

**TOWN OF HOLDEN BEACH
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

TOWN OF HOLDEN BEACH, NORTH CAROLINA

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Holden Beach, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Holden Beach's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Holden Beach, North Carolina, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and BPART Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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 the financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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 Town of Holden Beach's basic financial statements. The individual fund financial 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 financial 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. In our opinion, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2021, on our consideration of the Town of Holden Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Holden Beach's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Holden Beach's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 1, 2021

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Management's Discussion and Analysis

As management of the Town of Holden Beach, we offer readers of the Town of Holden Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Holden Beach for the fiscal year ended June 30, 2021. 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

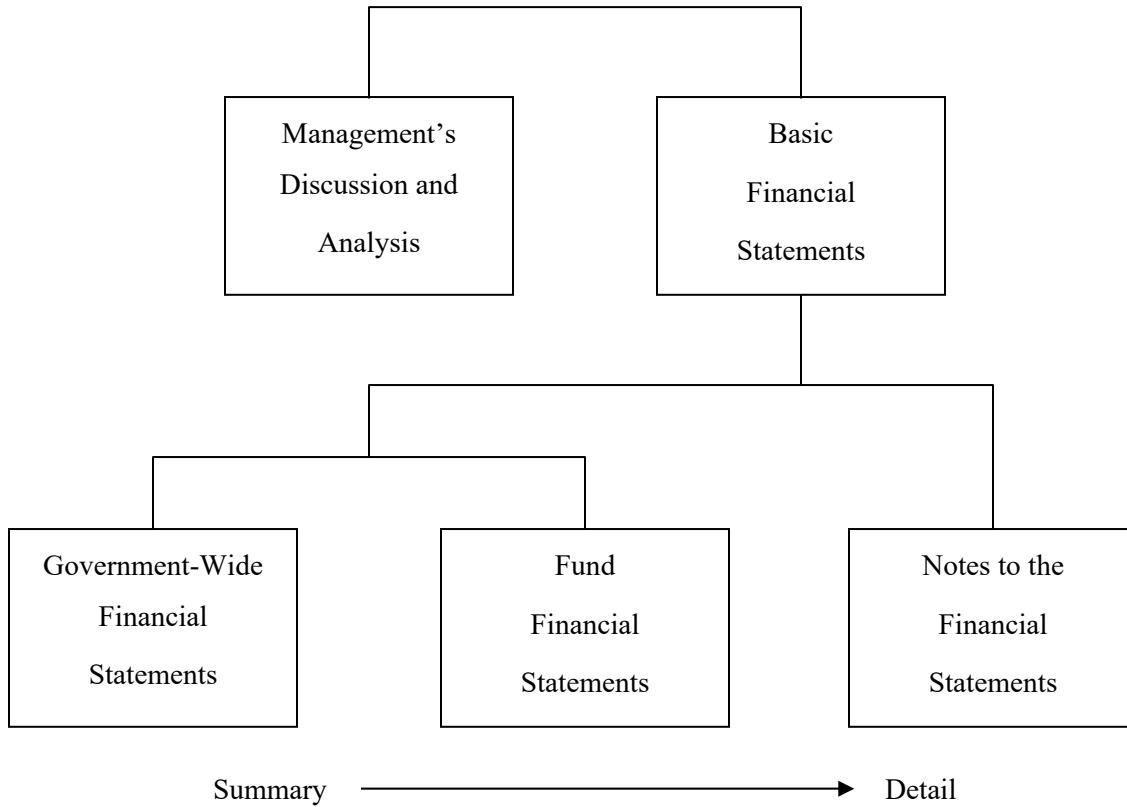
- The assets and deferred outflows of resources of the Town of Holden Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,125,393 (*net position*).
- The government's total net position increased by \$2,431,774, primarily due to an increase in the governmental activities of \$2,402,464 and increases in the business-type activities of \$29,310.
- As of the close of the current fiscal year, the Town of Holden Beach's governmental funds reported combined ending fund balances of \$13,867,944, an increase of \$959,559 in comparison with the prior year. Of this amount, \$2,814,661 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 \$3,038,385, or 98%, of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of the Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Government-Wide Financial Analysis

Town of Holden Beach's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets and Deferred						
Outflows of Resources:						
Current and other assets	\$ 14,129,175	\$ 13,156,468	\$ 1,896,059	\$ 3,075,203	\$ 16,025,234	\$ 16,231,671
Capital assets	7,462,664	7,289,635	19,548,968	18,250,030	27,011,632	25,539,665
Deferred outflows of resources	524,925	317,533	43,823	34,554	568,748	352,087
Total assets and deferred outflows of resources	<u>22,116,764</u>	<u>20,763,636</u>	<u>21,488,850</u>	<u>21,359,787</u>	<u>43,605,614</u>	<u>42,123,423</u>
Liabilities and Deferred						
Inflows of Resources:						
Long-term liabilities	8,081,875	9,145,644	573,417	428,435	8,655,292	9,574,079
Other liabilities	1,621,313	1,591,631	161,737	205,897	1,783,050	1,797,528
Deferred inflows of resources	39,774	55,023	2,105	3,174	41,879	58,197
Total liabilities and deferred inflows of resources	<u>9,742,962</u>	<u>10,792,298</u>	<u>737,259</u>	<u>637,506</u>	<u>10,480,221</u>	<u>11,429,804</u>
Net Position:						
Net investment in capital assets	6,270,710	5,897,682	18,926,974	17,815,412	25,197,684	23,713,094
Restricted- Stabilization by SS	1,220,106	712,689	-	-	1,220,106	712,689
Beach renourishment/beach inlet	7,203,079	5,599,869	-	-	7,203,079	5,599,869
Unrestricted	(2,320,093)	(2,238,901)	1,824,617	2,906,869	(495,476)	667,967
Total net position	<u>\$ 12,373,802</u>	<u>\$ 9,971,338</u>	<u>\$ 20,751,591</u>	<u>\$ 20,722,281</u>	<u>\$ 33,125,393</u>	<u>\$ 30,693,619</u>

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 \$33,125,393 as of June 30, 2021. The Town's net position increased by \$2,431,774 for the fiscal year ended June 30, 2021. The largest portion of net position (76%) reflects the Town's net investment in capital assets (e.g., land, construction in progress, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Holden Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for

future spending. Although the Town of Holden Beach’s net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Holden Beach’s net position, \$8,423,185 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(495,476) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.76% which approximates the statewide average in 2020 of 97.22%.
- Robust local construction economy increased building permit related revenues by 35% over prior year
- The COVID refugee syndrome saw large numbers of beach visitors abandoning the inner cities, working from home remotely and staying year round which in turn caused occupancy tax revenues to increase by a third above any other collection amount ever; eclipsing the \$3 million dollar mark for the first time.

Town of Holden Beach’s Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 432,296	\$ 371,321	\$ 2,108,844	\$ 2,132,709	\$ 2,541,140	\$ 2,504,030
Operating grants and contributions	527,769	373,553	18,838	-	546,607	373,553
Capital grants and contributions	66,406	-	1,208,292	1,629,266	1,274,698	1,629,266
General revenues:						
Property taxes	2,777,869	2,738,576	-	-	2,777,869	2,738,576
Other taxes	3,946,327	3,008,435	-	-	3,946,327	3,008,435
Other	83,987	248,147	1,271	33,254	85,258	281,401
Total revenues	<u>7,834,654</u>	<u>6,740,032</u>	<u>3,337,245</u>	<u>3,795,229</u>	<u>11,171,899</u>	<u>10,535,261</u>
Expenses:						
General government	876,650	951,050	-	-	876,650	951,050
Public safety	1,287,636	1,024,761	-	-	1,287,636	1,024,761
Transportation	358,106	236,625	-	-	358,106	236,625
Environmental protection	270,906	148,966	-	-	270,906	148,966
Beach nourishment	2,417,128	1,389,408	-	-	2,417,128	1,389,408
Interest on long-term debt	221,763	294,702	-	-	221,763	294,702
Water and sewer	-	-	3,307,935	3,215,673	3,307,935	3,215,673
Total expenses	<u>5,432,190</u>	<u>4,045,512</u>	<u>3,307,935</u>	<u>3,215,673</u>	<u>8,740,125</u>	<u>7,261,185</u>
Change in net position	2,402,464	2,694,520	29,310	579,557	2,431,774	3,274,076
Net Position:						
Beginning of year - July 1	<u>9,971,338</u>	<u>7,276,819</u>	<u>20,722,281</u>	<u>20,142,724</u>	<u>30,693,619</u>	<u>27,419,543</u>
End of year - June 30	<u>\$ 12,373,802</u>	<u>\$ 9,971,338</u>	<u>\$ 20,751,591</u>	<u>\$ 20,722,281</u>	<u>\$ 33,125,393</u>	<u>\$ 30,693,619</u>

Governmental Activities. Governmental activities increased the Town of Holden Beach's net position by \$2,402,464.

Business-Type Activities. Business-type activities increased the Town of Holden Beach's net position by \$29,310.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Holden Beach. At the end of the current fiscal year, available fund balance of the General Fund was \$3,538,385, while total fund balance was \$4,012,372. The governing body of the Town of Holden Beach has determined that the Town should maintain an available fund balance of 40% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 114% of General Fund expenditures, while total fund balance represents 129% of the same amount.

At June 30, 2021, the governmental funds of the Town of Holden Beach reported a combined fund balance of \$13,867,944 with an increase in fund balance of \$959,559.

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 20-21 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 \$1,824,617. The total change in net position in the Water and Sewer Fund was an increase of \$29,310. 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, 2021 totals \$27,011,632 (net of accumulated depreciation and amortization). These assets include buildings, land, improvements, equipment, water capacity, and construction in progress.

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

- Purchases of one BPART truck, one public works truck, four police vehicles and one Planning & Inspections SUV
- Lease purchase of a sewer vacor truck
- Upfit Improvements to Sewer Lift station #3
- Purchase and Installation of New generator at Town Hall
- Purchase of BPART “Gator” All Terrain Vehicle

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and construction in progress	\$ 2,648,983	\$ 2,648,983	\$ 475,231	\$ 1,121,067	\$ 3,124,214	\$ 3,770,050
Buildings and distribution systems	3,302,069	3,390,289	18,363,375	16,679,533	21,665,444	20,069,822
Improvements and infrastructure	1,047,210	1,071,433	125,424	129,105	1,172,634	1,200,538
Machinery and equipment	151,163	89,823	481,674	221,984	632,837	311,807
Vehicles	313,239	89,107	103,264	98,341	416,503	187,448
Total	<u>\$ 7,462,664</u>	<u>\$ 7,289,635</u>	<u>\$ 19,548,968</u>	<u>\$ 18,250,030</u>	<u>\$ 27,011,632</u>	<u>\$ 25,539,665</u>

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

Long-Term Debt. As of June 30, 2021, the Town of Holden Beach had total debt of \$10,100,771 (excluding compensated absences). There was a net decrease in total debt of \$875,865. The key factors of this decrease was the scheduled repayment of debt.

Town of Holden Beach’s Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct placement installment purchase	\$ 8,391,954	\$ 9,791,954	\$ -	\$ -	\$ 8,391,954	\$ 9,791,954
Direct Placement bond anticipation notes	-	-	351,801	434,618	351,801	434,618
Capital lease	-	-	270,193	-	270,193	-
Net pension liability (LGRS)	554,417	424,262	75,221	57,473	629,638	481,735
Net pension liability (LEO)	457,185	268,329	-	-	457,185	268,329
Compensated absences	104,426	81,465	24,468	25,548	128,894	107,013
Total	<u>\$ 9,507,982</u>	<u>\$ 10,566,010</u>	<u>\$ 721,683</u>	<u>\$ 517,639</u>	<u>\$ 10,229,665</u>	<u>\$ 11,083,649</u>

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Holden Beach is approximately \$99,650,863. There were no authorized bonds that had not been issued as of June 30, 2021.

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

Economic Factors and Next Year's Budgets and Rates

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

- Surprisingly enough the Global Pandemic of COVID 19 had an extremely positive impact on the local travel and tourism economy. For the first time ever Occupancy Tax collections exceeded \$3 million dollars – a whopping 36% increase over the previous fiscal year. Holden Beach became a destination for those seeking to escape the confines of larger cities with rental property tax revenue collections spreading into the traditionally off season months.
- Construction on the island saw continued growth with Building Inspections related revenue collections continuing to post strong numbers 65% above the FY 20/21 forecast estimates even with the lumber supply chain inflated costs issues of Spring 2021.
- Major state distributed revenues of sales tax and utilities franchise tax also exceeded budgeted expectations.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities. The Town's ad valorem tax rate for the fiscal year ending June 30, 2022 remains at 20 cents per one hundred dollars of valuation. Law Enforcement enhancements will be enabled by the filling of the two additional of two police officer positions funded in FY21; which in effect increases the Police Department's operations manpower by 25% in addition to the conversion of a previously part-time police administrative position to full time. An additional position to provide needed help for plan review and inspections has been added to the Development Services Department.

A major beach storm damage repair project is scheduled to be constructed during the winter of 21/22. This capital grant project is scoped to place approximately 1.5 million cubic yards along 4.1 miles of the Holden beach strand is funded by FEMA reimbursements up to \$46 million.

Business-Type Activities. Water and sewer revenues continue to trend upward (along with corresponding expenditures for consumption) with revenues exceeding 20% above budgeted amounts for the year ending 30 June 2021. Anecdotally this seems to track with the increase in visitors and accommodation revenues mentioned above. There is a wholesale rate adjustment forthcoming from the Town's water provider beginning in January 2022. It is assumed that this increase will be passed on to the Town's retail customers. Whether this increase is cause to drive a reduction in use will remain unknown until experienced. Having completed the second ("Lift Station #3") of three sewer lift station upfits in the spring of 2021 the Town will finish its sewer lift station rehabilitation program with the completion of its third lift station rehabilitation undertaking ("Lift Station #2") in Spring 2022. The Town intends to borrow approximately \$3 million to pay for the completion of the Sewer Lift Station upfits.

Requests for Information

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5,711,460	\$ 133,262	\$ 5,844,722
Taxes receivable, net	86,847	-	86,847
Accounts receivable, net	723,461	213,716	937,177
Due from other governments	272,932	126,913	399,845
Inventories	-	162,706	162,706
Deposit - interlocal agreement	1,358,206	-	1,358,206
Restricted cash	5,976,269	1,259,462	7,235,731
Total current assets	<u>14,129,175</u>	<u>1,896,059</u>	<u>16,025,234</u>
Non-current assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	2,648,983	475,231	3,124,214
Other capital assets, net of depreciation	4,813,681	19,073,737	23,887,418
Total capital assets	<u>7,462,664</u>	<u>19,548,968</u>	<u>27,011,632</u>
Total non-current assets	<u>7,462,664</u>	<u>19,548,968</u>	<u>27,011,632</u>
Total assets	<u>21,591,839</u>	<u>21,445,027</u>	<u>43,036,866</u>
Deferred Outflows of Resources:			
Pension deferrals	<u>524,925</u>	<u>43,823</u>	<u>568,748</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	83,274	13,471	96,745
Due to other governments	111,932	-	111,932
Current portion of compensated absences	26,107	6,117	32,224
Current portion of long-term liabilities	1,400,000	142,149	1,542,149
Total current liabilities	<u>1,621,313</u>	<u>161,737</u>	<u>1,783,050</u>
Long-term liabilities:			
Compensated absences	78,319	18,351	96,670
Net pension liability	554,417	75,221	629,638
Total pension liability	457,185	-	457,185
Due in more than one year	6,991,954	479,845	7,471,799
Total long-term liabilities	<u>8,081,875</u>	<u>573,417</u>	<u>8,655,292</u>
Total liabilities	<u>9,703,188</u>	<u>735,154</u>	<u>10,438,342</u>
Deferred Inflows of Resources:			
Pension deferrals	<u>39,774</u>	<u>2,105</u>	<u>41,879</u>
Net Position:			
Net investment in capital assets	6,270,710	18,926,974	25,197,684
Restricted for:			
Stabilization by state statute	1,220,106	-	1,220,106
Beach renourishment/beach inlet	7,203,079	-	7,203,079
Unrestricted	(2,320,093)	1,824,617	(495,476)
Total net position	<u>\$ 12,373,802</u>	<u>\$ 20,751,591</u>	<u>\$ 33,125,393</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 876,650	\$ 3,787	\$ -	\$ -
Public safety	1,287,636	376,080	13,897	-
Transportation	358,106	1,468	32,379	-
Environmental protection	270,906	50,961	-	-
Beach renourishment	2,417,128	-	481,493	66,406
Interest on long-term debt	221,763	-	-	-
Total governmental activities	<u>5,432,190</u>	<u>432,296</u>	<u>527,769</u>	<u>66,406</u>
Business-Type Activities:				
Water and sewer	<u>3,307,935</u>	<u>2,108,844</u>	<u>18,838</u>	<u>1,208,292</u>
Total primary government	<u>\$ 8,740,125</u>	<u>\$ 2,541,140</u>	<u>\$ 546,607</u>	<u>\$ 1,274,698</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (872,863)	\$ -	\$ (872,863)
Public safety	(897,659)	-	(897,659)
Transportation	(324,259)	-	(324,259)
Environmental protection	(219,945)	-	(219,945)
Beach renourishment	(1,869,229)	-	(1,869,229)
Interest on long-term debt	(221,763)	-	(221,763)
Total governmental activities	<u>(4,405,719)</u>	<u>-</u>	<u>(4,405,719)</u>
Business-Type Activities:			
Water and sewer	<u>-</u>	<u>28,039</u>	<u>28,039</u>
Total primary government	<u>(4,405,719)</u>	<u>28,039</u>	<u>(4,377,680)</u>
General Revenues:			
Taxes:			
Property taxes, levied for general purpose	2,777,869	-	2,777,869
Sales and use tax	229,565	-	229,565
Other taxes	3,716,762	-	3,716,762
Unrestricted investment earnings	16,863	1,271	18,134
Miscellaneous	67,124	-	67,124
Total general revenues	<u>6,808,183</u>	<u>1,271</u>	<u>6,809,454</u>
Change in net position	2,402,464	29,310	2,431,774
Net Position:			
Beginning of year, July 1	<u>9,971,338</u>	<u>20,722,281</u>	<u>30,693,619</u>
End of year - June 30	<u>\$ 12,373,802</u>	<u>\$ 20,751,591</u>	<u>\$ 33,125,393</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	Major Funds					
	Major Capital Project Funds					Total Governmental Funds
	General Fund	BPART Tax Fund	Canal Dredging Fund	FEMA Capital Project Fund	Beach Renourishment & Inlet Management Capital Reserve Fund	
Assets:						
Cash and cash equivalents	\$ 3,581,362	\$ -	\$ -	\$ -	\$ 2,130,098	\$ 5,711,460
Cash and cash equivalents, restricted	-	3,267,139	2,709,130	-	-	5,976,269
Taxes receivable, net	86,847	-	-	-	-	86,847
Accounts receivable, net	2,374	691,701	14,990	14,396	-	723,461
Deposit - interlocal government receivable	-	1,358,206	-	-	-	1,358,206
Due from other governments	247,900	24,757	275	-	-	272,932
Due from other funds	223,713	-	-	-	-	223,713
Total assets	<u>\$ 4,142,196</u>	<u>\$ 5,341,803</u>	<u>\$ 2,724,395</u>	<u>\$ 14,396</u>	<u>\$ 2,130,098</u>	<u>\$ 14,352,888</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 42,977	\$ 4,474	\$ -	\$ 11	\$ -	\$ 47,462
Due to other governments	-	111,932	-	-	-	111,932
Due to other funds	-	-	-	223,713	-	223,713
Total liabilities	<u>42,977</u>	<u>116,406</u>	<u>-</u>	<u>223,724</u>	<u>-</u>	<u>383,107</u>
Deferred Inflows of Resources:						
Assessments receivable	-	-	14,990	-	-	14,990
Property taxes receivable	86,847	-	-	-	-	86,847
Total deferred inflows of resources	<u>86,847</u>	<u>-</u>	<u>14,990</u>	<u>-</u>	<u>-</u>	<u>101,837</u>
Fund Balances:						
Restricted:						
Stabilization by state statute	473,987	716,458	15,265	14,396	-	1,220,106
Beach renourishment/beach inlet	-	4,508,939	2,694,140	-	-	7,203,079
Committed:						
Beach renourishment/beach inlet	-	-	-	-	2,130,098	2,130,098
Assigned:						
Subsequent year's expenditures	500,000	-	-	-	-	500,000
Unassigned	3,038,385	-	-	(223,724)	-	2,814,661
Total fund balances	<u>4,012,372</u>	<u>5,225,397</u>	<u>2,709,405</u>	<u>(209,328)</u>	<u>2,130,098</u>	<u>13,867,944</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,142,196</u>	<u>\$ 5,341,803</u>	<u>\$ 2,724,395</u>	<u>\$ 14,396</u>	<u>\$ 2,130,098</u>	<u>\$ 14,352,888</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balances, governmental funds	\$ 13,867,944
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Gross capital assets at historical cost	\$ 9,499,444
Accumulated depreciation	<u>(2,036,780)</u> 7,462,664
Deferred outflows of resources related to pensions are not reported in the funds.	524,925
Earned revenues considered deferred inflows of resources in fund statements	101,837
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).	(8,391,954)
Compensated absences	(104,426)
Net pension liability	(554,417)
Total pension liability	<u>(457,185)</u> (9,507,982)
Other long-term liabilities (accrued interest) are not due and payable in the current period and, therefore, are not reported in the funds.	(35,812)
Deferred inflows of resources related to pensions are not reported in the funds.	(15,557)
Deferred inflows of resources related to pensions are not reported in the funds - LEOSSA	<u>(24,217)</u>
Net position of governmental activities	<u>\$ 12,373,802</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Major Funds					Total Governmental Funds
	Major Capital Project Funds					
	General Fund	BPART Tax Fund	Canal Dredging Fund	FEMA Capital Project Fund	Beach Renourishment & Inlet Management Capital Reserve Fund	
Revenues:						
Ad valorem taxes	\$ 2,785,122	\$ -	\$ -	\$ -	\$ -	\$ 2,785,122
Other taxes and licenses	233,276	3,121,144	343,220	-	-	3,697,640
Unrestricted intergovernmental	254,336	-	-	-	-	254,336
Restricted intergovernmental	162,184	365,585	-	66,406	-	594,175
Permits and fees	367,932	-	-	-	-	367,932
Sales and service	64,364	-	-	-	-	64,364
Investment earnings	5,089	4,523	5,250	-	2,001	16,863
Miscellaneous	119	43,134	12,156	-	-	55,409
Total revenues	<u>3,872,422</u>	<u>3,534,386</u>	<u>360,626</u>	<u>66,406</u>	<u>2,001</u>	<u>7,835,841</u>
Expenditures:						
Current:						
General government	869,693	-	-	-	-	869,693
Public safety	1,360,198	-	-	-	-	1,360,198
Beach renourishment	-	2,094,681	45,281	275,734	-	2,415,696
Transportation	350,722	-	-	-	-	350,722
Environmental protection	267,816	-	-	-	-	267,816
Debt service:						
Principal	200,000	1,200,000	-	-	-	1,400,000
Interest	53,033	170,839	-	-	-	223,872
Total expenditures	<u>3,101,462</u>	<u>3,465,520</u>	<u>45,281</u>	<u>275,734</u>	<u>-</u>	<u>6,887,997</u>
Revenues over (under) expenditures	<u>770,960</u>	<u>68,866</u>	<u>315,345</u>	<u>(209,328)</u>	<u>2,001</u>	<u>947,844</u>
Other Financing Sources (Uses):						
Transfers from General Fund	-	1,473,190	-	-	107,888	1,581,078
Transfer to BPART Tax Fund	-	-	-	-	(1,473,190)	(1,473,190)
Transfer to Capital Reserve Fund	-	(107,888)	-	-	-	(107,888)
Sales of capital assets	11,715	-	-	-	-	11,715
Total other financing sources (uses)	<u>11,715</u>	<u>1,365,302</u>	<u>-</u>	<u>-</u>	<u>(1,365,302)</u>	<u>11,715</u>
Net change in fund balances	782,675	1,434,168	315,345	(209,328)	(1,363,301)	959,559
Fund Balances:						
Beginning of year - July 1	<u>3,229,697</u>	<u>3,791,229</u>	<u>2,394,060</u>	<u>-</u>	<u>3,493,399</u>	<u>12,908,385</u>
End of year - June 30	<u>\$ 4,012,372</u>	<u>\$ 5,225,397</u>	<u>\$ 2,709,405</u>	<u>\$ (209,328)</u>	<u>\$ 2,130,098</u>	<u>\$ 13,867,944</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds (Exhibit D)	\$	959,559
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$	359,249	
Depreciation expense for governmental assets		<u>(186,220)</u>	173,029

Pension expense - LGERS	(54,312)
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Pension expense - LEOSSA	(42,058)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items

Principal payments on long-term debt	1,400,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(22,961)	
Accrued interest	<u>2,109</u>	(20,852)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax and assessment revenues	<u>(12,902)</u>
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Change in net position in governmental activities per Exhibit B	<u>\$</u>	<u>2,402,464</u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund			Variance with Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 2,742,033	\$ 2,742,033	\$ 2,785,122	\$ 43,089
Other taxes and licenses	170,300	170,300	233,276	62,976
Unrestricted intergovernmental	285,100	285,100	254,336	(30,764)
Restricted intergovernmental	35,000	47,944	162,184	114,240
Permits and fees	227,029	266,718	367,932	101,214
Sales and services	57,156	74,887	64,364	(10,523)
Investment earnings	20,000	20,000	5,089	(14,911)
Miscellaneous	21,750	21,750	119	(21,631)
Total revenues	<u>3,558,368</u>	<u>3,628,732</u>	<u>3,872,422</u>	<u>243,690</u>
Expenditures:				
Current:				
General government	1,060,767	1,042,437	869,693	172,744
Public safety	1,525,104	1,573,318	1,360,198	213,120
Transportation	368,120	392,946	350,722	42,224
Environmental protection	156,454	439,711	267,816	171,895
Beach renourishment	-	-	-	-
Debt service:				
Principal	200,000	200,000	200,000	-
Interest	53,034	53,034	53,033	1
Total expenditures	<u>3,363,479</u>	<u>3,701,446</u>	<u>3,101,462</u>	<u>599,984</u>
Revenues over (under) expenditures	<u>194,889</u>	<u>(72,714)</u>	<u>770,960</u>	<u>843,674</u>
Other Financing Sources (Uses):				
Transfers from other funds	67,714	67,714	-	(67,714)
Transfers to other funds	(267,603)	-	-	-
Sale of capital assets	5,000	5,000	11,715	6,715
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>(194,889)</u>	<u>72,714</u>	<u>11,715</u>	<u>(60,999)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>782,675</u>	<u>\$ 782,675</u>
Fund Balance:				
Beginning of year - July 1			<u>3,229,697</u>	
End of year - June 30			<u>\$ 4,012,372</u>	

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	BPART Tax Fund			Variance with Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	1,132,092	3,031,212	3,121,144	89,932
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	7,626	365,585	357,959
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	42,047	42,047	4,523	(37,524)
Miscellaneous	24,050	130,050	43,134	(86,916)
Total revenues	<u>1,198,189</u>	<u>3,210,935</u>	<u>3,534,386</u>	<u>323,451</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Environmental protection	-	-	-	-
Beach renourishment	1,301,339	3,705,398	2,094,681	1,610,717
Debt service:				
Principal	1,200,000	1,200,000	1,200,000	-
Interest	170,040	170,839	170,839	-
Total expenditures	<u>2,671,379</u>	<u>5,076,237</u>	<u>3,465,520</u>	<u>1,610,717</u>
Revenues over (under) expenditures	<u>(1,473,190)</u>	<u>(1,865,302)</u>	<u>68,866</u>	<u>1,934,168</u>
Other Financing Sources (Uses):				
Transfers from other funds	1,473,190	1,473,190	1,473,190	-
Transfers to other funds	-	(107,888)	(107,888)	-
Sale of capital assets	-	-	-	-
Appropriated fund balance	-	500,000	-	(500,000)
Total other financing sources (uses)	<u>1,473,190</u>	<u>1,865,302</u>	<u>1,365,302</u>	<u>(500,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,434,168</u>	<u>\$ 1,434,168</u>
Fund Balance:				
Beginning of year - July 1			<u>3,791,229</u>	
End of year - June 30			<u>\$ 5,225,397</u>	

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021

	Major Enterprise Fund
	Water and Sewer Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 133,262
Accounts receivable - net	213,716
Due from other governments	126,913
Inventories	162,706
Cash and cash equivalents, restricted	<u>1,259,462</u>
Total current assets	<u>1,896,059</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	475,231
Other capital assets, net of depreciation	<u>19,073,737</u>
Total capital assets	<u>19,548,968</u>
Total non-current assets	<u>19,548,968</u>
Total assets	<u>21,445,027</u>
Deferred Outflows of Resources:	
Pension deferrals	<u>43,823</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	13,471
Current portion of compensated absences	6,117
Current portion of capital lease	57,328
Current portion of long-term debt	<u>84,821</u>
Total current liabilities	<u>161,737</u>
Non-current liabilities:	
Compensated absences	18,351
Net pension liability	75,221
Capital lease	212,865
Non-current portion of long-term debt	<u>266,980</u>
Total non-current liabilities	<u>573,417</u>
Total liabilities	<u>735,154</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>2,105</u>
Net Position:	
Net investment in capital assets	18,926,974
Unrestricted	<u>1,824,617</u>
Total net position	<u>\$ 20,751,591</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Major Enterprise Fund
	Water and Sewer Fund
Operating Revenues:	
Charges for services	\$ 1,893,652
Taps and connection fees	95,200
Other operating revenues	119,992
Total operating revenues	<u>2,108,844</u>
Operating Expenses:	
General operations	203,563
Water and sewer operations	1,402,549
Depreciation	564,067
Total operating expenses	<u>2,170,179</u>
Operating income (loss)	<u>(61,335)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	1,271
Capital charges	1,208,292
County capital charges	(1,127,038)
Interest and other charges	(10,718)
FEMA reimbursements	18,838
Total non-operating revenues (expenses)	<u>90,645</u>
Change in net position	29,310
Net Position:	
Beginning of year - July 1	<u>20,722,281</u>
End of year - June 30	<u>\$ 20,751,591</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Major Enterprise Fund Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,992,096
Cash paid for goods and services	(1,387,060)
Cash paid to or on behalf of employees for services	(318,242)
Other operating revenues	<u>119,992</u>
Net cash provided by (used) operating activities	<u>406,786</u>
Cash Flows from Non-Capital Financing Activities:	
Capital charges paid	(1,127,038)
Capital charges received from customers	<u>1,208,292</u>
Net cash provided (used) by non-capital financing activities	<u>81,254</u>
Cash Flows from Capital and Related Financing Activities:	
Principal paid on bonds/loans	(117,817)
Interest paid on bonds/loans	(10,718)
Proceeds from FEMA	18,838
Capital lease proceeds	305,193
Acquisition and construction of capital assets	<u>(1,863,005)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,667,509)</u>
Cash Flows from Investing Activities:	
Investment earnings	<u>1,271</u>
Net cash provided (used) by investing activities	<u>1,271</u>
Net increase (decrease) in cash and cash equivalents	(1,178,198)
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>2,570,922</u>
End of year - June 30	<u>\$ 1,392,724</u>

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Major Enterprise Fund <hr/> Water and Sewer Fund <hr/>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (61,335)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	564,067
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	3,244
Decrease (increase) in due from other governments	(17,557)
Increase (decrease) in net pension liability	17,748
Increase (decrease) in accounts payable and accrued liabilities	(103,222)
Increase (decrease) in inventories	15,259
Increase (decrease) in accrued vacation	(1,080)
(Increase) decrease in deferred outflows of resources for pensions	(9,269)
Increase (decrease) in deferred inflows of resources for pensions	(1,069)
Total adjustments	<u>468,121</u>
Net cash provided (used) by operating activities	<u>\$ 406,786</u>

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

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TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The Town reports the following major governmental funds:

Governmental Funds

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

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

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

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

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

D. Budgetary Data

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

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

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

Deposits and Investments

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

State law [G.S. 159-30(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 majority of the Town's investments are carried at fair value. Non-participating interest earning investment contracts are account for at cost.

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Cash and Cash Equivalents

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

Restricted Assets

Cash and investments are restricted in the BPART Tax Fund and in the Canal Dredging Fund for beach renourishment, and in the Enterprise Fund for the sewer capital fees.

	<u>Amount</u>
Governmental Activities:	
BPART Tax Fund:	
Beach renourishment	\$ 3,267,139
Canal Dredging Fund:	
Beach renourishment	<u>2,709,130</u>
Total governmental activities	<u>\$ 5,976,269</u>
Business-Type Activities:	
Water and Sewer Fund:	
Sewer capital fees	<u>\$ 1,259,462</u>
Total business-type activities	<u>\$ 1,259,462</u>

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

Allowance for Doubtful Accounts

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

Inventory

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Capital Assets

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

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

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

Deferred Outflows/Inflows of Resources

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Long-Term Obligations

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

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

Compensated Absences

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

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

Net Position/Fund Balances

Net Position

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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

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

F. Defined Benefit Cost Sharing Plans

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

G. Revenues, Expenditures, and Expenses

Use of Estimates

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

2. Detail Notes on All Funds

A. Assets

Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$9,706,605 and a bank balance of \$9,971,993. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by the Dedicated Method and monitored by the State Treasurer. At June 30, 2021, the Town's petty cash totaled \$100.

Investments

As of June 30, 2021, the Town has the following investments and maturities:

<u>Investment Type</u>	<u>Measurement Method</u>	<u>Book Value at 6/30/21</u>	<u>Less than 6 months</u>	<u>1-3 Years</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$ 3,373,748</u>	<u>\$ 3,373,748</u>	<u>\$ -</u>

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

Credit Risk. The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's and AAA-mf by Moody's Investors Service as of June 30, 2021.

Receivables

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021, are net of the following allowances for doubtful accounts:

	Taxes	Accounts	Due from Other Governments	Total
Governmental Activities:				
General Fund	\$ 93,154	\$ 4,737	\$ 247,900	\$ 345,791
BPART Tax Fund	-	691,701	24,757	716,458
FEMA Capital Project Fund	-	14,396	-	14,396
Canal Dredging Fund	-	14,990	275	15,265
Allowance for doubtful accounts	(6,307)	(2,363)	-	(8,670)
Total governmental activities	\$ 86,847	\$ 723,461	\$ 272,932	\$ 1,083,240
Business-Type Activities:				
Water and Sewer Fund:				
Total receivables	\$ -	\$ 213,808	\$ 126,913	\$ 340,721
Allowance for doubtful accounts	-	(92)	-	(92)
Total business-type activities	\$ -	\$ 213,716	\$ 126,913	\$ 340,629

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

Local option sales tax	\$ 53,848
Sales tax	213,563
Franchise tax	42,218
Other governments	90,216
Total	\$ 399,845

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Capital Assets

Governmental Capital Assets

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

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 2,648,983	\$ -	\$ -	\$ -	\$ 2,648,983
Total non-depreciable capital assets	<u>2,648,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,648,983</u>
Depreciable Assets:					
Buildings and structures	4,410,987	-	-	-	4,410,987
Other improvements and infrastructure	1,211,145	-	-	-	1,211,145
Equipment	343,976	84,288	-	-	428,264
Vehicles	557,053	274,961	31,949	-	800,065
Total depreciable assets	<u>6,523,161</u>	<u>359,249</u>	<u>31,949</u>	<u>-</u>	<u>6,850,461</u>
Less Accumulated Depreciation:					
Buildings and structures	1,020,698	88,220	-	-	1,108,918
Other improvements and infrastructure	139,712	24,223	-	-	163,935
Equipment	254,153	22,948	-	-	277,101
Vehicles	467,946	50,829	31,949	-	486,826
Total accumulated depreciation	<u>1,882,509</u>	<u>\$ 186,220</u>	<u>\$ 31,949</u>	<u>\$ -</u>	<u>2,036,780</u>
Total depreciable capital assets, net	<u>4,640,652</u>				<u>4,813,681</u>
Governmental activities capital assets, net	<u>\$ 7,289,635</u>				<u>\$ 7,462,664</u>

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

General government	\$ 97,188
Public safety	45,441
Transportation	3,520
Beach renourishment & recreational	40,071
Total	<u>\$ 186,220</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2021, are as follows:

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Water and Sewer Fund:					
Non-Depreciable Assets:					
Land	\$ 475,231	\$ -	\$ -	\$ -	\$ 475,231
Construction in progress	645,836	1,527,814	-	(2,173,650)	-
Total non-depreciable assets	<u>1,121,067</u>	<u>1,527,814</u>	<u>-</u>	<u>(2,173,650)</u>	<u>475,231</u>
Depreciable Assets:					
Plant and distribution systems	23,947,017	-	-	2,173,650	26,120,667
Infrastructure	184,026	-	-	-	184,026
Furniture and maintenance equipment	758,344	305,193	253,806	-	809,731
Vehicles	187,381	29,998	-	-	217,379
Total depreciable capital assets	<u>25,076,768</u>	<u>335,191</u>	<u>253,806</u>	<u>2,173,650</u>	<u>27,331,803</u>
Less Accumulated Depreciation:					
Plant and distribution systems	7,267,484	489,808	-	-	7,757,292
Infrastructure	54,921	3,681	-	-	58,602
Furniture and maintenance equipment	536,360	45,503	253,806	-	328,057
Vehicles	89,040	25,075	-	-	114,115
Total accumulated depreciation	<u>7,947,805</u>	<u>\$ 564,067</u>	<u>\$ 253,806</u>	<u>\$ -</u>	<u>8,258,066</u>
Total depreciable capital assets, net	<u>17,128,963</u>				<u>19,073,737</u>
Total business-type activities capital assets, net	<u>\$ 18,250,030</u>				<u>\$ 19,548,968</u>

Liabilities

Accounts payable and accrued liabilities are composed of the following amounts at June 30, 2021:

	<u>Vendors</u>	<u>Interest</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities	<u>\$ 38,442</u>	<u>\$ 35,812</u>	<u>\$ 9,020</u>	<u>\$ 83,274</u>
Business-Type Activities:				
Water and Sewer Fund	<u>\$ 1,308</u>	<u>\$ 12,163</u>	<u>\$ -</u>	<u>\$ 13,471</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Pension Plan and Post-Employment Obligations

Local Governmental Employees' Retirement System

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

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Holden Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Holden Beach's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% 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 \$147,789 for the year ended June 30, 2021.

Refunds of Contributions. Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2021, the Town reported a liability of \$629,638 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions.

The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.01762%, which was a decrease of 0.00002% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$209,506. At June 30, 2021, 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	\$ 79,512	\$ -
Changes of assumptions	46,857	-
Net difference between projected and actual earnings on pension plan investments	88,604	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,627	17,662
Contributions subsequent to the measurement date	147,789	-
Total	\$ 367,389	\$ 17,662

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

\$147,789 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2022	\$ 55,312
2023	75,042
2024	45,366
2025	26,218
Thereafter	-
Total	<u>\$ 201,938</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.5 percent to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation, with the exception of the discount rate, were based on the results of an actuarial experience study, for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 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 7.00%. 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 Liability to Changes in the Discount Rate. The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,277,466	\$ 629,638	\$ 91,247

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

Law Enforcement Officers’ Special Separation Allowance

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance’s membership consisted of:

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

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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

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

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

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

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The Town’s obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$13,185 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$457,185. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$54,881.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,850	\$ 15,961
Changes of assumptions and other inputs	129,841	8,256
Town benefit payments and plan administrative expense made subsequent to the measurement date	6,668	-
Total	<u>\$ 201,359</u>	<u>\$ 24,217</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

\$6,668 paid as benefits came due and administrative expenses incurred subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
June 30	
2022	\$ 30,665
2023	30,665
2024	28,214
2025	27,980
Thereafter	<u>52,950</u>
Total	<u>\$ 170,474</u>

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.93 percent) or 1-percentage point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	<u>\$ 509,042</u>	<u>\$ 457,185</u>	<u>\$ 410,125</u>

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

	2021
Beginning balance	\$ 268,329
Service cost	15,683
Interest on the total pension liability	8,533
Differences between expected and actual experience in the measurement of the total pension liability	44,417
Changes of assumptions or other inputs	133,408
Benefit payments	<u>(13,185)</u>
Ending balance of the total pension liability	<u>\$ 457,185</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 209,506	\$ 54,881	\$ 264,387
Pension liability	629,638	457,185	1,086,823
Proportionate share of the net pension liability	0.01762%	n/a	-

Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 79,512	\$ 64,850	\$ 144,362
Changes of assumptions	46,857	129,841	176,698
Net difference between projected and actual earnings on plan investments	88,604	-	88,604
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,627	-	4,627
Benefit payments and administrative costs paid subsequent to the measurement date	147,789	6,668	154,457
Total deferred outflows of resources	\$ 367,389	\$ 201,359	\$ 568,748

Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 15,961	\$ 15,961
Changes of assumptions	-	8,256	8,256
Changes in proportion and differences between Town contributions and proportionate share of contributions	17,662	-	17,662
Total deferred inflows of resources	\$ 17,662	\$ 24,217	\$ 41,879

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent (5%) of each officer’s salary, and all amounts are vested immediately. Law enforcement officers may also make voluntary contributions to the Plan. Contributions for the year ended June 30, 2021 were \$30,074, which consisted of \$22,909 from the Town and \$7,165 from the law enforcement officers.

Other Employment Benefits

Death Benefit Plan

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in the current year	\$ 147,789
Pension deferrals - LGERS	219,600
Pension deferrals - LEOSSA	201,359
Total	\$ 568,748

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

Source	General Fund Balance Sheet	Statement of Net Position
Pension deferrals - LGERS	\$ -	\$ 17,662
Pension deferrals - LEOSSA	-	24,217
Assessments receivable	14,990	-
Property taxes receivable	86,847	-
Total	\$ 101,837	\$ 41,879

Risk Management

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

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 all bonded \$50,000 each through a commercial surety bond. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

Claims, Judgments, and Contingent Liabilities

At June 30, 2021, the Town was not involved in any civil or legal actions which in the opinion of the Town's management and the Town's attorney would have an adverse or material effect on the Town's financial position.

Long-Term Obligations

Installment Notes Payable

Governmental Activities:

3.81% direct placement note, payable in annual installments of \$200,000,
plus interest; final payment due March 2027; secured by real estate \$ 1,191,954

2.18% direct placement note, payable in annual installments of
\$1,200,000, plus interest; final payment due October 2026; secured
by pledged sources 7,200,000

Total governmental activities notes payable \$ 8,391,954

Business-Type Activities:

Water and Sewer Fund:

2.420% direct placement note, payable in annual installments of
\$93,335 including interest; final payment due July 2024; secured by
real estate \$ 351,801

Total business-type activities notes payable \$ 351,801

The Town's outstanding note from direct placements related to governmental activities of \$1,191,954 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

The Town's outstanding note from direct placements related to governmental activities of \$7,200,000 is secured by pledged sources. Upon default, interest shall accrue at the default rate specified in the debt agreement and principal of and interest on this note shall be payable in immediately available funds.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The Town's outstanding note from direct placements related to business-type activities of \$351,801 is secured by real estate. Upon default, the bank shall proceed by appropriate court action and take possession of the mortgaged property.

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

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 1,400,000	\$ 189,293	\$ 1,589,293	\$ 84,821	\$ 8,513	\$ 93,334
2023	1,400,000	155,513	1,555,513	86,874	6,460	93,334
2024	1,400,000	121,733	1,521,733	88,976	4,358	93,334
2025	1,400,000	87,953	1,487,953	91,130	2,505	93,635
2026	1,400,000	54,173	1,454,173	-	-	-
2027	1,391,954	20,393	1,412,347	-	-	-
Total	<u>\$ 8,391,954</u>	<u>\$ 629,058</u>	<u>\$ 9,021,012</u>	<u>\$ 351,801</u>	<u>\$ 21,836</u>	<u>\$ 373,637</u>

At June 30, 2021, the Town had a legal debt margin of approximately \$99,650,863. There were no authorized bonds that had not been issued as of June 30, 2021.

Capital Leases

The Town has entered into an agreement to lease a certain vehicle. The lease agreement qualifies as capital leases for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

Class of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicle	\$ 305,193	\$ 7,630	\$ 297,563

For the Town, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

Year Ending June 30	Business-Type Activities
2022	\$ 57,328
2023	57,328
2024	57,328
2025	57,328
2026	57,328
Total minimum lease payments	286,640
Less amount representing interest	16,447
Present value of the minimum lease payments	<u>\$ 270,193</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	<u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>	<u>Current Portion of Balance</u>
Governmental Activities:					
Direct placement notes payable	\$ 9,791,954	\$ -	\$ (1,400,000)	\$ 8,391,954	\$ 1,400,000
Net pension liability (LGERS)	424,262	130,155	-	554,417	-
Total pension liability (LEOSSA)	268,329	188,856	-	457,185	-
Compensated absences	81,465	53,999	(31,038)	104,426	26,107
Governmental activities long-term liabilities	<u>\$ 10,566,010</u>	<u>\$ 373,010</u>	<u>\$ (1,431,038)</u>	<u>\$ 9,507,982</u>	<u>\$ 1,426,107</u>
Business-Type Activities:					
Water and Sewer Fund:					
Direct placement notes payable	\$ 434,618	\$ -	\$ (82,817)	\$ 351,801	\$ 84,821
Capital lease	-	305,193	(35,000)	270,193	57,328
Net pension liability (LGERS)	57,473	17,748	-	75,221	-
Compensated absences	25,548	25,411	(26,491)	24,468	6,117
Business-Type long-term liabilities	<u>\$ 517,639</u>	<u>\$ 348,352</u>	<u>\$ (144,308)</u>	<u>\$ 721,683</u>	<u>\$ 148,266</u>

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

Interfund Balances and Activity

Due to/Due From Other Funds

Due to/from other funds as of June 30, 2021 consist of the following:

Due from FEMA Capital Project Fund to General Fund for a cash advance of grants receivable	\$223,713
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Transfers to/from Other Funds

Transfers to/from other funds for the year ended June 30, 2021 consist of the following:

From Beach Renourishment & Inlet Management CRF to BPART Fund in order to provide partial funding for Lockwood Folly Inlet Crossing Navigation Maintenance Dredge	\$ 1,473,190
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Transfer from BPART Fund to Beach Renourishment & Inlet Management CRF	107,888
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TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Net Investment in Capital Assets

	Governmental Activities	Business-Type Activities
Capital assets	\$ 7,462,664	\$ 19,548,968
Less: Long-term debt	(8,391,954)	(621,994)
(add back debt not related to capital assets)	7,200,000	-
Net investment in capital assets	<u>\$ 6,270,710</u>	<u>\$ 18,926,974</u>

Fund Balance

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

Total fund balance - General Fund	\$ 4,012,372
Less:	
Stabilization by state statute	473,987
Appropriated fund balance in 2021 budget	500,000
Remaining fund balance	<u>\$ 3,038,385</u>

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

3. Jointly Governed Organization

The Town, in conjunction with other local governments, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing boards. The Town paid memberships fees of \$417 to the Council during the fiscal year ended June 30, 2021.

4. Contracted Service Agreement

The Town is party to a sewer service agreement with Brunswick County for the East/West Brunswick Regional Wastewater Project. The term of the agreement is from July 2002 for thirty (30) years or five years after the last maturity of the bonds issued to finance the project. Brunswick County has financed, constructed, and is operating a regional sewer system and the Town, which is using this system for transmission and treatment of the Town's sewage, has agreed to participate with the County in financing the capital and operating costs of the project. The Town is responsible for assisting in paying for a portion of the operation and maintenance of the system based on its consumption, and the Town also has to pay its pro rata share of the financing of capital costs the County incurred for construction. The total amounts that the Town is responsible for are approximately 22.43% of the County's 2004A Revenue Bond of \$31,540,000, 33.33% of the County's 2005 Revolving Loan of \$10,000,000. The Town also has to pay the same percentages of the interest on these debts. The notes payable amount to

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Brunswick County in the year ending 30 June 2021 was \$1,144,390. The subsequent years' payment will decrease gradually over the 25-year life span of the debt to a final payment of \$606,541 in 2029. The Town levies a capital charge authorized by special legislation to residents in order to fund the payments. Brunswick County is in the process of revising its costing methodologies for adding additional wholesale customers to the Regional Sewer System in addition to revising the provision of services to its wholesale customers.

5. Interlocal Agreement with Brunswick County

The Town entered into an interlocal agreement with Brunswick County to assist in financing a beach renourishment project; aka "Central Reach Project". The Town borrowed \$12,000,000 to finance the project. Per the agreement, the Town was required to write a check to the County for the largest debt service payment required over the subsequent 10 years of the loan. In each fiscal year that the special obligation bonds are outstanding, the County will include in its budget and agrees to appropriate the total amount of debt service due in each fiscal year. On each date that debt service is due on the special obligation bonds, the County agrees to pay the Town the amount of debt service due on the special obligation bonds. The Town expects to make the payment of debt service due on special obligations binds from its other available funds and, to the extent that it does, the County will not be required to make any payment to the Town of such date. The County is only required to make its payment on or after any date the payment of debt service on the special obligation bonds is due if the Town has not made a payment. The Town remitted \$1,461,600 to the County on October 20, 2016, and this payment is reflected on the general ledger as a Deposit – Brunswick County Interlocal Agreement. At the end of each fiscal year, the County will remit back to the Town any amount in its Reserve Fund in excess of the remaining maximum annual debt service on the special obligation bonds. The balance of the deposit was \$1,358,206 at June 30, 2021.

6. Summary Disclosure of Significant Contingencies

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

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.

7. Significant Effects of Subsequent Events

On July 16, 2021, the Town of Holden Beach issued special obligation bonds in the amount of \$27,628,909 for FEMA beach nourishment projects.

TOWN OF HOLDEN BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

On August 17, 2021, the Town of Holden Beach's Board approved authorizing the negotiation of an installment financing contract in the amount of \$8,500,000 to finance a utilities project and the acquisition of pier property.

The Town of Holden Beach was awarded \$210,000 from the Federal American Rescue Plan (ARP). Subsequent to year end the Town of Holden Beach received \$105,000. The remaining amount of \$105,000 is expected to be received within the next 12 months.

8. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance of Individual Funds

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

FEMA Capital Project Fund	<u>\$209,328</u>
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Corrective Action Plan. The deficit fund balance is due to a timing issue. The Town will continue to monitor this fund.

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TOWN OF HOLDEN BEACH, NORTH CAROLINA

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

Local Government Employees' Retirement System				
	2021	2020	2019	2018
Holden Beach's proportion of the net pension liability (asset) (%)	0.01762%	0.01764%	0.02020%	0.02220%
Holden Beach's proportion of the net pension liability (asset) (\$)	\$ 629,638	\$ 481,735	\$ 479,213	\$ 339,155
Holden Beach's covered payroll*	\$ 1,268,586	\$ 1,293,634	\$ 1,278,751	\$ 1,310,048
Holden Beach's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	49.63%	37.24%	37.04%	26.52%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%

* 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.

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

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

Local Government Employees' Retirement System				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 147,789	\$ 116,711	\$ 103,877	\$ 99,231
Contributions in relation to the contractually required contribution	<u>147,789</u>	<u>116,711</u>	<u>103,877</u>	<u>99,231</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Holden Beach's covered payroll	\$ 1,424,752	\$ 1,268,586	\$ 1,293,634	\$ 1,278,751
Contributions as a percentage of covered payroll	10.37%	9.20%	8.03%	7.76%

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA**TOWN OF HOLDEN BEACH'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS**

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

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

Law Enforcement Officers' Special Separation Allowance					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 268,329	\$ 216,140	\$ 240,004	\$ 190,466	\$ 178,905
Service cost	15,683	11,215	12,632	13,086	11,222
Interest on the total pension liability	8,533	7,600	7,552	7,352	6,387
Differences between expected and actual experience in the measurement of the total pension liability	44,417	37,806	(30,214)	6,147	-
Changes of assumptions or other inputs	133,408	10,251	(11,782)	22,953	(6,048)
Benefit payments	(13,185)	(14,683)	(2,052)	-	-
Ending balance of the total pension liability	<u>\$ 457,185</u>	<u>\$ 268,329</u>	<u>\$ 216,140</u>	<u>\$ 240,004</u>	<u>\$ 190,466</u>

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

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

	<u>Law Enforcement Officers' Special Separation Allowance</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 457,185	\$ 268,329	\$ 216,140	\$ 240,004	\$ 190,466
Covered payroll	482,781	452,570	471,772	489,842	380,126
Total pension liability as a percentage of covered payroll	94.70%	59.29%	45.81%	49.00%	50.11%

Notes to the Schedules:

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

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

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	2021		
	Budget	Actual	Variance Over/Under
Revenues:			
Ad Valorem Taxes:			
Current year	\$ 2,702,033	\$ 2,722,401	\$ 20,368
Prior year	25,000	42,201	17,201
Interest and penalties	15,000	20,520	5,520
Total	<u>2,742,033</u>	<u>2,785,122</u>	<u>43,089</u>
Other Taxes and Licenses:			
Local option sales tax	170,000	229,565	59,565
Other taxes and licenses	300	3,711	3,411
Total	<u>170,300</u>	<u>233,276</u>	<u>62,976</u>
Unrestricted Intergovernmental:			
Beer and wine tax	2,600	2,819	219
Telecommunications tax	8,000	3,700	(4,300)
Franchise tax	230,000	213,642	(16,358)
Video program tax	37,000	34,175	(2,825)
Sales tax refund	7,500	-	(7,500)
Total	<u>285,100</u>	<u>254,336</u>	<u>(30,764)</u>
Restricted Intergovernmental:			
FEMA grant	12,944	115,908	102,964
Powell Bill allocation	35,000	32,379	(2,621)
COVID 19 Assistance	-	13,897	13,897
Total	<u>47,944</u>	<u>162,184</u>	<u>114,240</u>
Permits and Fees:			
Building permits	256,918	356,407	99,489
CAMA permits and reimbursements	7,400	10,750	3,350
Other permits and fees	2,400	775	(1,625)
Total	<u>266,718</u>	<u>367,932</u>	<u>101,214</u>
Sales and Services	<u>74,887</u>	<u>64,364</u>	<u>(10,523)</u>
Investment Earnings	<u>20,000</u>	<u>5,089</u>	<u>(14,911)</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	2021		
	Budget	Actual	Variance Over/Under
Miscellaneous	21,750	119	(21,631)
Total revenues	3,628,732	3,872,422	243,690
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits	8,399	8,181	218
Operating expenses	338,056	196,906	141,150
Total	346,455	205,087	141,368
Administration:			
Salaries and employee benefits	509,827	494,076	15,751
Operating expenses	186,155	170,530	15,625
Total	695,982	664,606	31,376
Total general government	1,042,437	869,693	172,744
Public Safety:			
Inspections, Zoning, and Safety:			
Salaries and employee benefits	238,433	238,283	150
Operating expenses	56,942	47,674	9,268
Total	335,064	324,550	10,514
Police:			
Salaries and employee benefits	836,758	680,729	156,029
Operating expenses	138,000	101,291	36,709
Capital outlay	263,496	253,628	9,868
Total	1,238,254	1,035,648	202,606
Total public safety	1,573,318	1,360,198	213,120
Transportation:			
Streets and Highways:			
Salaries and employee benefits	86,703	86,285	418
Operating expenses	306,243	264,437	41,806
Total transportation	392,946	350,722	42,224

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	2021		
	Budget	Actual	Variance Over/Under
Environmental Protection:			
Sanitation:			
Salaries and employee benefits	71,954	69,964	1,990
Operating expenses	<u>367,757</u>	<u>197,852</u>	<u>169,905</u>
Total environmental protection	<u>439,711</u>	<u>267,816</u>	<u>171,895</u>
Debt Service:			
Principal	200,000	200,000	-
Interest	<u>53,034</u>	<u>53,033</u>	<u>1</u>
Total	<u>253,034</u>	<u>253,033</u>	<u>1</u>
Total expenditures	<u>3,701,446</u>	<u>3,101,462</u>	<u>599,984</u>
Revenues over (under) expenditures	<u>(72,714)</u>	<u>770,960</u>	<u>843,674</u>
Other Financing Sources (Uses):			
Transfers from Canal Dredging Fund	67,714	-	(67,714)
Sale of capital assets	<u>5,000</u>	<u>11,715</u>	<u>6,715</u>
Total other financing sources (uses)	<u>72,714</u>	<u>11,715</u>	<u>(60,999)</u>
Net change in fund balance	<u>\$ -</u>	<u>782,675</u>	<u>\$ 782,675</u>
Fund Balance:			
Beginning of year - July 1		<u>3,229,697</u>	
End of year - June 30		<u>\$ 4,012,372</u>	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR SPECIAL REVENUE FUND - BPART TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	2021		Variance Over/Under
	Budget	Actual	
Revenues:			
Occupancy tax receipts	\$ 3,031,212	\$ 3,121,144	\$ 89,932
FEMA grants and DENR	1,626	365,585	363,959
CAMA Grant	6,000	-	(6,000)
Investment earnings	42,047	4,523	(37,524)
Miscellaneous	130,050	43,134	(86,916)
Total revenues	<u>3,210,935</u>	<u>3,534,386</u>	<u>323,451</u>
Expenditures:			
Beach renourishment:			
Salaries and employee benefits	147,445	142,860	4,585
Operating expenditures	2,983,467	1,382,436	1,601,031
Lockwood Folly Dredging and Beach Nourishment	62,000	56,903	5,097
County's share of occupancy tax	512,486	512,482	4
Total beach renourishment expenditures	<u>3,705,398</u>	<u>2,094,681</u>	<u>1,610,717</u>
Debt service	<u>1,370,839</u>	<u>1,370,839</u>	<u>-</u>
Total expenditures	<u>5,076,237</u>	<u>3,465,520</u>	<u>1,610,717</u>
Revenues over (under) expenditures	<u>(1,865,302)</u>	<u>68,866</u>	<u>1,934,168</u>
Other Financing Sources (Uses):			
Transfers from other funds	1,473,190	1,473,190	-
Transfers to other funds	(107,888)	(107,888)	-
Appropriated fund balance	500,000	-	(500,000)
Total other financing sources (uses)	<u>1,865,302</u>	<u>1,365,302</u>	<u>(500,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,434,168</u>	<u>\$ 1,434,168</u>
Fund Balance:			
Beginning of year - July 1		<u>3,791,229</u>	
End of year - June 30		<u>\$ 5,225,397</u>	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - CANAL DREDGING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total To Date	
Revenues:					
Assessments HBH	\$ 139,845	\$ 821,470	\$ 137,746	\$ 959,216	\$ 819,371
Assessments HHC	137,073	322,680	123,230	445,910	308,837
Assessments HAC	-	274,554	-	274,554	274,554
Assessments HA	75,708	77,273	76,233	153,506	77,798
Prior Year Assessments HBH	-	33,922	975	34,897	34,897
Prior Year Assessments HHC	-	20,421	2,700	23,121	23,121
Prior Year Assessments HA	-	24,393	2,336	26,729	26,729
Interest - HBH	820,699	25,311	1,252	26,563	(794,136)
Interest - HHC	497,780	21,955	1,988	23,943	(473,837)
Interest - HA	1,037,452	30,272	2,010	32,282	(1,005,170)
Miscellaneous revenue - HBH	-	347,032	4,052	351,084	351,084
Miscellaneous revenue - HHC	-	393,348	4,052	397,400	397,400
Miscellaneous revenue - HA	-	158,837	4,052	162,889	162,889
Total revenues	<u>2,708,557</u>	<u>2,551,468</u>	<u>360,626</u>	<u>2,912,094</u>	<u>203,537</u>
Expenditures:					
Holden Beach Harbor Project:					
Administration	9,605	1,296	-	1,296	8,309
Professional services	81,646	201	10,345	10,546	71,100
Construction	720,408	6,667	4,388	11,055	709,353
Construction management	124,871	616	2,737	3,353	121,518
Total Holden Beach Harbor Project	<u>936,530</u>	<u>8,780</u>	<u>17,470</u>	<u>26,250</u>	<u>910,280</u>
Heritage Harbor Canal Project:					
Administration	6,349	3,122	-	3,122	3,227
Professional services	6,349	-	-	-	6,349
Construction	606,284	430,242	11,548	441,790	164,494
Total Heritage Harbor Canal Project	<u>618,982</u>	<u>433,364</u>	<u>11,548</u>	<u>444,912</u>	<u>174,070</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - CANAL DREDGING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total To Date	
Heritage Access Canal Project:					
Administration	11,132	1,644	154	1,798	9,334
Professional services	11,132	-	-	-	11,132
Construction	1,063,067	38,049	16,109	54,158	1,008,909
Total Heritage Access Canal Project	<u>1,085,331</u>	<u>39,693</u>	<u>16,263</u>	<u>55,956</u>	<u>1,029,375</u>
Total expenditures	<u>2,640,843</u>	<u>481,837</u>	<u>45,281</u>	<u>527,118</u>	<u>2,113,725</u>
Revenues over (under) expenditures	<u>67,714</u>	<u>2,069,631</u>	<u>315,345</u>	<u>2,384,976</u>	<u>2,317,262</u>
Other Financing Sources (Uses):					
Transfers from General Fund	-	324,429	-	324,429	324,429
Transfer to General Fund	<u>(67,714)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,714</u>
Total	<u>(67,714)</u>	<u>324,429</u>	<u>-</u>	<u>324,429</u>	<u>392,143</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,394,060</u>	<u>\$ 315,345</u>	<u>\$ 2,709,405</u>	<u>\$ 2,709,405</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - FEMA CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total To Date	
Revenues:					
FEMA Florence PW 674 (0) CAT G	\$ 15,861,220	\$ -	\$ 14,396	\$ 14,396	\$ (15,846,824)
FEMA Michael PW 11 (0) CAT G	8,547,506	-	14,396	14,396	(8,533,110)
FEMA Florence PW 2547 (0) CAT Z	798,855	-	-	-	(798,855)
FEMA Michael PW 158 (0) CAT Z	427,376	-	-	-	(427,376)
FEMA Dorian PW 00221 (0) CAT G	15,496,802	-	37,614	37,614	(15,459,188)
FEMA Dorian PW 494 CAT Z	775,835	-	-	-	(775,835)
FEMA Isaias PW 50 CAT G	3,838,038	-	-	-	(3,838,038)
FEMA Isaias PW 238 CAT Z	198,387	-	-	-	(198,387)
Total revenues	<u>45,944,019</u>	<u>-</u>	<u>66,406</u>	<u>66,406</u>	<u>(45,877,613)</u>
Expenditures:					
FEMA Florence PW 674 (0) CAT G	15,861,220	-	179,179	179,179	15,682,041
FEMA Michael PW 11 (0) CAT G	8,547,506	-	36,114	36,114	8,511,392
FEMA Florence PW 2547 (0) CAT Z	798,855	-	5,654	5,654	793,201
FEMA Michael PW 158 (0) CAT Z	427,376	-	5,383	5,383	421,993
FEMA Dorian PW 00221 (0) CAT G	15,496,802	-	45,214	45,214	15,451,588
FEMA Dorian PW 494 CAT Z	775,835	-	4,190	4,190	771,645
FEMA Isaias PW 50 CAT G	3,838,038	-	-	-	3,838,038
FEMA Isaias PW 238 CAT Z	198,387	-	-	-	198,387
Total expenditures	<u>45,944,019</u>	<u>-</u>	<u>275,734</u>	<u>275,734</u>	<u>45,668,285</u>
Net change in fund balance	\$ -	\$ -	\$ (209,328)	\$ (209,328)	\$ (209,328)

TOWN OF HOLDEN BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND -
 BEACH RENOURISHMENT & INLET MANAGEMENT CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	
Revenues:					
Interest	\$ 3,451,786	\$ 21,454	\$ 2,001	\$ 23,455	\$ (3,428,331)
Other Financing Sources (Uses):					
Transfers to other funds	(3,559,674)	(30,000)	(1,473,190)	(1,503,190)	2,056,484
Transfers from other funds	107,888	3,501,945	107,888	3,609,833	3,501,945
Total	<u>(3,451,786)</u>	<u>3,471,945</u>	<u>(1,365,302)</u>	<u>2,106,643</u>	<u>5,558,429</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>3,493,399</u>	(1,363,301)	\$ <u>2,130,098</u>	\$ <u>2,130,098</u>
Fund Balance:					
Beginning of year - July 1			<u>3,493,399</u>		
End of year - June 30			<u>\$ 2,130,098</u>		

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Water and sewer charges	\$ 2,355,349	\$ 1,893,652	\$ (461,697)
Tap and connection fees	76,000	95,200	19,200
Other operating charges	<u>152,652</u>	<u>119,992</u>	<u>(32,660)</u>
Total operating revenues	<u>2,584,001</u>	<u>2,108,844</u>	<u>(475,157)</u>
Non-operating revenues:			
Interest earnings	10,211	1,212	(8,999)
FEMA reimbursements	18,597	18,838	241
Capital charges	<u>1,156,390</u>	<u>1,208,292</u>	<u>51,902</u>
Total non-operating revenues	<u>1,185,198</u>	<u>1,228,342</u>	<u>43,144</u>
Total revenues	<u>3,769,199</u>	<u>3,337,186</u>	<u>(432,013)</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits	63,718	63,890	(172)
Operating expenditures	<u>88,187</u>	<u>66,337</u>	<u>21,850</u>
Total water and sewer administration	<u>151,905</u>	<u>130,227</u>	<u>21,678</u>
Operations:			
Salaries and employee benefits	304,923	281,352	23,571
Operating expenditures	1,836,565	1,117,492	719,073
Capital outlay	<u>2,345,983</u>	<u>1,933,716</u>	<u>412,267</u>
Total operations	<u>4,487,471</u>	<u>3,332,560</u>	<u>1,154,911</u>
Non-operating:			
County capital charges	<u>1,144,390</u>	<u>1,127,038</u>	<u>17,352</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Debt service:			
Principal retirement	117,817	117,817	-
Interest and other charges	20,844	10,718	10,126
Total debt service	<u>138,661</u>	<u>128,535</u>	<u>10,126</u>
Total expenditures	<u>5,922,427</u>	<u>4,718,360</u>	<u>1,204,067</u>
Revenues over (under) expenditures	<u>(2,153,228)</u>	<u>(1,381,174)</u>	<u>772,054</u>
Other Financing Sources (Uses):			
Transfers (to) from other funds:			
Capital reserve funds	(77,800)	(54,300)	23,500
Capital lease proceeds	323,852	305,193	(18,659)
Appropriated fund balance	<u>1,907,176</u>	<u>-</u>	<u>(1,907,176)</u>
Total other financing sources (uses)	<u>2,153,228</u>	<u>250,893</u>	<u>(1,902,335)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(1,130,281)</u>	<u>\$ (1,130,281)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Principal retirement		117,817	
Capital lease proceeds		(305,193)	
Depreciation		(564,067)	
Net revenue from capital reserve consolidation		59	
Capital reserve transfers - intrafund		54,300	
Change in deferred outflows of resources - pensions		9,269	
Change in compensated absences		1,080	
Change in deferred inflows of resources - pensions		1,069	
Change in net pension liability		(17,748)	
Capital outlay not capitalized		(70,711)	
Capital outlay		<u>1,933,716</u>	
Change in net position		<u>\$ 29,310</u>	

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**WATER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Interest income	\$ 59,733	\$ 20	\$ (59,713)
Other Financing Sources (Uses):			
Transfer to other funds	(99,733)	-	99,733
Transfer from other funds	<u>40,000</u>	<u>16,500</u>	<u>(23,500)</u>
Total	<u>(59,733)</u>	<u>16,500</u>	<u>76,233</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 16,520</u>	<u>\$ 16,520</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SEWER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Interest income	\$ 22,310	\$ 39	\$ (22,271)
Other Financing Sources (Uses):			
Transfer to other funds	(60,110)	-	60,110
Transfer from other funds	<u>37,800</u>	<u>37,800</u>	<u>-</u>
Total	<u>(22,310)</u>	<u>37,800</u>	<u>60,110</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 37,839</u>	<u>\$ 37,839</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2021

Year Ended June 30	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 2,709,865	\$ 2,673,615	\$ 36,250
2019-2020	33,077	-	20,530	12,547
2018-2019	9,247	-	5,343	3,904
2017-2018	6,602	-	2,334	4,268
2016-2017	14,528	-	2,608	11,920
2015-2016	12,464	-	1,166	11,298
2014-2015	5,491	-	1,882	3,609
2013-2014	6,467	-	1,485	4,982
2012-2013	4,851	-	1,855	2,996
2011-2012	3,986	-	2,606	1,380
2010-2011	3,725	-	3,725	-
Total	<u>\$ 100,438</u>	<u>\$ 2,709,865</u>	<u>\$ 2,717,149</u>	<u>93,154</u>
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(6,307)</u>
Ad valorem taxes receivable, net				<u>\$ 86,847</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				<u>\$ 2,785,122</u>
Reconciling items:				
Penalties and interest collected				20,567
Other				(92,265)
Write-offs				3,725
Total reconciling items				<u>(67,973)</u>
Total collections and credit				<u>\$ 2,717,149</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2021

	Town-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 1,354,932,722	\$ 0.2000	\$ 2,709,865	\$ 2,671,375	\$ 38,490
Total property valuation	\$ 1,354,932,722				
Net Levy			2,709,865	2,671,375	38,490
Uncollected taxes at June 30, 2021			(36,250)	(36,250)	-
Current Year's Taxes Collected			\$ 2,673,615	\$ 2,635,125	\$ 38,490
Current Levy Collection Percentage			<u>98.66%</u>	<u>98.64%</u>	<u>100.00%</u>

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MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

“A Professional Association of Certified Public Accountants and Management Consultants”

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

Independent Auditor’s Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Holden Beach, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated October 1, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 1, 2021

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? No

2. Financial Statement Findings

None

TOWN OF HOLDEN BEACH, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

None.