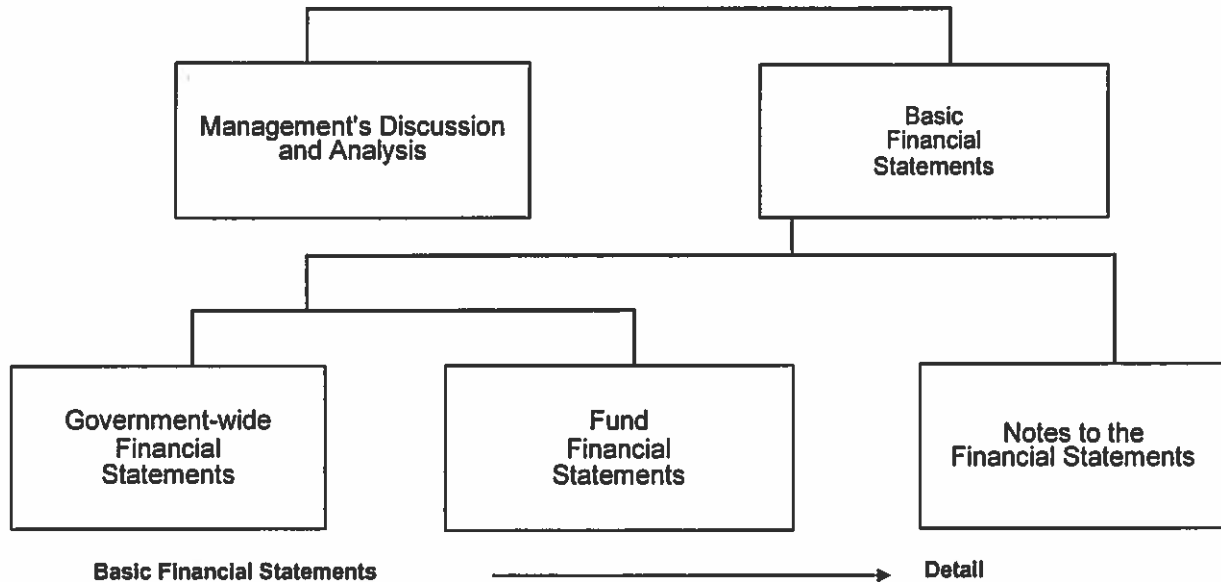
Financial Highlights

- 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 \$33,249,318 (*net position*).
- The government's total net position increased by \$875,073 due to increases in the governmental activities of \$447,319 and increases in the business-type activities of \$427,754.
- As of the close of the current fiscal year, the Town of Holden Beach governmental funds reported combined ending fund balances of \$9,084,541, an increase of \$288,959 in comparison with the prior year. Of this total amount, \$682,037 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 \$682,037 or 27 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

**Required Components of Annual Financial Report
Figure 1**



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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 9,345,543	\$ 9,255,328	\$ 5,023,521	\$ 4,736,002	\$ 14,369,064	\$ 13,991,330
Capital Assets	7,509,364	7,624,004	17,355,101	17,853,766	24,864,465	25,477,770
Deferred outflows of resources	73,511	73,285	11,634	11,406	85,145	84,691
Total Assets and Deferred Outflows	16,928,418	16,952,617	22,390,256	22,601,174	39,318,674	39,553,791
Long-term liabilities	2,833,952	3,053,117	1,918,309	2,498,972	4,752,261	5,552,089
Other liabilities	499,081	521,590	733,763	756,148	1,232,844	1,277,738
Deferred inflows of resources	75,200	305,044	9,051	44,675	84,251	349,719
Total Liabilities & deferred inflows	3,408,233	3,879,751	2,661,123	3,299,795	6,069,356	7,179,546
Total net position						
Net position:						
Net investment in capital assets	4,530,861	4,312,152	14,859,019	14,790,149	19,389,880	19,102,301
Restricted	608,340	1,320,888	-	-	608,340	1,320,888
Unrestricted	8,380,984	7,439,826	4,870,114	4,511,230	13,251,098	11,951,056
Total net position	\$ 13,520,185	\$ 13,072,866	\$ 19,729,133	\$ 19,301,379	\$ 33,249,318	\$ 32,374,245

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 \$33,249,318 as of June 30, 2016. The Town's net position increased by \$875,073 for the fiscal year ended June 30, 2016. However, the largest portion (58%) of net position reflects the Town's net investment in capital assets (e.g. land, construction in progress, buildings, machinery, and equipment). The Town of Holden Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Holden Beach's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$608,340 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13,251,098 is unrestricted. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Holden Beach's management.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.64%, which is comparable to the statewide average of 98.83%.

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

	Governmental Activities		Business -Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 340,146	\$ 349,949	\$ 2,010,651	\$ 1,870,512	\$ 2,350,797	\$ 2,220,461
Operating grants and contributions	45,800	34,976	-	-	45,800	34,976
Capital grants and contributions	-	-	1,607,107	1,618,023	1,607,107	1,618,023
General Revenues:						
Property Taxes	1,770,257	1,598,354	-	-	1,770,257	1,598,354
Other Taxes	2,429,244	2,165,449	-	-	2,429,244	2,165,449
Other	68,493	73,609	206	17,296	68,699	90,905
Total revenues:	4,653,940	4,222,337	3,617,964	3,505,831	8,271,904	7,728,168
Expenses:						
General government	813,046	802,768	-	-	813,046	802,768
Public Safety	972,367	832,137	-	-	972,367	832,137
Transportation	319,593	214,437	-	-	319,593	214,437
Environmental protection	129,151	125,638	-	-	129,151	125,638
Beach renourishment	1,976,398	987,348	-	-	1,976,398	987,348
Interest on long-term debt	99,908	125,066	-	-	99,908	125,066
Water and sewer	-	-	3,086,368	2,865,597	3,086,368	2,865,597
Total expenses	4,310,463	3,087,394	3,086,368	2,865,597	7,396,831	5,952,991
Increase in net position before transfers	343,477	1,134,943	531,596	640,234	875,073	1,775,177
Transfers	103,842	122,479	(103,842)	(122,479)	-	-
Increase in net position	447,319	1,257,422	427,754	517,755	875,073	1,775,177
Net position, July 1	13,072,866	11,976,013	19,301,379	18,809,536	32,374,245	30,785,549
Restatement	-	(160,589)	-	(25,912)	-	(186,481)
Net position, restated	13,072,866	11,815,444	19,301,379	18,783,624	32,374,245	30,599,068
Net position, June 30	\$ 13,520,185	\$ 13,072,866	\$ 19,729,133	\$ 19,301,379	\$ 33,249,318	\$ 32,374,245

Governmental activities. Governmental activities increased the Town's net position by \$447,319, thereby accounting for 51% of the total growth in the net position of the Town of Holden Beach. A key element of this increase is as follows:

- Increase in various taxes

Business-type activities: Business-type activities increased the Town of Holden Beach's net position by \$427,754, accounting for 49% of the total growth in the government's net position. Key elements of this increase are as follows:

- Increase in charges for services.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Holden Beach. At the end of the current fiscal year, unassigned fund balance of the General Fund was a \$682,037, while total fund balance of the general fund was \$1,669,226. The Governing Body of the Town of Holden Beach has determined that the Town should maintain an available fund balance of 25% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 27% of general fund expenditures, while total fund balance represents 66% of the same amount.

At June 30, 2016, the governmental funds of Town of Holden Beach reported a combined fund balance of \$9,084,541, with an increase in fund balance of \$288,959.

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

The budgetary amendments for FY 15-16 were due to necessary increases in appropriations in order to meet and maintain service needs of the Town's departments.

Proprietary Funds. The Town of Holden Beach's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,870,114. The total change in net position in the Water and Sewer fund was \$427,754. 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, 2016, totals \$24,864,465 (net of accumulated depreciation). These assets include buildings, land, construction in progress, machinery and equipment, and vehicles.

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

- Land

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land & Constr. In Progress	\$ 2,781,098	\$ 2,718,876	\$ 140,296	\$ 140,296	\$ 2,921,394	\$ 2,859,172
Buildings and distribution systems	4,146,239	4,247,037	16,867,955	17,314,304	21,014,194	21,581,341
Improvements and infrastructure	346,388	354,881	143,829	147,510	490,217	502,391
Machinery and equipment	78,900	93,015	203,021	251,656	281,921	344,671
Vehicles	156,739	210,195	-	-	156,739	210,195
Total	\$ 7,509,364	\$ 7,624,004	\$ 17,355,101	\$ 17,853,766	\$ 24,864,465	\$ 25,477,770

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

Long-Term Debt

As of June 30, 2016, the Town had total debt of \$5,474,585 (excluding compensated absences). There was a net decrease in total debt of \$900,884.

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

Economic Factors and Next Year's Budgets and Rates

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

- Unemployment rates. The Town of Holden Beach's unemployment rate of 5.8% is the same as the State average of 5.8%.
- The Town does continue to have a steady revenue stream of tourism dollars despite the overall sluggish economy in Southeastern North Carolina.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: The Town's ad valorem tax rate for the fiscal year ending June 30, 2016 will increase to 22 cents per one hundred dollars of valuation. Fund balance in the BPART fund was appropriated to balance the budget for the year ended June 30, 2017 in the amount of \$3,416,687.

Business --Type Activities: Revenues for the Water and Sewer fund are expected to increase as compared to the current year. Implementation of an increasing block rate structure for both water and sewer consumption is proposed to be implemented effective July 1, 2016. Rate increases of an additional one dollar each for household/business water, irrigation water, and sewer uses above 6,000 gallons monthly is included in the Estimated Budget. Fund balance in this fund was appropriated to balance the budget for the year ended June 30, 2016 in the amount of \$233,800.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Town of Holden Beach, North Carolina
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Investments	\$ 8,260,673	\$ 503,838	\$ 8,764,511
Taxes Receivable (Net)	57,047	-	57,047
Accounts Receivable (Net)	407,979	593,056	1,001,035
Accrued Interest Receivable on Taxes	7,306	-	7,306
Due From Other Governments	106,074	17,333	123,407
Internal Balances	495,458	(495,458)	-
Inventories	-	177,687	177,687
Cash and cash equivalents, restricted	11,006	4,227,065	4,238,071
Total current assets	9,345,543	5,023,521	14,369,064
Non-current Assets:			
Capital Assets:			
Land, Non-depreciable Improvements, and Construction in Progress	2,781,098	140,296	2,921,394
Other Capital Assets, Net of Depreciation	4,728,266	17,214,805	21,943,071
Total Capital Assets	7,509,364	17,355,101	24,864,465
Total Assets	16,854,907	22,378,622	39,233,529
Deferred Outflows of Resources			
Contributions to Pension Plan in Current Fiscal Year	73,511	11,634	85,145
Total Deferred Outflows of Resources	73,511	11,634	85,145
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	73,936	99,389	173,325
Due to other governments	60,597	-	60,597
Accrued Interest Payable	26,149	29,204	55,353
Compensated absences, due in one year	23,362	2,986	26,348
Bonds and notes payable, due in one year	315,037	602,184	917,221
Total current liabilities	499,081	733,763	1,232,844
Long-Term Liabilities:			
Compensated absences	83,653	10,669	94,322
Net pension liability	86,833	13,742	100,575
Bonds and notes payable	2,663,466	1,893,898	4,557,364
Total long-term liabilities	2,833,952	1,918,309	4,752,261
Total Liabilities	3,333,033	2,652,072	5,985,105
Deferred Inflows of Resources			
Prepaid Taxes	18,008	-	18,008
Pension Deferrals	57,192	9,051	66,243
Total Deferred Inflows of Resources	75,200	9,051	84,251
Net Position			
Net Investment in Capital Assets	4,530,861	14,859,019	19,389,880
Restricted for:			
Stabilization by State Statute	597,333	-	597,333
Streets	11,006	-	11,006
Unrestricted	8,380,985	4,870,114	13,251,099
Total Net Position	\$ 13,520,185	\$ 19,729,133	\$ 33,249,318

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

Town of Holden Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Primary Government
Primary government:								
Governmental Activities:								
General government	\$ 813,046	\$ 160,160	\$ -	\$ -	\$ (652,886)	\$ -	\$ (652,886)	
Public safety	972,367	52,806	-	-	(919,561)	-	(919,561)	
Transportation	319,593	-	35,038	-	(284,555)	-	(284,555)	
Environmental protection	128,151	11,968	-	-	(117,183)	-	(117,183)	
Beach renourishment	1,976,398	115,212	10,762	-	(1,850,424)	-	(1,850,424)	
Interest and fees	99,908	-	-	-	(99,908)	-	(99,908)	
Total governmental activities	4,310,463	340,146	45,800	-	(3,924,517)	-	(3,924,517)	
Business-type activities:								
Water & Sewer	3,086,368	2,010,651	-	1,607,107	-	531,390	531,390	
Total business-type activities	3,086,368	2,010,651	-	1,607,107	-	531,390	531,390	
Total primary government	7,396,831	2,350,797	45,800	1,607,107	(3,924,517)	531,390	(3,393,127)	
General revenues:								
Taxes:								
Property taxes, levied for general purpose					1,770,257	-	1,770,257	
Sales and use tax					151,810	-	151,810	
Other taxes					2,277,434	-	2,277,434	
Investment earnings					6,764	206	6,970	
Gain/(Loss) on Sale of Capital Assets					-	-	-	
Miscellaneous					61,729	-	61,729	
Transfers					103,842	(103,842)	-	
Total general revenues and transfers					4,371,836	(103,636)	4,268,200	
Change in net position					447,319	427,754	875,073	
Net position, beginning					13,072,866	19,301,379	32,374,245	
Net position, ending					\$ 13,520,185	\$ 19,729,133	\$ 33,249,318	

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

Town of Holden Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds			Governmental Funds
	General Fund	BPART Tax Fund	Canal Dredging Fund	
ASSETS				
Cash and cash equivalents	\$ 1,187,447	\$ 5,708,445	\$ 1,364,781	\$ 8,260,673
Restricted Cash	11,006	-	-	11,006
Receivables, net:				
Taxes	57,047	-	-	57,047
Accounts	1,468	363,853	42,658	407,979
Due from other governments	97,315	8,759	-	106,074
Due from other funds	500,000	-	55,676	555,676
Total assets	\$ 1,854,283	\$ 6,081,057	\$ 1,463,115	\$ 9,398,455
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 48,334	\$ 25,602	\$ -	\$ 73,936
Due to other governments	-	60,597	-	60,597
Due to other funds	60,218	-	-	60,218
Total liabilities	\$ 108,552	\$ 86,199	\$ -	\$ 194,751
Deferred Inflows of Resources				
Property taxes receivable	\$ 57,047	\$ -	\$ -	\$ 57,047
Assessments receivable	1,450	-	42,658	44,108
Prepaid taxes	18,008	-	-	18,008
Total deferred inflows of resources	\$ 76,505	\$ -	\$ 42,658	\$ 119,163
Fund balances:				
Restricted				
Stabilization by State Statute	597,333	-	-	597,333
Streets	11,006	-	-	11,006
Beach Renourishment	-	5,994,858	1,420,457	7,415,315
Assigned				
Subsequent year's expenditures	-	-	-	-
General government debt	378,849	-	-	378,849
Unassigned	682,038	-	-	682,038
Total fund balances	1,669,226	5,994,858	1,420,457	9,084,541
Total liabilities, deferred inflows of resources and fund balances	\$ 1,854,283	\$ 6,081,057	\$ 1,463,115	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are	
Capital assets used in governmental activities are not financial resources and therefore	7,509,364
Net Pension Asset (Liability)	(86,833)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	73,511
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	7,306
Liabilities for earned considered deferred inflows of resources in fund statements.	101,155
Pension Related Deferrals	(57,192)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(3,111,667)
Net position of governmental activities	\$ 13,520,185

Town of Holden Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			Total Governmental Funds
	General Fund	BPART Tax Fund	Canal Dredging Fund	
REVENUES				
Ad valorem taxes	\$ 1,855,591	\$ -	\$ -	\$ 1,855,591
Other taxes and licenses	151,810	1,783,709	235,931	2,171,450
Unrestricted intergovernmental	257,794	-	-	257,794
Restricted intergovernmental	35,038	10,762	-	45,800
Permits and fees	212,306	-	-	212,306
Sales and Service	12,628	-	-	12,628
Investment earnings	49	3,946	2,769	6,764
Miscellaneous	46,400	123,970	6,572	176,942
Total revenues	2,571,616	1,922,387	245,272	4,739,275
EXPENDITURES				
Current:				
General government	712,749	-	-	712,749
Public safety	928,766	-	-	928,766
Transportation	317,214	-	-	317,214
Environmental protection	129,019	-	-	129,019
Beach renourishment	-	2,003,717	26,920	2,030,637
Debt Service:				
Principal retirement	333,349	-	-	333,349
Interest and fees	102,424	-	-	102,424
Total expenditures	2,523,521	2,003,717	26,920	4,554,158
Excess (deficiency) of revenues over expenditures	48,095	(81,330)	218,352	185,117
OTHER FINANCING SOURCES (USES)				
Transfer (to) from Capital Reserve Fund	-	-	-	-
Transfer (to) from Capital Project fund	-	-	-	-
Transfers (to) from Enterprise Fund	103,842	-	-	103,842
Transfers (to) from Special Revenue Funds	92,149	-	-	92,149
Transfers from USDA Loan	26,288	-	-	26,288
Transfers to General Fund	-	(92,149)	(26,288)	(118,437)
Transfer from General Fund	-	-	-	-
Sale of Capital Assets	-	-	-	-
Long-term debt issued	-	-	-	-
Total other financing sources (uses)	222,279	(92,149)	(26,288)	103,842
Net change in fund balance	270,374	(173,479)	192,064	288,959
Fund Balances, beginning	1,398,852	6,168,337	1,228,393	8,795,582
Fund balances, ending	\$ 1,669,226	\$ 5,994,858	\$ 1,420,457	\$ 9,084,541

Town of Holden Beach, North Carolina
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds	\$ 288,959
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(7,531)
Pension expense	(43,738)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital Outlay expenditures which were capitalized	62,222
Depreciation Expense for governmental assets	(176,862)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	73,738
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
New long-term debt issued	-
Principal payments on long-term debt	333,349
Decrease in accrued interest payable	2,516
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in unavailable revenue for tax and assessment revenues	<u>(85,334)</u>
Total changes in net position of governmental activities	<u>\$ 447,319</u>

Town of Holden Beach, North Carolina
 Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2016

	General Fund				BPART Tax Fund				Canal Dredging Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:												
Ad valorem taxes	\$ 1,798,773	\$ 1,798,873	\$ 1,855,591	\$ 56,718	\$ 1,713,129	\$ 1,713,129	\$ 1,783,709	\$ 70,580	\$ 1,400,074	\$ 1,400,074	\$ 235,931	\$ (1,164,143)
Other taxes and licenses	131,831	131,831	151,810	19,979	547,980	1,713,129	1,783,709	1,500	-	-	-	-
Unrestricted intergovernmental revenues	177,462	177,462	257,794	80,332	-	-	1,500	(1,500)	-	-	-	-
Restricted intergovernmental revenues	35,000	35,000	35,038	38	-	750,860	10,762	(740,098)	-	-	-	-
Permits and fees	175,557	178,557	212,308	33,749	-	-	-	-	-	-	-	-
Sales and Services	10,462	13,888	48	(13,839)	1,500	-	-	-	-	-	-	-
Investment earnings	500	500	12,628	12,128	5,000	5,000	3,946	(1,054)	1,900	1,900	2,769	869
Miscellaneous	16,526	39,000	46,400	7,400	22,000	22,000	123,970	101,970	-	-	6,572	6,572
Total revenues	2,346,111	2,375,111	2,571,616	196,505	2,289,589	2,492,489	1,922,387	(570,102)	1,401,974	1,401,974	245,272	(1,156,702)
Expenditures:												
Current:												
General government	787,491	746,339	712,749	33,580	-	-	-	-	-	-	-	-
Public safety	896,063	964,278	928,766	35,512	-	-	-	-	-	-	-	-
Transportation	353,387	353,066	317,214	35,852	-	-	-	-	-	-	-	-
Environmental protection	129,445	141,703	129,019	12,684	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	62,500	-	-	-	-	-	-	-
Beach renourishment	-	-	-	-	2,685,543	3,216,827	2,003,717	1,213,110	1,366,925	1,366,925	26,920	1,340,005
Debt Service:												
Principal retirement	333,351	333,351	333,349	2	-	-	-	-	-	-	-	-
Interest and fees	102,425	102,425	102,424	1	-	-	-	-	-	-	-	-
Total expenditures	2,602,162	2,641,162	2,523,521	117,641	2,748,043	3,216,827	2,003,717	1,213,110	1,366,925	1,366,925	26,920	1,340,005
Revenues over/(under) expenditures	(256,051)	(266,051)	48,095	314,146	(458,454)	(724,338)	(81,330)	643,008	35,049	35,049	218,352	183,303
Other financing sources (uses):												
Transfers (to) from BPART Fund	101,549	101,549	92,149	(9,400)	-	-	-	-	-	-	-	-
Transfers (to) from Enterprise Fund	119,453	119,453	103,842	(15,611)	-	-	-	-	-	-	-	-
Transfers (to) from Special Revenue Fund	35,049	35,049	-	(35,049)	-	-	-	-	-	-	-	-
Transfers from USDA Loan	-	-	26,288	26,288	-	-	-	-	-	-	-	-
Transfers (to) from General Fund	-	-	-	-	(101,549)	(101,549)	(92,149)	9,400	(35,049)	(35,049)	(26,288)	8,761
Sale of Capital Assets	-	5,000	-	(5,000)	-	-	-	-	-	-	-	-
Long term debt issued	-	-	-	-	-	-	-	-	-	-	-	-
Appropriated Fund Balance	-	5,000	-	(5,000)	560,003	825,887	-	(925,887)	-	-	-	-
Total other financing sources (uses)	256,051	266,051	222,279	(43,772)	458,454	724,338	(92,149)	(816,487)	(35,049)	(35,049)	(26,288)	6,761
Net change in fund balance	\$ -	\$ -	270,374	270,374	\$ -	\$ -	(173,479)	(173,479)	\$ -	\$ -	192,064	192,064
Fund balance, beginning			1,398,852				6,168,337				1,228,393	
Fund balance, end of year			\$ 1,669,226				\$ 5,994,858				\$ 1,420,457	

Town of Holden Beach, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2016

	<u>Major Enterprise Fund</u> <u>Water & Sewer</u> <u>Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 503,838
Accounts receivable (net)	593,056
Due From Other Funds	4,542
Due From Other Governments	17,333
Inventories	177,687
Restricted Assets:	
Cash and cash equivalents	4,227,065
Total current assets	<u>5,523,521</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets and construction in progress	140,296
Other capital assets, net of depreciation	17,214,805
Capital Assets (net)	<u>17,355,101</u>
Total noncurrent assets	<u>17,355,101</u>
Total Assets	<u>\$ 22,878,622</u>
Deferred Outflows of Resources	
Contributions to pension plan	\$ 11,634
Total deferred outflows of resources	<u>\$ 11,634</u>
Liabilities	
Current liabilities:	
Accounts Payable and Accrued Liabilities	\$ 99,389
Due to Other Funds	500,000
Accrued Interest	29,204
Compensated absences	2,986
Notes payable - current maturities	602,184
Total Current Liabilities	<u>1,233,763</u>
Noncurrent Liabilities	
Compensated Absences	10,669
Net Pension Liability	13,742
Notes payable - noncurrent maturities	1,893,898
Total Noncurrent liabilities	<u>1,918,309</u>
Total Liabilities	<u>\$ 3,152,072</u>
Deferred Inflows of Resources	
Pension Deferrals	\$ 9,051
Net Position	
Net investment in capital assets	\$ 14,859,019
Unrestricted	4,870,114
Total Net Position of Business - Type Activities	<u>\$ 19,729,133</u>

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

Town of Holden Beach, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Water & Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 1,681,738
Taps and connection fees	90,407
Impact fees	55,126
Share fees	65,575
Other operating revenues	117,805
Total operating revenues	<u>2,010,651</u>
Operating Expenses:	
Administration	113,230
Water and sewer operations	1,242,222
Depreciation	498,665
Total operating expenses	<u>1,854,117</u>
Operating income (loss)	<u>156,534</u>
Nonoperating revenues (expenses):	
Investment earnings	206
Capital charges	1,607,107
City capital charges	(1,164,145)
Interest expense	(68,106)
Total nonoperating revenues (expenses)	<u>375,062</u>
Income (Loss) Before Contributions and Transfers	531,596
Capital contributions	-
Transfers in (out)	<u>(103,842)</u>
Total Income (Loss) After Contributions and Transfers	<u>427,754</u>
Change in Net Position	427,754
Total Net Position, Beginning	<u>19,301,379</u>
Total Net Position, Ending	<u>\$ 19,729,133</u>

Town of Holden Beach, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

Exhibit 9

	Major Enterprise Fund Water & Sewer Fund
Cash flows from operating activities:	
Cash received from customers and users	\$ 2,107,738
Cash paid for goods and services	(1,126,377)
Cash paid to employees for services	(261,956)
Net cash provided by (used in) operating activities	719,405
Cash flows from capital and related financing activities:	
Principal paid on bonds	(567,536)
Interest paid on bonds	(96,958)
Sale of Assets	-
Acquisition and construction of capital assets	-
Net cash provided by (used in) capital and related financing activities	(664,494)
Cash flows from non-capital financing activities:	
Capital charges paid	(1,164,145)
Capital charges paid by customers	1,607,107
Transfers to other funds	(103,842)
Change in due to/from other funds	(51,966)
Net cash provided by (used in) non-capital financing activities	287,154
Cash flows from investment activities:	
Interest on investments	206
Net increase (decrease) in cash and cash equivalents	342,271
Cash and cash equivalents, July 1	4,388,632
Cash and cash equivalents, June 30	\$ 4,730,903
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 156,534
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	498,665
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	88,050
(Increase) decrease in due from other governments	9,038
(Increase) decrease in inventory	(7,994)
(Increase) decrease in deferred outflows of resources for pensions	(228)
(Increase) decrease in net pension asset	17,625
Increase (decrease) in accounts payable and accrued liabilities	(22,125)
Increase (decrease) in compensated absences payable	1,722
Increase (decrease) in deferred inflows of resources for pensions	(35,624)
Increase (decrease) in net pension liability	13,742
Total adjustments	562,871
Net cash provided by (used in) operating activities	\$ 719,405

TOWN OF HOLDEN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. - Reporting Entity

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

B. - Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major enterprise fund:

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

C. - Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. - Budgetary Data

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

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

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT - Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The Town of Holden Beach did not have any investments at June 30, 2016.

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

- 3 **Restricted Assets and Liabilities** - Cash and investments are restricted in the Enterprise Fund for the customer deposits held by the Town for payments on the sewer system, future capital projects, and utility deposits. These deposits are restricted to the service for which the deposit was collected.

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

Town of Holden Beach-Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 11,006
Total Government Activities	<u>\$ 11,006</u>
Business-type Activities	
Water & Sewer Fund	
Customer Deposits	\$ -
Sewer Share	4,227,085
Total Business-type Activities	<u>\$ 4,227,085</u>
Total Restricted Cash	<u>\$ 4,238,071</u>

- 1 **Ad Valorem Taxes Receivable** - In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015.
- 2 **Allowances for Doubtful Accounts** – All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.
- 3 **Inventory** –The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's enterprise funds consist of material and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.
- 4 **Capital Assets** - Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Town defines capital assets as assets with an individual cost of \$5,000 or more.

Capital assets of the Town are depreciated on a straight-line method over the following estimated useful lives:

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

5 Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

9 Long-Term Obligations

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

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

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

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

11 Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

- Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].
- Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.
- Restricted for Beach Renourishment – Portion of fund balance that is restricted by revenue source.

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

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

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

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

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

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

12 Pensions

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

None to Report.

NOTE 3: DETAIL NOTES ON ALL FUNDS

A. - Assets

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

At June 30, 2016, the Town's deposits had a carrying amount of \$12,110,584 and a bank balance of \$12,238,277. Of the Town's bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Included in the carrying amount at June 30, 2016 was the Town's petty cash fund which totaled \$100.

2 Investments - At June 30, 2016, the Town of Holden Beach had \$891,998 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk of its investments.

3 Accounts Receivable and Due From Other Governments

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

	Governmental Activities	Business-type Activities
Sales Tax Refund Receivable	\$ 15,512	\$ 17,333
Charges for Services Receivable	-	168,600
Sewer Fees and Capital Charges Receivable	-	424,456
Occupancy Taxes Receivable	363,853	-
Assessments Receivable & Other Miscellaneous	44,126	-
Due From NC-Motor Vehicle Tax	3,146	-
Franchise Tax Receivable	45,575	-
Local Option Sales Tax Rec.	41,841	-
Total	\$ 514,053	\$ 610,389

Receivables – Allowance for Doubtful Accounts

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 are net of the following allowances for doubtful accounts:

Fund	06/31/2016
General Fund:	
Taxes Receivable	\$ 34,000
Accounts Receivable	2,363
Total	\$ 36,363
Enterprise Fund:	
Accounts Receivable	\$ 79,049

4 Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases and Adjustments	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,586,761	\$ 62,222	\$ -	\$ 2,648,983
Construction in Progress	132,115	-	-	132,115
Total capital assets not being depreciated	2,718,876	62,222	-	2,781,098
Capital assets being depreciated				
Buildings	5,039,883	-	-	5,039,883
Other Improvements & Infrastructure	424,664	-	-	424,664
Equipment	360,930	-	-	360,930
Vehicles	538,408	-	-	538,408
Total capital assets being depreciated	6,363,885	-	-	6,363,885
Less accumulated depreciation for:				
Buildings	792,846	100,798	-	893,644
Other Improvements & Infrastructure	69,783	8,493	-	78,276
Equipment	267,915	14,115	-	282,030
Vehicles	328,213	53,456	-	381,669
Total accumulated depreciation	1,458,757	\$ 176,862	\$ -	1,635,619
Total capital assets being depreciated, net	4,905,128			4,728,266
Governmental activity capital assets, net	\$ 7,624,004			\$ 7,509,364

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

General Government	\$ 106,011
Public Safety	57,057
Transportation	4,718
Beach Renourishment & Recreational	9,076
Total Depreciation Expense	\$ 176,862

Business-type activities:

Water and Sewer Fund

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 140,296	\$ -	\$ -	\$ 140,296
Total capital assets not being depreciated	140,296	-	-	140,296
Capital assets being depreciated:				
Plant and Distribution systems	22,317,453	-	-	22,317,453
Infrastructure	184,028	-	-	184,028
Furniture & Maintenance Equipment	554,925	-	-	554,925
Vehicles	78,847	-	-	78,847
Total capital assets being depreciated	23,135,251	-	-	23,135,251
Less accumulated depreciation for:				
Plant and Distribution systems	5,003,149	446,349	-	5,449,498
Infrastructure	36,516	3,681	-	40,197
Furniture & Maintenance Equipment	303,269	48,635	-	351,904
Vehicles	78,847	-	-	78,847
Total accumulated depreciation	5,421,781	\$ 498,665	\$ -	5,920,446
Total capital assets being depreciated, net	17,713,470			17,214,805
Business-type activities capital assets, net	\$ 17,853,766			\$ 17,355,101

Commitments

The government has active projects/commitments as of June 30, 2016. At year-end, the government's commitments are as follows:

Project	Spent-to-date	Remaining Commitment
Parks Grant	\$6,044	\$360,044

B Liabilities

1 Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description - The Town of Holden Beach is a participating employer in the statewide Local Governmental Employees' Retirement System (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS 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 LERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided – LERS 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.

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

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Holden Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LERS Board of Trustees. The Town of Holden Beach's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% 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 \$85,145 for the year ended June 30, 2016.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LERS, 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 LERS.

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

At June 30, 2016, the Town reported a liability of \$100,575 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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 LERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.022%, which was an increase of .00022% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$50,660. At June 30, 2016, 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	\$ -	\$ 23,641
Changes of assumptions	-	-
Net difference between projected and actual earning on pension plan investments	-	28,633
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	13,969
Town contributions subsequent to the measurement date	85,145	-
Total	\$ 85,145	\$ 66,243

\$85,145 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (37,715)
2018	(37,715)
2019	(37,647)
2020	46,834
2021	-
Thereafter	-
Total	\$ (66,243)

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2015 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.25%)	Discount Rate 7.25%	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 701,324	\$ 100,575	\$ (405,542)

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

b. Law Enforcement Officers Special Separation Allowance

1 **Plan Description** - The Town of Holden Beach administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	-
Terminated plan members entitled to but no yet receiving benefits	-
Active Plan Members	8
Total	<u>8</u>

A separate report was not issued for the plan.

2 **Summary of Significant Accounting Policies:**

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments - No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3 **Contributions** - The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The Town of Holden Beach has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

c Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General

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

2 Other Employment Benefits

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

3 Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 85,145
Total	<u>\$ 85,145</u>

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

Taxes/Assessments Rec. (General & Special Revenue Funds)	\$ 101,155
Prepaid Taxes (General Fund)	18,008
Differences between expected and actual experience	23,641
Net difference between projected and actual earnings on pension plan investments	28,633
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,969
Total	<u>\$ 185,406</u>

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

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

The Town carries flood insurance through N.C. Farm Bureau Insurance. The Town has purchased commercial flood insurance for two structures, with \$153,300 coverage for one structure and \$500,000 in coverage for the second.

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

5 Claims, Judgments and Contingent Liabilities

As of June 30, 2016, the Town was not involved in any civil or legal actions which in the opinion of management and the Town's attorney would have an adverse or material effect on the Town's financial position.

6 Long-Term Obligations

Debt payable is summarized as follows:

Governmental Activities:

2.420% note, payable in annual installments of \$93,335, including interest, final payment due July 2024; secured by real estate	\$ 746,775
3.81% note, payable in annual installments of \$200,000, plus interest; final payment due March 2027; secured by real estate	2,191,954
Installment purchase, payable in annual installments of \$41,723, including interest, final payment due September 2016; secured by 3 Dodge vehicles	<u>39,774</u>
Total	\$ 2,978,503

Business-Type Activities:

3.79% note, payable in annual installments of \$459,885, including interest; final payment due November 2019; secured by real estate	\$ 1,702,960
3.79%, note, payable in annual installments of \$214,090, including interest; final payment due November 2019; secured by real estate	<u>793,122</u>
Total	\$ 2,496,082

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

Fiscal Year Ended	Governmental Activities			Business-type Activities			Total Debt	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2017	\$ 315,037	\$ 103,534	\$ 418,571	\$ 602,184	\$ 58,408	\$ 660,592	\$ 917,221	\$ 161,942
2018	277,084	92,144	369,228	616,275	44,317	660,592	893,359	136,461
2019	278,950	82,659	361,609	630,896	29,896	660,592	909,646	112,555
2020	280,860	73,128	353,988	646,927	13,667	660,594	927,787	86,795
2021	284,821	63,551	348,372	-	-	-	284,821	63,551
2022-2026	1,349,797	172,406	1,522,203	-	-	-	1,349,797	172,406
2027-2031	191,954	7,313	199,267	-	-	-	191,954	7,313
2032-2036	-	-	-	-	-	-	-	-
2037-2041	-	-	-	-	-	-	-	-
Total	\$ 2,978,503	\$ 594,735	\$ 3,573,238	\$ 2,496,082	\$ 146,288	\$ 2,642,370	\$ 5,474,585	\$ 741,023

D Net Investment in Capital Assets

	Governmental	Business-Type
Capital Assets	\$ 7,509,364	\$ 17,355,101
Less Long Term Debt	2,978,503	2,496,082
Net Investment in Capital Assets	<u>\$ 4,530,861</u>	<u>\$ 14,859,019</u>

E Fund Balance

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

Total fund balance-General Fund	<u>\$1,669,228</u>
Less:	
Inventories	-
Stabilization by State Statute	597,333
Street-Powell Bill	11,008
Appropriated Fund Balance in 2017 budget	378,849
Working Capital/Fund Balance Policy	<u>660,291</u>
Remaining Fund Balance	<u>21,748</u>

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

Jointly Governed Organization

The Town, in conjunction with twenty other local governments, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing boards. The Town paid membership fees of \$409 to the Council during the fiscal year ended June 30, 2016.

The Town, in conjunction with Brunswick County and six other municipalities was a member of the Brunswick Beaches Consortium (Consortium). The participating governments established the Consortium to plan and implement programs and projects directed toward preservation and maintenance of the ocean beaches. Each participating government appointed one representative to the policy board. The Town contributed \$0 to the Consortium during the fiscal year ended June 30, 2016.

Contracted Service Agreement

The Town has entered into a sewer service agreement with Brunswick County for the East/West Brunswick Regional Wastewater Project. The term of the agreement is from July 2002 for thirty (30) years or five years after the last maturity of the bonds issued to finance the project. Brunswick County has financed, constructed, and is operating a regional sewer system and the Town, which is using this system for transmission and treatment of the Town's sewage, has agreed to participate with the County in financing the project. The Town is responsible for assisting in paying for a portion of the operation and maintenance of the system, and the Town also has to pay its share of the financing costs the County incurred for construction. The total amounts that the Town is responsible for are approximately 22.43% of the County's 2004A Revenue Bond of \$31,540,000, 33.33% of the County's 2004 Revolving Loan of \$20,000,000, and 33.33% of the County's 2005 Revolving Loan of \$10,000,000. The Town also has to pay the same percentages of the interest on these debts. The payments made in the current year for the capital charges to Brunswick County totaled \$1,164,145. The subsequent years' payment will decrease gradually over the 25 year life span of the debt to a final payment of \$606,451 in 2029. The Town levies a capital charge to residents in order to fund the payments.

NOTE 4: Summary Disclosure of Significant Contingencies

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

NOTE 5: SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through November 30, 2016, the date the financial statements were available to be issued. On September 20, 2016, The Town authorized the issuance of \$12,000,000 in special obligation bonds.

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

Local Government Employees' Retirement System

	2016	2015	2014
Holden Beach's proportion of the net pension liability (asset) (%)	0.02241%	0.02219%	0.02290%
Holden Beach's proportion of the net pension liability (asset) (\$)	\$ 100,575	\$ (130,865)	\$ 276,033
Holden Beach's covered-employee payroll	\$ 1,169,403	\$ 1,122,226	\$ 1,113,573
Holden Beach's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.60%	-11.66%	24.79%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	94.35%	94.35%

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

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

Town of Holden Beach, North Carolina
 Town of Holden Beach's Contributions
 Required Supplementary Information
 Last Three Fiscal Years

Local Government Employees' Retirement System

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Holden Beach, North Carolina
General Fund
Comparative Balance Sheets
June 30, 2016 and June 30, 2015

	June 30, 2016	June 30, 2015
Assets		
Cash and cash equivalents	\$ 1,187,447	\$ 595,910
Taxes Receivable, net	57,047	121,615
Accounts Receivable, net	1,468	946
Due From Other funds	500,000	739,008
Due From Other Governments	97,315	96,773
Cash and cash equivalents, restricted	11,006	85,518
Total assets	\$ 1,854,283	\$ 1,639,770
Liabilities and fund balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 48,334	\$ 40,133
Due to Other Governments	-	-
Due to Other Funds	60,218	60,219
Total liabilities	\$ 108,552	\$ 100,352
Deferred Inflows of Resources		
Property Taxes & Assessments Receivable	\$ 58,497	\$ 122,561
Prepaid Taxes	18,008	18,005
Total Deferred Inflows of Resources	\$ 76,505	\$ 140,566
Fund balances:		
Restricted:		
Stabilization by State Statue	\$ 597,333	\$ 835,781
Streets - Powell Bill	11,006	85,518
Debt Covenant	-	-
Assigned:		
Assigned for General Government Debt	378,849	384,467
Assigned for Subsequent Year's Expenditures	-	-
Unassigned	682,038	93,086
Total fund balances	1,669,226	1,398,852
Total liabilities, deferred inflows of resources and fund balances	\$ 1,854,283	\$ 1,639,770

Town of Holden Beach, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2016
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	Final Budget	Actual		Actual
Revenues				
Ad Valorem taxes:				
Current year	\$ 1,748,488	\$ 1,779,610	\$ 31,122	\$ 1,539,225
Prior year	40,501	54,343	13,842	43,738
Penalties and interest	9,884	21,638	11,754	24,246
Total	<u>1,798,873</u>	<u>1,855,591</u>	<u>56,718</u>	<u>1,607,209</u>
Other taxes and licenses:				
Privilege license	750	-	(750)	802
Local option sales tax	131,081	151,810	20,729	143,958
Total	<u>131,831</u>	<u>151,810</u>	<u>19,979</u>	<u>144,760</u>
Unrestricted intergovernmental:				
Beer and Wine Tax	2,600	2,653	53	2,866
Telecommunications Tax	13,126	8,281	(4,845)	9,926
Franchise Tax	116,620	184,305	67,685	174,912
Video Program Tax	37,616	36,914	(702)	38,909
Sales Tax Refund	7,500	25,641	18,141	-
Total	<u>177,462</u>	<u>257,794</u>	<u>80,332</u>	<u>226,613</u>
Restricted intergovernmental revenues:				
Powell Bill allocation	35,000	35,038	38	34,976
Total	<u>35,000</u>	<u>35,038</u>	<u>38</u>	<u>34,976</u>
Permits and fees:				
Building permits	166,812	200,940	34,128	157,477
CAMA permits and reimbursements	7,745	7,120	(625)	8,154
Cable franchise fees	-	-	-	10,222
Other permits and fees	4,000	4,246	246	4,844
Total	<u>178,557</u>	<u>212,306</u>	<u>33,749</u>	<u>180,697</u>
Other Revenue:				
Investment earnings	500	49	(451)	-
Total	<u>500</u>	<u>49</u>	<u>(451)</u>	<u>-</u>
Sales and Services:				
Sales and services	13,888	12,628	(1,260)	10,652
Total	<u>13,888</u>	<u>12,628</u>	<u>(1,260)</u>	<u>10,652</u>
Miscellaneous:				
Other	39,000	46,400	7,400	6,021
Total	<u>39,000</u>	<u>46,400</u>	<u>7,400</u>	<u>6,021</u>
Total Revenues	<u>2,375,111</u>	<u>2,571,616</u>	<u>196,505</u>	<u>2,210,928</u>

Town of Holden Beach, North Carolina
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2016
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	Final Budget	Actual		Actual
Debt Service:				
Principal retirement	333,351	333,349	2	299,540
Interest and fees	102,425	102,424	1	125,730
Total debt service	<u>435,776</u>	<u>435,773</u>	<u>3</u>	<u>425,270</u>
Total expenditures	<u>2,641,162</u>	<u>2,523,521</u>	<u>117,641</u>	<u>2,445,375</u>
Revenues over (under) expenditures	<u>(266,051)</u>	<u>48,095</u>	<u>314,146</u>	<u>(234,447)</u>
Other financing sources (uses):				
Transfers from BPART Tax Fund	101,549	92,149	(9,400)	105,661
Transfers from Special Revenue Fund	35,049	-	(35,049)	1,094
Transfers (to) from Enterprise Fund	119,453	103,842	(15,611)	122,479
Transfers (to) from Special Revenue Fund	-	-	-	-
Transfers from USDA Loan	-	26,288	26,288	-
Sale of Capital Assets & Insurance Claim	5,000	-	(5,000)	55,635
Long-term debt issued	-	-	-	119,413
Fund Balance Appropriated	5,000	-	(5,000)	-
Total	<u>266,051</u>	<u>222,279</u>	<u>(43,772)</u>	<u>404,282</u>
Net change in fund balance	<u>\$ -</u>	<u>270,374</u>	<u>\$ 270,374</u>	<u>169,835</u>
Fund balance:				
Beginning of year, July 1		1,398,852		1,221,653
Prior Period Adjustment		-		7,364
End of year, June 30		<u>\$ 1,669,226</u>		<u>\$ 1,398,852</u>

Town of Holden Beach, North Carolina
Special Revenue Fund - BPART Tax Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	Final Budget	Actual		Actual
Revenues				
Occupancy tax receipts	\$ 1,713,129	\$ 1,783,709	\$ 70,580	\$ 1,794,076
FEMA grants & DENR	750,860	10,762	(740,098)	-
Investment earnings	5,000	3,946	(1,054)	1,985
Sales Tax Refund	1,500	8,759	7,259	-
Miscellaneous	22,000	115,211	93,211	30,100
Total	<u>2,492,489</u>	<u>1,922,387</u>	<u>(570,102)</u>	<u>1,826,161</u>
Expenditures				
Salaries and employee benefits	236,320	233,225	3,095	212,116
Operating Expenditures	1,555,497	1,020,916	534,581	425,615
FEMA Expenditures	447,960	-	447,960	-
Capital Outlay	62,500	62,222	278	163,682
Lockwood Folly Dredging & Beach Renourishment	633,353	396,043	237,310	12,015
County's share of occupancy tax	281,197	291,311	(10,114)	287,460
Total	<u>3,216,827</u>	<u>2,003,717</u>	<u>1,213,110</u>	<u>1,100,888</u>
Revenues over (under) expenditures	<u>(724,338)</u>	<u>(81,330)</u>	<u>643,008</u>	<u>725,273</u>
Other Financing Sources (Uses):				
Transfer (to) from General Fund	(101,549)	(92,149)	9,400	(105,661)
Transfer (to) from Water/Sewer Fund	-	-	-	-
Transfer (to) from Srf Canal Dredging	-	-	-	-
Fund balance appropriated	825,887	-	(825,887)	-
Total other financing sources (uses)	<u>724,338</u>	<u>(92,149)</u>	<u>(816,487)</u>	<u>(105,661)</u>
Net change in fund balance	<u>\$ -</u>	<u>(173,479)</u>	<u>\$ (173,479)</u>	<u>619,612</u>
Fund balance:				
Beginning of year, July 1		6,168,337		5,547,190
End of year, June 30		<u>\$ 5,994,858</u>		<u>\$ 6,168,337</u>

Town of Holden Beach, North Carolina
Canal Dredging Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2016

Exhibit B-4

	Final Budget	Prior Years	Actual Current Years	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Assessments HBH	\$ 111,650	\$ 552,023	\$ 99,884	\$ 651,907	\$ 540,257
Assessments HBH (Balance Forward)	347,119	92,792	-	92,792	(254,327)
Assessments HHC	67,345	393,579	53,929	447,508	380,163
Assessments HHC (Balance Forward)	105,357	15,458	-	15,458	(89,899)
Assessments HAC	-	1,087,030	-	1,087,030	1,087,030
Assessments HAC (Balance Forward)	-	120,990	-	120,990	120,990
Assessments Blockade Runner	-	23,044	-	23,044	23,044
Assessments HA	57,224	-	59,160	59,160	1,936
Assessments HA (Balance Forward)	705,829	-	-	-	(705,829)
Prior Year Assessments HBH	550	10,454	13,287	23,741	23,191
Prior Year Assessments HH	4,000	6,873	7,874	14,747	10,747
Prior Year Assessments HA	1,000	15,256	1,797	17,053	16,053
Interest -HBH	250	5,068	255	5,323	5,073
Interest -HH	150	3,633	441	4,074	3,924
Interest - HA	1,500	4,154	2,073	6,227	4,727
Miscellaneous revenue	-	4,701	6,572	11,273	11,273
Miscellaneous revenue	-	168,197	-	168,197	168,197
Total revenues	<u>1,401,974</u>	<u>2,503,252</u>	<u>245,272</u>	<u>2,748,524</u>	<u>1,346,550</u>
Expenditures:					
Holden Beach Harbor Project:					
Administration	-	13,546	-	13,546	(13,546)
Professional services	-	165,983	-	165,983	(165,983)
Construction	-	261,909	-	261,909	(261,909)
Administration	4,598	338	-	338	4,258
Professional services	50,552	32,863	-	32,863	17,689
Construction Management	392,832	76,087	-	76,087	316,845
Total Holden Beach Harbor Project	<u>448,080</u>	<u>550,728</u>	<u>-</u>	<u>550,728</u>	<u>(102,646)</u>
Heritage Harbor Canal Project:					
Administration	-	89	-	89	(89)
Professional services	-	120,798	-	120,798	(120,798)
Construction	-	255,363	-	255,363	(255,363)
Administration	1,769	338	43	381	1,388
Professional services	18,454	23,836	-	23,836	(4,382)
Construction	151,208	73,862	11,224	85,086	66,122
Total Heritage Harbor Canal Project	<u>172,431</u>	<u>474,264</u>	<u>11,287</u>	<u>485,531</u>	<u>(313,100)</u>
Harbor Acres Canal Project:					
Administration	-	193	-	193	(193)
Professional services	-	48,520	-	48,520	(48,520)
Construction	-	31,666	-	31,666	(31,666)
Administration	7,656	1,911	43	1,954	5,702
Professional services	64,211	57,865	-	57,865	26,346
Construction	654,547	405,262	5,707	410,989	243,578
Total Harbor Acres Canal Project	<u>746,414</u>	<u>545,417</u>	<u>5,750</u>	<u>551,167</u>	<u>195,247</u>
Blockade Runner Project:					
Administration	-	94	181	275	(275)
Professional services	-	15,800	-	15,800	(15,800)
Construction	-	40,915	9,722	50,637	(50,637)
Total Blockade Runner Project	<u>-</u>	<u>56,809</u>	<u>9,903</u>	<u>66,712</u>	<u>(66,712)</u>

Town of Holden Beach, North Carolina
 Canal Dredging Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Non-GAAP)
 From Inception and for the Fiscal Year Ended June 30, 2016

Exhibit B-4

	Final Budget	Prior Years	Actual Current Years	Total to Date	Variance Favorable (Unfavorable)
Debt Service	-	3,576	-	3,576	(3,576)
Total expenditures	<u>1,366,925</u>	<u>1,630,792</u>	<u>26,920</u>	<u>1,657,712</u>	<u>(290,787)</u>
Revenues Over (Under) Expenditures	<u>35,049</u>	<u>872,460</u>	<u>218,352</u>	<u>1,090,812</u>	<u>1,055,763</u>
Other Financing Sources (Uses):					
Transfer from General Fund	-	358,529	-	358,529	358,529
Transfer from Powell Bill to Blockade Runner	-	-	-	-	-
Transfer from General Fund	-	13,144	-	13,144	13,144
Transfer from Capital Project Funds	-	343,192	-	343,192	343,192
Transfer to Dredging Special Revenue	-	(343,192)	-	(343,192)	(343,192)
Transfer to General Fund	(35,049)	(15,740)	(26,288)	(42,028)	(6,979)
Appropriated fund balance	-	-	-	-	-
Total Other Financing Uses	<u>(35,049)</u>	<u>355,933</u>	<u>(26,288)</u>	<u>329,645</u>	<u>384,694</u>
Net change	<u>\$ -</u>	<u>\$ 1,228,393</u>	<u>\$ 192,064</u>	<u>\$ 1,420,457</u>	<u>\$ 1,420,457</u>

Town of Holden Beach, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget & Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2016
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	Final Budget	Actual		Actual
Revenues:				
Operating Revenues:				
Water and sewer charges	\$ 1,568,368	\$ 1,681,738	\$ 113,372	\$ 1,594,538
Tap and connection fees	49,171	90,407	41,236	63,425
Impact fees	30,000	55,126	25,126	35,740
Share fees	51,062	65,575	14,513	51,700
Other operating revenues	144,011	117,805	(26,206)	125,109
Total Operating Revenues	1,842,610	2,010,651	168,041	1,870,512
Nonoperating Revenues:				
Interest on Investments	1,500	206	(1,294)	184
Capital charges	1,552,471	1,607,107	54,636	1,618,023
Total Nonoperating Revenues	1,553,971	1,607,313	53,342	1,618,207
Total Revenues	3,396,581	3,617,964	221,383	3,488,719
Expenditures:				
Water & Sewer Administration:				
Salaries and employee benefits	53,974	54,610	(636)	43,621
Operating expenses	72,821	58,620	14,201	30,349
Total Administration	126,795	113,230	13,565	73,970
Operations:				
Salaries and Employee Benefits	212,221	209,068	3,153	187,117
Operating expenses	1,173,866	1,037,638	136,228	849,980
Capital Outlay	74,000	-	74,000	137,147
Total Operations	1,460,087	1,246,706	213,381	1,174,244
Non-Operating:				
City capital charges	1,164,146	1,164,145	1	1,167,493
Debt Service:				
Principal retirement	673,775	567,536	106,239	555,434
Interest and fees	-	68,106	(68,106)	107,817
Total Debt Service	673,775	635,642	38,133	663,251
Total Expenditures	3,424,803	3,159,723	265,080	3,078,958
Other Financing Sources (Uses):				
Transfer (to) from General Fund	(114,442)	(103,842)	10,600	(122,479)
Transfer (to) from BPART Fund	-	-	-	-
Sale of Fixed Assets	-	-	-	17,112
Appropriated fund balance	-	-	-	-
Total Other Sources (Uses)	(114,442)	(103,842)	10,600	(105,367)
Revenues and Other Sources over Expenditures and Other Financing Uses	\$ (142,664)	354,399	\$ 497,063	304,394
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Reconciling Items:				
Principal retirement		567,536		555,434
Capital Outlay		-		137,147
Deferred outflows of resources for contributions made to pension plan in current fiscal year		11,406		11,406
Pension Expense		(6,922)		(674)
Depreciation		(498,665)		(489,952)
Total Reconciling Items		73,355		213,361
Change in net position		\$ 427,754		\$ 517,755

Town of Holden Beach, North Carolina
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2016

Fiscal Year	Uncollected Balance 6/30/2015	Additions	Collections And Credits	Uncollected Balance 6/30/2016
2015-2016	\$ -	\$ 1,799,701	\$ 1,775,215	\$ 24,486
2014-2015	34,948	12	21,734	13,226
2013-2014	25,374	-	14,262	11,112
2012-2013	14,436	-	4,574	9,862
2011-2012	16,697	-	7,374	9,323
2010-2011	19,633	-	10,265	9,368
2009-2010	9,689	-	1,518	8,171
2008-2009	4,669	-	6	4,663
2007-2008	695	-	71	624
2006-2007	363	-	151	212
2005-2006	111	-	111	-
Totals	\$ 126,615	\$ 1,799,713	\$ 1,835,281	91,047

Less: Allowance for Uncollectible Accounts:
 General Fund 34,000

Ad valorem taxes receivable - net \$ 57,047

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 1,855,591
Reconciling items:	
Interest & Penalties Collected	(21,638)
Miscellaneous adjustments and releases	<u>1,328</u>
Subtotal	<u>(20,310)</u>
 Total collections and credits	 <u>\$ 1,835,281</u>

Town of Holden Beach, North Carolina
 Analysis of Current Tax Levy
 Town - Wide Levy
 For the Fiscal Year Ended June 30, 2016

Exhibit D-2

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy: Property taxed at current year's rate	\$ 1,199,800,667	0.150	\$ 1,799,701	\$1,780,816	\$ 18,885
Net levy			1,799,701	1,780,816	18,885
Uncollected taxes at June 30, 2016			\$ 24,486	\$ 24,486	\$ -
Current year's taxes collected			\$ 1,775,215	\$1,756,330	\$ 18,885
Current levy collection percentage			98.64%	98.63%	100.00%