

TOWN OF HOLLY RIDGE
HOLLY RIDGE, NORTH CAROLINA
FINANCIAL STATEMENTS
Year Ended June 30, 2022

TOWN OF HOLLY RIDGE

Holly Ridge, North Carolina

BOARD OF COMMISSIONERS

Jeff Wenzel – Mayor

Pamela Hall – Mayor Pro-Tem

Gregory Hines

Rena Bragg

Dexter Sholar

Tom Hedrick

ADMINISTRATIVE OFFICERS

Chuck Strickland
Finance Officer

Town of Holly Ridge, North Carolina
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June 30, 2022

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Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Holly Ridge, North Carolina

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Holly Ridge, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Holly Ridge's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Holly Ridge as of June 30, 2022, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund and ARP Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Audit of 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Holly Ridge's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Holly Ridge's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Holly Ridge's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023, on our consideration of the Town of Holly Ridge'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 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 Town of Holly Ridge'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 Town of Holly Ridge's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

January 10, 2023

**Town of Holly Ridge
Management's Discussion and Analysis
June 30, 2022**

As management of the Town of Holly Ridge, we offer readers of the Town of Holly Ridge's financial statements this narrative overview and analysis of the financial activities of the Town of Holly Ridge for the fiscal year ended June 30, 2022. 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

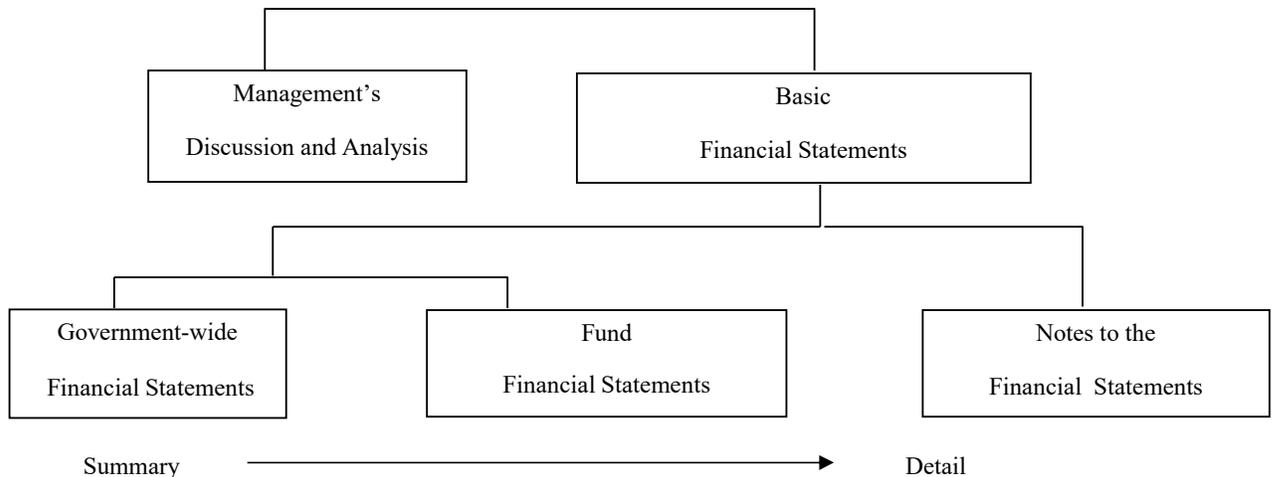
- The assets and deferred outflows of resources of the Town of Holly Ridge exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,108,318 (*net position*).
- The government's total net position increased over the prior year by \$636,221, primarily due to increase in tax collections and charge for services.
- As of the close of the current fiscal year, the Town of Holly Ridge's governmental fund reported an ending fund balance of \$2,925,919 with a net increase of \$108,959 in fund balance. Approximately 15% of this total amount, or \$445,044, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$2,480,875, or 53% 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 Holly Ridge'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 Holly Ridge.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 5) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show additional details about the Town's activities. Budgetary information required by the North Carolina General Statutes can also 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 include governmental activities. The governmental activities include all of the Town's basic services such as public safety, transportation, and general administration. Property taxes and sales taxes finance most of these activities.

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

Fund Financial Statements

The Fund Financial Statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Holly Ridge, 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 North Carolina General Statutes or the Town's budget ordinance. All of the funds of the Town of Holly Ridge can be found in the governmental funds.

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

The Town of Holly Ridge 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 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.

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 5 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 Holly Ridge's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found after the Notes to the Financial Statements.

Interdependence with Other Entities– The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Holly Ridge's Net Position

Figure 2

	Governmental Activities	
	2022	2021
Current and other assets	\$ 3,581,923	\$ 3,022,795
Capital assets	1,934,332	1,349,721
Right to use leased assets	381,835	-
Deferred outflows of resources	580,013	445,139
Total assets and deferred outflows of resources	<u>6,478,103</u>	<u>4,817,655</u>
Long-term liabilities outstanding	1,244,684	1,132,977
Other liabilities	631,807	154,166
Deferred inflows of resources	493,294	58,415
Total liabilities and deferred inflows of resources	<u>2,369,785</u>	<u>1,345,558</u>
Net position:		
Net investment in capital assets	1,888,606	1,349,721
Restricted	445,044	277,689
Unrestricted	1,774,668	1,844,687
Total net position	<u>\$ 4,108,318</u>	<u>\$ 3,472,097</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 Holly Ridge exceeded liabilities and deferred inflows by \$4,108,318 as of June 30, 2022. The Town's net position increased by \$636,221 for the fiscal year ended June 30, 2022. However, a portion, \$1,888,606 (46%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Holly Ridge uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Holly Ridge's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Holly Ridge's net position, \$445,044, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,774,668 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.30%.

Town of Holly Ridge 's Changes in Net Position
Figure 3

	Governmental Activities	
	2022	2021
Revenues:		
Program Revenues		
Charges for services	\$ 795,119	\$ 689,258
Operating grants and contributions	164,927	60,412
General revenues:		
Property taxes	2,022,403	1,868,398
Other taxes	1,188,058	935,658
Other	71,271	33,846
Total revenues	4,241,778	3,587,572
Expenses:		
General government	424,977	839,631
Public safety	1,975,186	1,252,632
Streets and public buildings and grounds	731,325	579,798
Environmental protection	294,700	279,835
Parks and recreation	111,639	180,441
Interest on long-term debt	67,730	-
Total expenses	3,605,557	3,132,337
Increase (decrease) in net position before transfers	636,221	455,235
Change in net position	636,221	455,235
Net position, July 1	3,472,097	3,016,862
Net position, June 30	\$ 4,108,318	\$ 3,472,097

Governmental activities: Governmental activities increased the Town's net position by \$636,221, thereby accounting for 100% of the total increase in the net position of the Town of Holly Ridge. Key elements of this increase are as follows:

- Revenues increased by \$654,206 over prior year.
- Budgeted expenditures were closely controlled during the year due to the decrease in the general economic environment.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Holly Ridge’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 Holly Ridge’s financing requirements.

The general fund is the chief operating fund of the Town of Holly Ridge. At June 30, 2022, the governmental funds of the Town of Holly Ridge reported a fund balance of \$2,925,919 with a net increase in fund balance of \$108,959.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. 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.

Capital Asset and Debt Administration

Capital assets. The Town of Holly Ridge’s investment in capital assets for its governmental activities as of June 30, 2022 total \$1,934,332 (net of accumulated depreciation). These assets include land and buildings.

**Town of Holly Ridge’s Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities	
	2022	2021
Land	\$ 76,547	\$ 76,547
Construction in progress	433,221	-
Buildings and infrastructure	990,564	1,011,547
Machinery and equipment	360,979	154,605
Vehicles	73,021	107,022
Total	\$ 1,934,332	\$ 1,349,721

Additional information on the Town’s capital assets can be found in the notes of the Basic Financial Statements.

Long-term Debt. As of June 30, 2022 the Town of Holly Ridge has no long-term debt.

	Governmental Activities	
	2022	2021
Net pension liability (LGRS)	\$ 307,946	\$ 622,133
Total pension liability (LEOSSA)	280,568	262,469
Total OPEB liability	133,570	174,504
Lease liabilities	427,561	-
Compensated absences	118,799	73,871
Total	\$ 1,268,444	\$ 1,132,977

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- Unemployment rates remained low.
- High tax collection percentage.

Request for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Question concerning any of the information found in this report or requests for additional information should be directed to Chuck Strickland, PO Box 145, Holly Ridge, NC, 28445. You can also call 910-329-7081, visit their website at www.townofhollyridge.com, or send an e-mail to finance@hollyridgenc.org for more information.

Town of Holly Ridge, North Carolina
Statement of Net Position
June 30, 2022

	Primary Government	
	Governmental	
	Activities	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,638,443	\$ 2,638,443
Receivables (net)	69,328	69,328
Due from Other Governments	288,966	288,966
Accrued interest receivable on taxes	11,441	11,441
Restricted cash and cash equivalents	573,745	573,745
Total Current Assets	<u>3,581,923</u>	<u>3,581,923</u>
Noncurrent Assets:		
Capital Assets		
Land, nondepreciable improvements, and construction in progress	509,768	509,768
Other Capital Assets, net of depreciation	1,424,564	1,424,564
Total Noncurrent Assets	<u>1,934,332</u>	<u>1,934,332</u>
Right to use leased asset, net of amortization	381,835	381,835
Total Assets	<u>5,898,090</u>	<u>5,898,090</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	580,013	580,013
Total Deferred Outflows of Resources	<u>580,013</u>	<u>580,013</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	157,568	157,568
Compensated absences	23,760	23,760
Liabilities to be paid from restricted assets	450,479	450,479
Total Current Liabilities	<u>631,807</u>	<u>631,807</u>
Long-term liabilities:		
Compensated absences	95,039	95,039
Lease liabilities	427,561	427,561
Net pension liability	307,946	307,946
Total pension liability	280,568	280,568
Total OPEB liability	133,570	133,570
Total Long-term Liabilities	<u>1,244,684</u>	<u>1,244,684</u>
Total liabilities	<u>1,876,491</u>	<u>1,876,491</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	493,294	493,294
Total Deferred Inflows of Resources	<u>493,294</u>	<u>493,294</u>
NET POSITION		
Net investment in capital assets	1,888,606	1,888,606
Restricted for:		
Transportation	123,266	123,266
Stabilization by State Statue	321,778	321,778
Unrestricted (deficit)	1,774,668	1,774,668
Total net position	<u>\$ 4,108,318</u>	<u>\$ 4,108,318</u>

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

**Town of Holly Ridge, North Carolina
Statement of Activities
For the Year Ended June 30, 2022**

Functions/Programs	Program Revenues				et (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 424,977	\$ -	\$ 47,325	\$ -	\$ (377,652)	\$ (377,652)
Public safety	1,975,186	392,644	-	-	(1,582,542)	(1,582,542)
Streets	731,325	-	117,602	-	(613,723)	(613,723)
Environmental protection	294,700	402,475	-	-	107,775	107,775
Parks and recreation	111,639	-	-	-	(111,639)	(111,639)
Interest on long-term debt	67,730	-	-	-	(67,730)	(67,730)
Total governmental activities	<u>3,605,557</u>	<u>795,119</u>	<u>164,927</u>	<u>-</u>	<u>(2,645,511)</u>	<u>(2,645,511)</u>
Total Government	<u>\$ 3,605,557</u>	<u>\$ 795,119</u>	<u>\$ 164,927</u>	<u>\$ -</u>		
General revenues:						
Taxes:						
Property taxes, levied for general purpose					2,022,403	2,022,403
Local option sales tax					1,188,058	1,188,058
Investment earnings, unrestricted					1,967	1,967
Miscellaneous, unrestricted					69,304	69,304
Total general revenues, special items, and transfers					<u>3,281,732</u>	<u>3,281,732</u>
Change in net position					636,221	636,221
Net position, beginning					3,472,097	3,472,097
Net position-ending					<u>\$ 4,108,318</u>	<u>\$ 4,108,318</u>

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

Town of Holly Ridge, North Carolina
Balance Sheet
Governmental Fund
June 30, 2022

	Major Funds		Governmental Funds
	General Fund	ARPR Fund	
ASSETS			
Cash and cash equivalents	\$ 2,638,443	\$ -	\$ 2,638,443
Restricted cash	123,266	450,479	573,745
Receivables (net)			
Ad valorem taxes	36,516	-	36,516
Accounts	32,812	-	32,812
Due from other governments	288,966	-	288,966
Total assets	<u>3,120,003</u>	<u>450,479</u>	<u>3,570,482</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	157,568	-	157,568
Liabilities to be paid from Restricted Assets	-	450,479	450,479
Total liabilities	<u>157,568</u>	<u>450,479</u>	<u>608,047</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	36,516		36,516
Total deferred inflows of resources	<u>36,516</u>	<u>-</u>	<u>36,516</u>
Fund balances:			
Reserved for:			
Stabilization by State Statute	321,778	-	321,778
Streets	123,266	-	123,266
Unassigned	2,480,875	-	2,480,875
Total fund balances	<u>2,925,919</u>	<u>-</u>	<u>2,925,919</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,120,003</u>	<u>\$ 450,479</u>	<u>3,570,482</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,934,332
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Right to use assets at historical cost	\$572,749		
Accumulated amortization	<u>\$(190,914)</u>		381,835
Earned revenues considered deferred inflows of resources in fund statements.			36,516
Deferred outflows of resources related to pensions are not reported in the funds.			580,013
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.			11,441
Compensated absences			(118,799)
Total pension liability			(280,568)
OPEB liability			(133,570)
Net pension liability			(307,946)
Lease liabilities			(427,561)
Deferred inflows of resources related to pensions are not reported in the funds			<u>(493,294)</u>
Net position of governmental activities			<u>\$ 4,108,318</u>

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

Town of Holly Ridge, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2022

	<u>Major Funds</u>		Total Governmenta l Funds
	<u>General Fund</u>	<u>ARPA Fund</u>	
REVENUES			
Ad valorem taxes	\$ 1,788,117	\$ -	\$ 1,788,117
Unrestricted intergovernmental	1,426,056	-	1,426,056
Restricted intergovernmental	164,927	-	164,927
Permits and fees	392,644	-	392,644
Sales and services	402,475	-	402,475
Investment earnings	1,967	-	1,967
Miscellaneous	69,304	-	69,304
Total revenues	<u>4,245,490</u>	<u>-</u>	<u>4,245,490</u>
EXPENDITURES			
Current:			
General government	824,604	-	824,604
Public safety	2,170,987	-	2,170,987
Streets	661,211	-	661,211
Environmental protection	294,700	-	294,700
Parks and recreation	544,860	-	544,860
Principal	145,188	-	145,188
Interest	67,730	-	67,730
Total expenditures	<u>4,709,280</u>	<u>-</u>	<u>4,709,280</u>
Excess (deficiency) of revenues over expenditures	<u>(463,790)</u>	<u>-</u>	<u>(463,790)</u>
OTHER FINANCING SOURCES (USES)			
Lease liabilities issued	572,749	-	572,749
Total other financing sources and uses	<u>572,749</u>	<u>-</u>	<u>572,749</u>
Net change in fund balance	108,959	-	108,959
Fund balances-beginning	2,816,960	-	2,816,960
Fund balances-ending	<u>\$ 2,925,919</u>	<u>\$ -</u>	<u>\$ 2,925,919</u>

(cont.)

Town of Holly Ridge, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

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

Net changes in fund balances - total governmental funds		\$	108,959
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>			
Capital outlay expenditures which were capitalized	\$	745,054	
Depreciation expense for governmental assets		<u>(160,443)</u>	584,611
Right to used leased asset capital outlay expenditures which were capitalized		572,749	
Amortization expense for intangible assets		<u>(190,914)</u>	381,835
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			122,254
Benefit paymnets paid and administrative expense for the LEOSSA are not included on the Statement of Activities			19,559
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities			17,740
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 revenues			(12,520)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:			
Pension expense			(735,152)
OPEB plan expense			(12,980)
Compensated absences			<u>16,727</u>
Total changes in net position of governmental activities		<u>\$</u>	<u>636,221</u>

Town of Holly Ridge, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Year Ended June 30, 2022

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,684,098	\$ 1,679,098	\$ 1,788,117	\$ 109,019
Unrestricted intergovernmental	890,214	891,714	1,426,056	534,342
Restricted intergovernmental	207,200	4,024,858	164,927	(3,859,931)
Permits and fees	265,200	265,200	392,644	127,444
Sales and services	416,100	481,603	402,475	(79,128)
Investment earnings	43,100	1,000	1,967	967
Miscellaneous	4,665	43,565	69,304	25,739
Total revenues	<u>3,510,577</u>	<u>7,387,038</u>	<u>4,245,490</u>	<u>(3,141,548)</u>
Expenditures				
General government	1,079,488	1,292,491	824,604	467,887
Public safety	1,505,643	3,892,264	2,170,987	1,721,277
Streets	80,000	1,204,210	661,211	542,999
Environmental protection	310,000	397,875	294,700	103,175
Parks and recreation	565,250	948,471	544,860	403,611
Debt service:				
Principal retirement	-	150,000	145,188	4,812
Interest and other charges	-	70,000	67,730	2,270
Total expenditures	<u>3,540,381</u>	<u>7,955,311</u>	<u>4,709,280</u>	<u>3,246,031</u>
Revenues over (under) expenditures	(29,804)	(568,273)	(463,790)	104,483
Other financing sources (uses):				
Lease liabilities issued	-	-	572,749	(572,749)
Fund balance appropriated	29,804	568,273	-	(568,273)
Total other financing sources (uses)	<u>29,804</u>	<u>568,273</u>	<u>572,749</u>	<u>4,476</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	108,959	<u>\$ 108,959</u>
Fund Balance, beginning			2,816,960	
Fund Balance, ending			<u>\$ 2,925,919</u>	

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

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Holly Ridge 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 Holly Ridge (the "Town") is a municipal corporation that is governed by an elected mayor and a five-member board. As required by generally accepted accounting principles, these financial statements present the Town.

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 activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

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

The Town reports the following major governmental funds:

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

ARP Fund. This fund is used to account for the pandemic recovery.

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 Fund Financial Statements. The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide 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 when applicable. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the 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 Holly Ridge because the tax is levied by Duplin 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 general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. Any revisions that alter expenditures of any fund must be approved by the governing board. During the year several amendments to the original budget were necessary.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Cash held in the State Recovery Grant is classified as restricted assets for the General fund because its use is restricted to the purpose for which the revenues were received and for customer deposits.

Town of Holly Ridge Restricted Cash

Governmental Activities
General Fund

	Streets	\$ 123,266
	ARPA	<u>450,479</u>
Total Restricted Cash		<u>\$ 573,745</u>

4. 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, 2021. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

Inventories are not maintained. Supplies are purchased according to the current needs and only a negligible amount maintained on hand.

7. 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. Capitalization cost for the Town's assets is \$5,000. 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 contracted capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	25
Buildings	50
Improvements	25
Vehicles	5
Furniture and equipment	10
Computer equipment	3

8. Right to use assets

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

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferral plan in the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category - property taxes receivable and pension deferrals for the 2022 fiscal year.

10. Long-Term Obligations

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

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

11. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because 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 nonspendable. 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 Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of total unexpended Powell Bill funds.

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

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

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

13. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town'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. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None reported.

2. Contractual Violations

None reported.

B. Deficit in Fund Balance or Net Position of Individual Funds

None reported.

C. Excess of Expenditures over Appropriations

None reported.

III. Detail Notes on All FundsA. Assets1. Deposits

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

At June 30, 2022, the Town's deposits had a carrying amount of \$3,212,063 and a bank balance of \$3,460,832. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2022, the Town's petty cash fund totaled \$125.

3. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 76,547	\$ -	\$ -	\$ 76,547
Construction in progress	-	433,221	-	433,221
Total capital assets not being depreciated	76,547	433,221	-	509,768
Capital assets being depreciated:				
Buildings and infrastructure	1,670,232	27,927	-	1,698,159
Machinery and equipment	391,564	283,906	-	675,470
Vehicles and motorized equipment	562,139	-	-	562,139
Total capital assets being depreciated	2,623,935	311,833	-	2,935,768
Less accumulated depreciation for:				
Buildings and infrastructure	658,685	48,910	-	707,595
Machinery and equipment	236,959	77,532	-	314,491
Vehicles and motorized equipment	455,117	34,001	-	489,118
Total accumulated depreciation	1,350,761	\$ 160,443	\$ -	1,511,204
Total capital assets being depreciated, net	1,273,174			1,424,564
Governmental activity capital assets, net	\$ 1,349,721			\$ 1,934,332

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

General Government	\$ 14,118
Public Safety	76,211
Transportation	70,114
Total Depreciation Expense	<u>\$ 160,443</u>

4. Right to Use Leased Assets

The Town has recorded one right to use leased asset. The asset is right to use asset for leased vehicles. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets:				
Leased vehicles	\$ -	\$ 572,749	\$ -	\$ 572,749
Total right to use assets	-	572,749	-	572,749
Less accumulated amortization for:				
Leased vehicles	-	190,914	-	190,914
Total accumulated amortization	-	190,914	-	190,914
Right to use assets, net	\$ -	\$ 381,835	\$ -	\$ 381,835

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Holly Ridge is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town 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 Holly Ridge's contractually required contribution rate for the year ended June 30, 2022, was 11.40% for general employees and 12.04% for law enforcement employees, 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 were \$163,336 for the year ended June 30, 2022.

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, 2022, the Town reported a liability of \$307,946 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021 (measurement date), the Town's proportion was 0.02008%, which was an increase of 0.00267% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$142,921. At June 30, 2022, 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	\$ 97,969	\$ -
Change of assumptions	193,469	-
Net difference between projected and actual earnings on pension plan investments	-	439,962
Changes in proportion and differences between Town's contributions and proportionate share of contributions	26,373	4,041
Town's contributions subsequent to the measurement date	163,336	-
Total	<u>\$ 481,147</u>	<u>\$ 444,003</u>

\$163,336 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2023	\$ 35,326
2024	(2,196)
2025	(24,691)
2026	(134,631)
2027	-
	<u>\$ (126,192)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of position 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 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%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 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 3.0%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. 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 6.50 percent, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1 % Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town’s proportionate share of the net pension liability (asset)	\$ 1,195,421	\$ 307,946	\$ (422,394)

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 for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Holly Ridge 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 0.85 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. The Town has made no contributions to this plan. 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, 2020, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	10
Total	<u>11</u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25%

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$19,559 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, 2022, the Town reported a total pension liability of \$280,568. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$43,891.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,750	\$ 38,620
Changes of assumptions and other inputs	50,116	10,671
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 98,866</u>	<u>\$ 49,291</u>

\$0 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2023	17,470
2024	15,840
2025	8,535
2026	3,705
2027	2,275
Thereafter	1,750
	<u>\$ 49,575</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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1 % Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Town's proportionate share of the net pension liability (asset)	\$ 307,868	\$ 280,568	\$ 255,503

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

	<u>2022</u>
Beginning balance	\$ 262,469
Service cost	21,544
Interest on the total pension liability	4,877
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	19,727
Changes of assumptions or other inputs	(8,490)
Benefit payments	(19,559)
Other changes	-
Ending balance of the total pension liability	<u>\$ 280,568</u>

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	-	-	-
Pension Liability	307,946	280,568	588,514
Proportionate share of the net pension liability	0.00000%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	97,969	48,750	146,719
Changes of assumptions	193,469	50,116	243,585
Net difference between projected and actual earning			
on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	26,373	-	26,373
Benefit payments and administrative costs paid subsequent to the measurement date	163,336	-	163,336
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	38,620	38,620
Changes of assumptions	-	10,671	10,671
Net differences between projected and actual earnings on plan investments	439,962	-	439,962
Changes in proportion and differences between contributions and proportionate share of contributions	4,041	-	4,041

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributed to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to law enforcement officers and other employees 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 for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers and other employees may also make voluntary contributions to the plan.

The Town made contributions of \$19,559 for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefits (OPEB)

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

The Town pays a percentage of the cost of coverage based upon the number of years of service for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy. By Town resolution, the Town pays a percentage of the cost of the coverage based upon the number of creditable service years the qualified retirees have under the Town resolution. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended, June 30, 2022, the Town's total payments were \$19,559.

Total OPEB Liability

The Town's total OPEB liability of \$133,570 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.25 to 8.41 percent, including inflation
Discount rate	2.16 percent
Healthcare cost trend rates	Medical - 4.50 percent Pre-Medicare - 4.50 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	
Change for the year	\$ 174,504
Service cost	-
Interest	3,628
Changes of benefit terms	-
Differences between expected and actual experience	(28,486)
Changes in assumptions or other inputs	4,748
Benefit payments	(20,824)
Net changes	<u>(40,934)</u>
Balance at June 30, 2022	<u>\$ 133,570</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(1.16%)</u>	<u>(2.16%)</u>	<u>(3.16%)</u>
Total OPEB liability	\$ 137,887	\$ 133,570	\$ 129,465

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 130,209	\$ 133,570	\$ 137,021

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Town recognized OPEB expense of \$20,110. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	-	-
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year ended June 30:	
2023	-
2024	-
2025	-
2026	-
2027	-
Thereafter	-
	<hr/>
	<hr/>

2. Other Employment Benefits

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 180 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. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 163,336
Benefit payments made and administrative expenses for LEOSSA made subsequent to measurement date	-
Differences between expected and actual experience	146,719
Changes of assumptions	243,585
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	26,373
Total	<hr/> <u>\$ 580,013</u>

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

	Statement of Net Position	General Fund Balance Sheet
Pension deferrals	\$ 493,294	\$ -
Taxes Receivable, less penalties (General Fund)	-	36,516
	<hr/> <u>\$ 493,294</u>	<hr/> <u>\$ 36,516</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss 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 does not carry any flood insurance. The Town is not located in a flood plain.

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

5. Claims, Judgments and Contingent Liabilities

At June 30, 2022, the Town was defendant to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long Term Obligations

a. Leases

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

The lease agreement was executed in October 2020, to lease vehicles and requires 48 monthly payments. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3%, which is the stated rate in the lease agreement. As a result of the lease, the Town has recorded a right to use asset with a net book value of \$427,561 at June 30, 2022. The right to use asset is discussed in more detail in the Intangible Asset section of this note.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2023	\$ 148,365	\$ 12,827	\$ 161,192
2024	152,902	8,290	161,192
2025	126,294	3,447	129,741
	<u>\$ 427,561</u>	<u>\$ 24,564</u>	<u>\$ 452,125</u>

b. Changes in General Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Balance 07/01/21	Increases	Decreases	Balance 06/30/22	Current Portion
Governmental activities:					
Net pension liability (LGERS)	\$ 622,133	\$ -	\$ (314,187)	\$ 307,946	\$ -
Total pension liability (LEOSSA)	262,469	18,099	-	280,568	-
Total OPEB liability	174,504	-	(40,934)	133,570	
Lease liabilities	-	572,749	(145,188)	427,561	148,365
Compensated absences	73,871	48,634	(3,706)	118,799	23,760
Governmental activity long-term liabilities	<u>\$ 1,132,977</u>	<u>\$ 639,482</u>	<u>\$ (504,015)</u>	<u>\$ 1,268,444</u>	<u>\$ 172,125</u>

At June 30, 2022, the Town of Holly Ridge had a legal debt margin of \$41,464,571.

C. Net Investment in Capital Assets

Capital assets	Governmental \$ 1,934,332
Less: long term debt	(45,726)
Net investment in capital asset	<u>\$ 1,888,606</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ 2,925,919
Less:	
Stabilization by State Statute	321,778
Streets - Powell Bill	123,266
Remaining Fund Balance	2,480,875

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys 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 moneys.

V. Significant Effects of Subsequent Events

Subsequent events have been evaluated through January 10, 2023, which is the date the financial statements were available to be issued.

Town of Holly Ridge, North Carolina
Town of Holly Ridge's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Nine Fiscal Years*

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.02008%	0.01741%	0.01763%	0.01702%	0.01697%	0.01509%	0.01342%	0.02898%	0.02898%
Town's proportion of the net pension liability (asset) (\$)	\$ 307,946	\$ 622,133	\$ 481,462	\$ 403,773	\$ 259,255	\$ 320,260	\$ 60,228	\$ (75,900)	\$ 161,521
Town's covered-employee payroll	\$ 1,164,320	\$ 1,160,630	\$ 1,090,053	\$ 1,038,363	\$ 961,478	\$ 961,961	\$ 839,184	\$ 756,699	\$ 780,343
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.45%	53.60%	44.17%	38.89%	26.96%	33.29%	7.18%	(10.03%)	20.70%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of Holly Ridge, North Carolina
Town of Holly Ridge's Contributions
Required Supplementary Information
Last Nine Fiscal Years*

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 163,336	\$ 122,254	\$ 107,330	\$ 88,881	\$ 81,912	\$ 73,747	\$ 67,082	\$ 57,159	\$ 52,238
Contributions in relation to the contractually required contribution	\$ 163,336	122,254	107,330	88,881	81,912	73,747	67,082	57,159	52,238
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 1,395,739	\$ 1,164,320	\$ 1,160,630	\$ 1,090,053	\$ 1,038,363	\$ 961,478	\$ 961,961	\$ 839,184	\$ 756,699
Contributions as a percentage of covered-employee payroll	11.70%	10.50%	9.25%	8.15%	7.89%	7.67%	6.97%	6.81%	6.90%

Town of Holly Ridge, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2022

	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 262,469	\$ 255,817	\$ 235,307	\$ 185,393	\$ 164,315	\$ 153,472
Service Cost	21,544	10,212	12,201	12,205	9,946	8,614
Interest on the total pension liability	4,877	8,021	8,209	5,549	5,965	5,479
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	19,727	(55,522)	12,865	59,508	14,189	-
Changes of assumptions or other inputs	(8,490)	63,500	6,794	(7,789)	10,537	(3,250)
Benefit payments	(19,559)	(19,559)	(19,559)	(19,559)	(19,559)	-
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 280,568</u>	<u>\$ 262,469</u>	<u>\$ 255,817</u>	<u>\$ 235,307</u>	<u>\$ 185,393</u>	<u>\$ 164,315</u>

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

Town of Holly Ridge, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2022

	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 280,568	\$ 262,469	\$ 262,469	\$ 235,307	\$ 185,393	\$ 164,315
Covered payroll	561,827	434,031	528,281	467,999	464,322	380,556
Total pension liability as a percentage of covered payroll	49.94%	60.47%	49.68%	50.28%	39.93%	43.18%

Notes to the schedules:

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

Town of Holly Ridge, North Carolina
Schedule of Changes in the Net OPEB Liability and Related Ratios
Healthcare Benefits Plan
For the Year Ended June 30, 2022*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	3,628	5,966	7,585	7,380	7,005
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(28,486)	(953)	(18,690)	3,190	(16,046)
Changes of assumptions	4,748	7,967	5,128	(3,162)	(6,390)
Benefit payments	(20,824)	(17,740)	(19,320)	(20,131)	-
Net change in total OPEB liability	(40,934)	(4,760)	(25,297)	(12,723)	(15,431)
Total OPEB liability - beginning	174,504	179,264	204,561	217,284	232,715
Total OPEB liability - ending	\$ 133,570	\$ 174,504	\$ 179,264	\$ 204,561	\$ 217,284
Town's covered payroll	N/A	N/A	N/A	N/A	
Town's OPEB liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A	

* Plan measurement date is the reporting date. Employer measurement date is one year prior to reporting date.

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Town of Holly Ridge, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes		\$ 1,785,678	
Penalty and interest		2,439	
Total	<u>\$ 1,679,098</u>	<u>1,788,117</u>	<u>\$ 109,019</u>
Other taxes and licenses:			
Privilege licenses	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>
Unrestricted intergovernmental:			
Local option sales taxes		1,188,058	
Utility sales tax		164,502	
ABC profit distribution		56,918	
Sales tax refund		-	
Beer and wine tax		16,578	
Total	<u>891,714</u>	<u>1,426,056</u>	<u>534,342</u>
Restricted intergovernmental:			
Federal and State Grants		44,537	
Powell Bill allocation		117,602	
Controlled substance tax		-	
Solid waste disposal tax		2,788	
Total	<u>4,024,858</u>	<u>164,927</u>	<u>(3,859,931)</u>
Permits and Fees:			
Building permits		364,918	
Zoning permits		25,911	
Other fees		1,815	
Total	<u>265,200</u>	<u>392,644</u>	<u>127,444</u>
Sales and Services:			
Recreation department fees		2,346	
Sales of surplus		19,343	
Solid waste fees		380,786	
Total	<u>481,603</u>	<u>402,475</u>	<u>(79,128)</u>
Miscellaneous:			
Other	<u>43,565</u>	<u>69,304</u>	<u>25,739</u>
Investment earnings:			
General	<u>1,000</u>	<u>1,967</u>	<u>967</u>
Total revenues	<u>7,387,038</u>	<u>4,245,490</u>	<u>(3,141,548)</u>

Town of Holly Ridge, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government:			
Governing Body			
Salaries & benefits		15,780	
Other expenditures		304,249	
Total governing body	<u>551,644</u>	<u>320,029</u>	<u>231,615</u>
Administration:			
Salaries & benefits		239,767	
Other expenditures		63,717	
Capital outlay		66,524	
Total administration	<u>605,180</u>	<u>370,008</u>	<u>235,172</u>
Finance:			
Salaries & benefits		131,282	
Other expenditures		3,285	
Total finance	<u>135,667</u>	<u>134,567</u>	<u>1,100</u>
Total general government	<u>1,292,491</u>	<u>824,604</u>	<u>467,887</u>
Public Safety:			
Police department:			
Salaries and employee benefits		1,047,040	
Other expenditures		199,535	
Capital outlay		602,474	
Total police	<u>3,457,079</u>	<u>1,849,049</u>	<u>1,608,030</u>
Inspections:			
Salaries and employee benefits		267,496	
Other expenditures		54,442	
Total inspections	<u>435,185</u>	<u>321,938</u>	<u>113,247</u>
Total public safety	<u>3,892,264</u>	<u>2,170,987</u>	<u>1,721,277</u>
Streets:			
Salaries & benefits		325,421	
Other expenditures		36,333	
Powell bill expenditures		83,873	
Capital outlay		215,584	
Total street	<u>1,204,210</u>	<u>661,211</u>	<u>542,999</u>
Environmental protection:			
Other expenditures		294,700	
Total environmental protection	<u>397,875</u>	<u>294,700</u>	<u>103,175</u>

Town of Holly Ridge, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Parks and Recreation:			
Other expenditures		111,639	
Capital outlay		433,221	
Total parks and recreation	<u>948,471</u>	<u>544,860</u>	<u>403,611</u>
Debt Service:			
Principal retirement		145,188	
Interest and other charges		67,730	
Total debt service	<u>220,000</u>	<u>212,918</u>	<u>7,082</u>
 Total Expenditures	 <u>7,955,311</u>	 <u>4,709,280</u>	 <u>3,246,031</u>
Revenues over (under) expenditures	(568,273)	(463,790)	104,483
Other financing sources (uses):			
Lease liabilities issued	-	572,749	
Fund Balance Appropriated	568,273	-	
Total	<u>568,273</u>	<u>572,749</u>	<u>4,476</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	108,959	<u>\$ 108,959</u>
 Fund balance, beginning		 <u>2,816,960</u>	
Fund balance, ending		<u>\$ 2,925,919</u>	

Town of Holly Ridge, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2021</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 1,814,075	\$ (1,801,365)	\$ 12,710
2020-2021	7,423	-	(3,513)	3,910
2019-2020	4,362	-	(524)	3,838
2018-2019	2,544	-	(571)	1,973
2017-2018	2,260	-	(374)	1,886
2016-2017	2,875	-	(377)	2,498
2015-2016	5,113	-	(402)	4,711
2014-2015	2,353	-	(421)	1,932
2013-2014	3,557	-	(499)	3,058
2012-2013	6,140	-	(6,140)	-
	<u>\$ 36,627</u>	<u>\$ 1,814,075</u>	<u>\$ (1,814,186)</u>	<u>\$ 36,516</u>

Ad valorem taxes receivable - net \$ 36,516

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 1,788,117
Reconciling items:	
Discounts, releases, refunds, fees, write-offs	28,508
Interest collected	<u>(2,439)</u>
Total collections and credits	<u>\$ 1,814,186</u>

Town of Holly Ridge, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2022

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 518,307,143	0.350	\$ 1,814,075	\$ 1,633,283	\$ 180,792
Penalties	-		-	-	-
Total	<u>518,307,143</u>		<u>1,814,075</u>	<u>1,633,283</u>	<u>180,792</u>
Total property valuation	<u>\$ 518,307,143</u>				
Net levy			1,814,075	1,633,283	180,792
Uncollected taxes at June 30, 2022			<u>12,710</u>	<u>12,710</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,801,365</u>	<u>\$ 1,620,573</u>	<u>\$ 180,792</u>
Current levy collection percentage			<u>99.30%</u>	<u>99.22%</u>	<u>100.00%</u>



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**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
Holly Ridge, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Holly Ridge, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises the Town of Holly Ridge's basic financial statements, and have issued our report thereon dated January 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Holly Ridge'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 Holly Ridge'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs as item 2022-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Town of Holly Ridge's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Holly Ridge's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

January 10, 2023



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**Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance;
With OMB Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Holly Ridge, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Holly Ridge, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Holly Ridge's major State programs for the year ended June 30, 2022. The Town of Holly Ridge's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Holly Ridge complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws,

statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Holly Ridge State programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

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

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

January 10, 2023

**Town of Holly Ridge, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2022**

Section II. Financial Statement Findings

2022-001 Name of contact person: Jeff Wenzel, Mayor

Corrective action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed completion date: The Board will implement the above procedure immediately.

Section III. Federal Award Findings and Question Costs

None Reported.

Section IV. State Award Findings and Question Costs

None Reported.

**Town of Holly Ridge, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022**

None Reported.

Town of Holly Ridge, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Assistance Listing No.</u>	<u>State/ Pass-through Grantor's No.</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>
State Grants:					
Cash Assistance:					
<u>N.C. Department of Commerce</u>					
Industrial Development Program		COM-7	\$ -	\$ 233,488	\$ -
Rural Demolition Program			-	443	-
<u>N.C. Department of Transportation:</u>					
Powell Bill		32570	-	83,873	-
<u>Golden Leaf Foundation</u>					
Golden Leaf Grant			-	199,290	-
Total assistance - State programs			-	517,094	-
Total assistance			\$ -	\$ 517,094	\$ -

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Holly Ridge under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Holly Ridge, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Holly Ridge.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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