



**TOWN OF HOLDEN BEACH  
AUDIT COMMITTEE MEETING  
HOLDEN BEACH TOWN HALL - PUBLIC ASSEMBLY  
MONDAY, OCTOBER 31, 2022 - 10:30 A.M.**

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1. Call to Order
2. Agenda Approval
3. Approval of Minutes
4. Public Comment
5. Discussion of Fiscal Year 2021 - 2022 External Audit Report with Representative of External Audit Firm
6. Discussion and Preparation of Audit Committee Report Message to the Board of Commissioners (To be presented at the November Board of Commissioners' meeting.)
7. Discussion of Templates Developed as Examples for Overview Reports (previous committee task) and Decision on Updating and Forwarding Example Templates to the Board of Commissioners for Their Consideration
8. Any Other Business
9. Adjournment



**TOWN OF HOLDEN BEACH  
AUDIT COMMITTEE  
THURSDAY, JULY 28, 2022 – 10:30 A.M.**

The Audit Committee of the Town of Holden Beach met on Thursday, July 28, 2022 at 10:30 a.m. in the Town Hall Public Assembly. Present were Members Commissioner Pat Kwiatkowski; Regular Members Mark Fleischhauer, Tony Chavonne and Jeanine Richman; Alternate Member Mike Felmlly; Town Manager David W. Hewett; and Town Clerk Heather Finnell. Regular Member Jeff Tansill was not able to attend.

Commissioner Kwiatkowski called the meeting to order.

**AGENDA APPROVAL**

Member Fleischhauer brought up the financial report template Member Chavonne was working on. Commissioner Kwiatkowski suggested adding the item to the next agenda.

*Motion by Member Fleischhauer for the agenda to be approved as presented; second by Member Chavonne; approved by unanimous vote.*

**APPROVAL OF MINUTES**

*Motion by Member Chavonne to approve (Minutes of April 1, 2022); second by Member Fleischhauer; approved by unanimous vote.*

**PUBLIC COMMENTS**

No comments were made.

**DISCUSSION OF ONGOING FISCAL YEAR 2021/2022 AUDIT WITH EXTERNAL  
AUDIT FIRM REPRESENTATIVE**

Town Manager Hewett introduced Elsa Watts from Martin Starnes and Associates. Ms. Watts provided a status update on the audit. They have a new system, PBC (Prepared by Client) this year. They are about 70% complete with the audit at this point. This year they also have the FEMA single audit. It has already been completed, with no findings. They also have a new reporting standard for GASB 87. She knows the Town contracted with Debt Book for that. That is one of the big pieces they are waiting on, but it is on the Debt Book side. Another major item is the LEO Report (Law Enforcement Officer Retirement) from Cavanaugh. Ms. Watts said they are scheduled to draft the financial statements next week. Overall, it has been a very smooth process.

Member Fleischhauer asked about the FEMA audit. Town Manager Hewett explained we follow the prescriptive in accordance with the uniform guidance, which has a protocol. It goes through the formal bid process. The Town doesn't work directly with FEMA. We work with the NC Department of Public Safety. Ms. Watts confirmed they review the information. Member Fleischhauer asked about the third-party finalization of the review. Ms. Watts said that has not been completed, that is the last part. She said they are wrapping up the review of the financial information this week. They will draft the financial report. That gets reviewed by the third party. That is an October timeframe for that. Commissioner Kwiatkowski inquired about the new system, PBC. Town Manager Hewett provided feedback. From the management perspective it gives a dashboard that is easy to see. Commissioner Kwiatkowski asked about ARP funding. Ms. Watts said it is a new fund this year so they tested the revenue side. There were no expenditures to test so it will not be part of the single audit process this year and it won't be reported on the schedule of expenditures. Member Richman asked if there are any concerns or red flags. Ms. Watts responded no. She thinks it is an accomplishment to be at 70% this early on after the fiscal year ends. If they can get the open items completed by next week, she thinks we will definitely be on track.

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

The next meeting date and timeline was discussed. The Committee agreed to meet at 10:30 a.m. on October 31<sup>st</sup>. The Board of Commissioners' meeting will be on November 15<sup>th</sup> at 5:00 p.m.

Town Manager Hewett provided his thoughts on the process and what the committee will see.

#### **ADJOURNMENT**

*Motion to adjourn at 11:02 a.m. by Member Fleischhauer; second by Member Chavonne; approved by unanimous vote.*

## MEMORANDUM

TO: Pat Kwiatkowski, David Hewett

FROM: Tony Chavonne

DATE: August 6, 2022

RE: Audit Committee Worksheets

Included you will find copies of the two documents that I developed a few years ago in an attempt to provide the Audit Committee tools to facilitate a broad overview of the Town's financial statements.

The two documents highlight:

- Statement of Funds – Fiscal Year Comparison This report summaries YTD Revenue and Expenses against the budget for the current year and the preceding year. Revenues and expenses are broken down by Fund. Major departments in each Fund are also shown.

The concept would be that this report provides a broad overview and a tool that the Audit Committee could identify any Revenues. Expenses or Funds that show material variances against the budget.

- Summary of Fund Balance Activity This report is a summary of each individual fund, again only a high-level view to identify any material variances for future discussion.

There was a third report that I was working on. It speaks to the question Pat asked about where the Town's finances are against the original budget. It is common for the budget to be adjusted during the year with the appropriate budget amendment process. I was hoping to develop a simple report that provided an historic report of the initial budget and any subsequent budget adjustments.

These reports were all completed in 2019 but could be rolled forward to current year as needed.

Please let me know if you have any questions.

**Town of Holden Beach**  
**Statement of Funds - Fiscal Year Comparison**  
**Thru 5/31 of Each Year (11 months)**

	Actual YTD '18-'19	Budget FE '18-'19	Actual to Budget	Actual YTD '17-'18	Budget FE '17-'18	Actual to Budget	% Compared to Same Time Last Year
<b>Revenue</b>							
10 - General Fund Revenue Totals	\$3,580,243.22	\$3,564,158.24	100.5%	\$3,378,919.26	\$3,378,711.00	100.0%	0.4%
20 - Capital Reserve Fund - Water Fund	11,976.00	173,790.00	6.9%	0.00	0.00	0.0%	6.9%
30 - Water/Sewer Fund	3,391,772.61	5,580,575.74	60.8%	3,616,170.64	5,423,804.00	66.7%	-5.9%
40 - Capital Reserve Fund - Sewer Fund	19,523.00	14,785.00	132.0%	0.00	0.00	0.0%	132.0%
50 - Beach Parks Access Recreation Tourism Fund	2,657,745.99	6,146,456.59	43.2%	3,642,615.24	9,097,981.00	40.0%	3.2%
60 - Canal Dredging Fund	2,616,740.33	2,551,479.00	102.6%	2,038,037.79	2,181,700.27	93.4%	9.1%
70 - Interest	0.00	0.06	0.0%	0.06	0.00	0.0%	0.0%
90 - Beach Renourish & Inlet Mgmt Cap Reserve Fund	<u>3,241,877.00</u>	<u>3,241,877.00</u>	<u>100.0%</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>	100.0%
Total Revenue	\$15,519,878.15	\$21,273,121.63	73.0%	\$12,675,742.99	\$20,082,196.27	63.1%	9.8%
<b>Expenditures</b>							
<b>10 - General Fund Expenses</b>							
Dept 0410 - Governing Body	1,215,712.05	1,268,242.12	95.9%	1,224,985.95	1,241,905.00	98.6%	-2.8%
Dept 0420 - Administrative Expenses	567,901.61	653,575.28	86.9%	548,331.54	634,143.00	86.5%	0.4%
Dept 0510 - Police Expense	725,441.65	847,574.28	85.6%	606,853.07	752,247.00	80.7%	4.9%
Dept 0540 - Planning & Inspections Expense	249,943.34	288,208.00	86.7%	248,443.03	278,586.00	89.2%	-2.5%
Dept 0570 - Streets Expense	177,471.55	370,075.00	48.0%	187,030.99	353,149.00	53.0%	-5.0%
Dept 0580 - Sanitation Expense	<u>101,293.07</u>	<u>136,483.56</u>	<u>74.2%</u>	<u>99,288.30</u>	<u>118,681.00</u>	<u>83.7%</u>	-9.4%
10 - General Fund Expenses	3,037,763.27	3,564,158.24	85.2%	2,914,932.88	3,378,711.00	86.3%	-1.0%
<b>20 - Capital Reserve Fund Water Expenses</b>							
Dept 0490 - Cap Res Misc Expense	<u>0.00</u>	<u>173,790.00</u>	<u>0.0%</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>	0.0%
20 - Capital Reserve Fund Water Expenses	0.00	173,790.00	0.0%	0.00	0.00	0.0%	0.0%
<b>30 - Water/Sewer Fund Expenses</b>							
Dept 0720 - Administrative Expense	112,864.92	131,217.00	86.0%	107,524.61	132,156.00	81.4%	4.7%
Dept 0810 - Operations Expense	<u>4,640,510.45</u>	<u>5,449,358.74</u>	<u>85.2%</u>	<u>3,286,377.06</u>	<u>5,291,648.00</u>	<u>62.1%</u>	23.1%
30 - Water/Sewer Fund Expenses	4,753,375.37	5,580,575.74	85.2%	3,393,901.67	5,423,804.00	62.6%	22.6%
<b>40 - Capital Reserve Fund Sewer Expense</b>							
Dept 0490 - Cap Res Miscellaneous Expense	<u>0.00</u>	<u>14,785.00</u>	<u>0.0%</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>	0.0%
40 - Capital Reserve Fund Sewer Expense	0.00	14,785.00	0.0%	0.00	0.00	0.0%	0.0%
<b>50 - Beach Parks Access Recreation Tourism Fund Expense</b>							
Dept 0401 - County Accom Tax Expense	321,073.62	315,000.00	101.9%	307,158.24	295,500.00	103.9%	-2.0%
Dept 0510 - Debt Service Central Reach	1,422,287.33	1,422,360.00	100.0%	1,448,084.00	1,448,520.00	100.0%	0.0%
Dept 0610 - Administrative	67,976.39	77,809.59	87.4%	58,699.10	66,030.00	88.9%	-1.5%
Dept -0710 - Operations	3,462,146.04	4,067,350.00	85.1%	545,816.06	1,076,098.00	50.7%	34.4%
Dept 0810 - Public Works	50,935.68	48,499.00	105.0%	116,038.29	6,056,371.00	1.9%	103.1%
Dept 0820 - Sanitation	71,170.95	85,000.00	83.7%	55,506.36	75,000.00	74.0%	9.7%
Dept 0830 - Police	71,046.05	82,338.00	86.3%	66,392.54	80,462.00	82.5%	3.8%
Dept 0840 - Beach Ranger	<u>29,481.77</u>	<u>48,100.00</u>	<u>61.3%</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>	61.3%
50 - Beach Parks Access Recreation Tourism Fund Expense	5,496,117.83	6,146,456.59	89.4%	2,597,694.59	9,097,981.00	28.6%	60.9%
<b>60 - Canal Dredging Fund Expense</b>							
Dept 0500 - Holden Beach Harbor	475,924.28	903,886.00	52.7%	18,451.00	763,891.00	2.4%	50.2%
Dept 0600 - Heritage Harbor	319,055.29	537,829.00	59.3%	14,851.00	400,493.00	3.7%	55.6%
Dept 0700 - Harbor Acres Expense	<u>215,089.63</u>	<u>1,109,764.00</u>	<u>19.4%</u>	<u>16,848.11</u>	<u>1,017,316.00</u>	<u>1.7%</u>	17.7%
60 - Canal Dredging Fund Expense	1,010,069.20	2,551,479.00	39.6%	50,150.11	2,181,700.00	2.3%	37.3%
<b>90 - Beach Renourish &amp; Inlet Mgmt Cap Reserve Fund</b>							
Dept 0490 Cap Res Misc Expenditures	<u>0.00</u>	<u>3,241,877.00</u>	<u>0.0%</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>	0.0%
90 - Beach Renourish & Inlet Mgmt Cap Reserve Fund	0.00	3,241,877.00	0.0%	0.00	0.00	0.0%	0.0%
Total Expenditures	\$14,297,325.67	\$21,273,121.57	67.2%	\$8,956,679.25	\$20,082,196.00	44.6%	22.6%
Net	<u>\$1,222,552.48</u>	<u>\$0.06</u>		<u>\$3,719,063.74</u>	<u>\$0.27</u>		

Summary of Fund Balance Activity  
6/30/2019

Fund	Actual YTD '18-'19	Budget FE '18-'19	Actual to Budget
<b><u>10 - General Fund</u></b>			
Revenue	\$3,793,529.93	\$3,564,158.24	6.44%
Expense	<u>\$3,320,062.12</u>	<u>\$3,564,158.24</u>	-6.85%
Net	\$473,467.81	\$0.00	
<b><u>20 - Capital Reserve Fund - Water Fund</u></b>			
Revenue	\$16,476.30	\$173,790.00	-90.52%
Expense	<u>\$0.00</u>	<u>\$173,790.00</u>	
Net	\$16,476.30	\$0.00	
<b><u>30 - Water/Sewer Fund</u></b>			
Revenue	\$3,544,226.00	\$5,580,575.74	-36.49%
Expense	<u>\$5,038,759.38</u>	<u>\$5,580,575.74</u>	-9.71%
Net	-\$1,494,533.38	\$0.00	
<b><u>40 - Capital Reserve Fund - Sewer Fund</u></b>			
Revenue	\$22,223.70	\$14,785.00	50.31%
Expense	<u>\$0.00</u>	<u>\$14,785.00</u>	
Net	\$22,223.70	\$0.00	
<b><u>50 - Beach Parks Access Recreation Tourism Fund</u></b>			
Revenue	\$2,802,469.38	\$6,434,751.59	-56.45%
Expense	<u>\$6,091,446.87</u>	<u>\$6,434,751.59</u>	-5.34%
Net	-\$3,288,977.49	\$0.00	
<b><u>60 - Canal Dredging Fund</u></b>			
Revenue	\$3,067,711.01	\$2,551,479.00	20.23%
Expense	<u>\$1,072,306.48</u>	<u>\$2,551,479.00</u>	-57.97%
Net	\$1,995,404.53	\$0.00	
<b><u>70 - Interest</u></b>			
Revenue	\$0.06	\$0.06	0.00%
Expense	<u>\$0.00</u>	<u>\$0.00</u>	
Net	\$0.06	\$0.06	
<b><u>90 - Beach Renourish &amp; Inlet Mgmt Cap Reserve Fund</u></b>			
Revenue	\$3,245,723.90	\$2,953,582.00	9.89%
Expense	<u>\$0.00</u>	<u>\$2,953,582.00</u>	
Net	\$3,245,723.90	\$0.00	
<b><u>All Funds</u></b>			
Revenue	<b>\$16,492,360.28</b>	<b>\$21,273,121.63</b>	<b>-22.47%</b>
Expense	<b>\$15,522,574.85</b>	<b>\$21,273,121.57</b>	<b>-27.03%</b>
Net	<b>\$969,785.43</b>	<b>\$0.06</b>	