

TOWN OF HOLLY RIDGE  
HOLLY RIDGE, NORTH CAROLINA

FINANCIAL STATEMENTS  
Year Ended June 30, 2021

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

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June 30, 2021**

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## FINANCIAL SECTION



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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 Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and the aggregate remaining fund information of the Town of Holly Ridge (the "Town"), North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of the Town of Holly Ridge, North Carolina, as of June 30, 2021, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions 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 and Other Information*

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

The combining individual fund statements, budgetary schedules, and other schedule, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared 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 schedule, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

*Wilmington, North Carolina*

*February 4, 2022*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Town of Holly Ridge  
Management's Discussion and Analysis  
June 30, 2021**

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, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

**Financial Highlights**

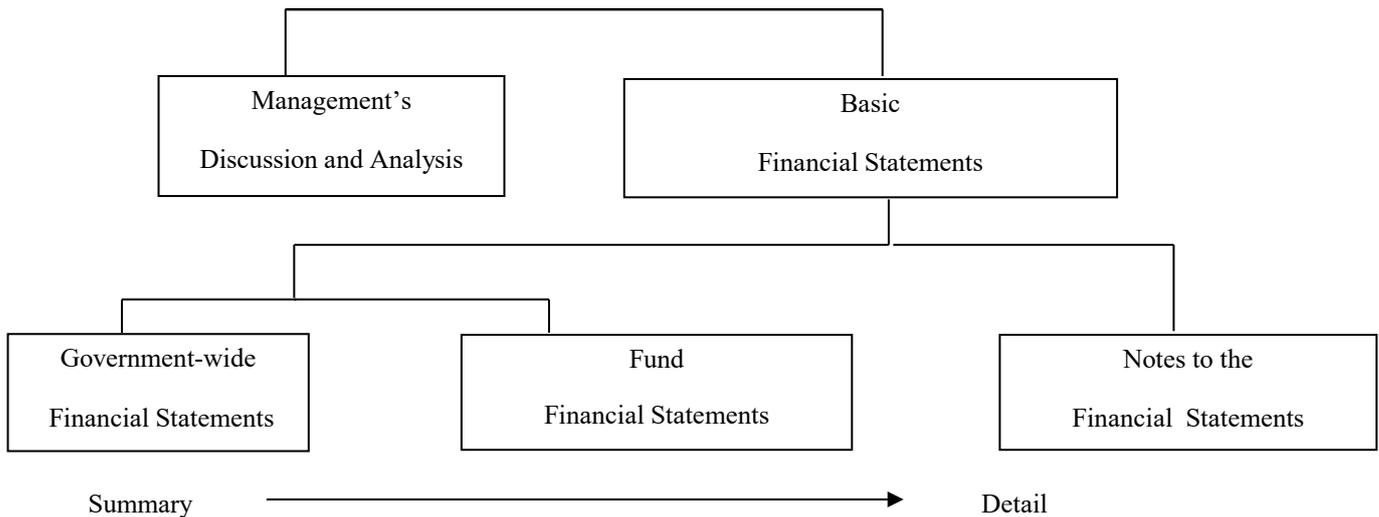
- The assets and deferred outflows of resources of the Town of Holly Ridge exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,472,097 (*net position*).
- The government's total net position increased over the prior year by \$455,235, primarily due to increase 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 \$2,816,960 with a net increase of \$564,618 in fund balance. Approximately 10% of this total amount, or \$277,689, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$2,539,271, or 84% 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.

**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.

**Government-Wide Financial Analysis**

**Town of Holly Ridge’s Net Position**

**Figure 2**

	Governmental Activities	
	2021	2020
Current and other assets	\$ 3,022,795	\$ 2,433,985
Capital assets	1,349,721	1,353,581
Deferred outflows of resources	445,139	357,836
Total assets and deferred outflows of resources	<u>4,817,655</u>	<u>4,145,402</u>
Long-term liabilities outstanding	1,132,977	1,007,141
Other liabilities	154,166	113,320
Deferred inflows of resources	58,415	8,079
Total liabilities and deferred inflows of resources	<u>1,345,558</u>	<u>1,128,540</u>
Net position:		
Net investment in capital assets	1,349,721	1,353,581
Restricted	277,689	299,498
Unrestricted	1,844,687	1,363,783
Total net position	<u>\$ 3,472,097</u>	<u>\$ 3,016,862</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 \$3,472,097 as of June 30, 2021. The Town’s net position increased by \$455,235 for the fiscal year ended June 30, 2021. However, a portion, \$1,349,721 (38.88%) 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, \$277,689, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,844,687 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 99.55%.

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

	Governmental Activities	
	2021	2020
<b>Revenues:</b>		
Program Revenues		
Charges for services	\$ 689,258	\$ 569,069
Operating grants and contributions	60,412	61,648
General revenues:		
Property taxes	1,868,398	1,439,453
Other taxes	935,658	781,711
Other	33,846	471,302
<b>Total revenues</b>	<b>3,587,572</b>	<b>3,323,183</b>
<b>Expenses:</b>		
General government	839,631	718,516
Public safety	1,252,632	1,254,793
Streets and public buildings and grounds	579,798	548,197
Environmental protection	279,835	250,821
Parks and recreation	180,441	49,382
Interest on long-term debt	-	15,951
<b>Total expenses</b>	<b>3,132,337</b>	<b>2,837,660</b>
Increase (decrease) in net position before transfers	455,235	485,523
Transfers	-	-
Change in net position	455,235	485,523
Net position, July 1	3,016,862	2,531,339
Net position, June 30	<b>\$ 3,472,097</b>	<b>\$ 3,016,862</b>

**Governmental activities:** Governmental activities increased the Town's net position by \$455,235, 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 \$264,389 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, 2021, the governmental funds of the Town of Holly Ridge reported a fund balance of \$2,816,960 with a net increase in fund balance of \$564,618.

**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, 2021 total \$1,349,721 (net of accumulated depreciation). These assets include land and buildings.

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

	Governmental Activities	
	2021	2020
Land	\$ 76,547	\$ 76,547
Buildings and infrastructure	1,011,547	1,050,063
Machinery and equipment	154,605	75,104
Vehicles	107,022	151,867
Total	\$ 1,349,721	\$ 1,353,581

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, 2021 the Town of Holly Ridge has no long-term debt.

	Governmental Activities	
	2021	2020
Net pension liability (LGERS)	\$ 622,133	\$ 481,462
Total pension liability (LEOSSA)	262,469	255,817
Total OPEB liability	174,504	179,264
Compensated absences	73,871	90,598
Total	\$ 1,132,977	\$ 1,007,141

**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](http://www.townofhollyridge.com), or send an e-mail to [finance@hollyridgenc.org](mailto:finance@hollyridgenc.org) for more information.

## BASIC FINANCIAL STATEMENTS

**Town of Holly Ridge, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,693,437	\$ 2,693,437
Receivables (net)	66,178	66,178
Due from Other Governments	230,251	230,251
Accrued interest receivable on taxes	15,042	15,042
Restricted cash and cash equivalents	17,887	17,887
Total Current Assets	<u>3,022,795</u>	<u>3,022,795</u>
Noncurrent Assets:		
Capital Assets		
Land, nondepreciable improvements, and construction in progress	76,547	76,547
Other Capital Assets, net of depreciation	1,273,174	1,273,174
Total Noncurrent Assets	<u>1,349,721</u>	<u>1,349,721</u>
Total Assets	<u>4,372,516</u>	<u>4,372,516</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals	445,139	445,139
Total Deferred Outflows of Resources	<u>445,139</u>	<u>445,139</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	154,166	154,166
Total Current Liabilities	<u>154,166</u>	<u>154,166</u>
Long-term liabilities:		
Compensated absences	73,871	73,871
Net pension liability	622,133	622,133
Total pension liability	262,469	262,469
Total OPEB liability	174,504	174,504
	<u>1,132,977</u>	<u>1,059,106</u>
Total liabilities	<u>1,287,143</u>	<u>2,118,212</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	58,415	58,415
Total Deferred Inflows of Resources	<u>58,415</u>	<u>58,415</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,349,721	1,349,721
Restricted for:		
Transportation	17,887	17,887
Stabilization by State Statue	259,802	259,802
Unrestricted (deficit)	1,844,687	1,844,687
Total net position	<u>\$ 3,472,097</u>	<u>\$ 3,472,097</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, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
<b>Primary government:</b>						
Governmental Activities:						
General government	\$ 839,631	\$ -	\$ -	\$ -	\$ (839,631)	\$ (839,631)
Public safety	1,252,632	325,240	-	-	(927,392)	(927,392)
Streets	579,798	-	60,412	-	(519,386)	(519,386)
Environmental protection	279,835	364,018	-	-	84,183	84,183
Parks and recreation	180,441	-	-	-	(180,441)	(180,441)
Interest on long-term debt	-	-	-	-	-	-
Total governmental activities	<u>3,132,337</u>	<u>689,258</u>	<u>60,412</u>	<u>-</u>	<u>(2,382,667)</u>	<u>(2,382,667)</u>
Total Government	<u>\$ 3,132,337</u>	<u>\$ 689,258</u>	<u>\$ 60,412</u>	<u>\$ -</u>		
General revenues:						
Taxes:						
Property taxes, levied for general purpose					1,868,398	1,868,398
Local option sales tax					935,643	935,643
Other taxes and licenses					15	15
Grants and contributions not restricted to specific programs					-	-
Investment earnings, unrestricted					923	923
Miscellaneous, unrestricted					32,923	32,923
Total general revenues, special items, and transfers					<u>2,837,902</u>	<u>2,837,902</u>
Change in net position					455,235	455,235
Net position, beginning					3,016,862	3,016,862
Net position-ending					<u>\$ 3,472,097</u>	<u>\$ 3,472,097</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, 2021**

	<u><b>General Fund</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,693,437
Restricted cash	17,887
Receivables (net)	
Ad valorem taxes	36,627
Accounts	29,551
Due from other governments	230,251
Total assets	<u><u>3,007,753</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable and accrued liabilities	<u>154,166</u>
Total liabilities	<u>154,166</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Property taxes receivable	<u>36,627</u>
Total deferred inflows of resources	<u>36,627</u>
 Fund balances:	
Reserved for:	
Stabilization by State Statute	259,802
Streets	17,887
Unassigned	<u>2,539,271</u>
Total fund balances	<u>2,816,960</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 3,007,753</u></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.	1,349,721
Earned revenues considered deferred inflows of resources in fund statements.	36,627
Deferred outflows of resources related to pensions are not reported in the funds.	445,139
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.	15,042
Compensated absences	(73,871)
Total pension liability	(262,469)
OPEB liability	(174,504)
Net pension liability	(622,133)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(58,415)</u>
Net position of governmental activities	<u><u>\$ 3,472,097</u></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, 2021**

	<b>General Fund</b>
<b>REVENUES</b>	
Ad valorem taxes	\$ 1,671,854
Other taxes and licenses	15
Unrestricted intergovernmental	1,148,840
Restricted intergovernmental	60,412
Permits and fees	325,240
Sales and services	364,018
Investment earnings	923
Miscellaneous	32,923
Total revenues	3,604,225
<b>EXPENDITURES</b>	
Current:	
General government	792,929
Public safety	1,210,573
Streets	575,830
Environmental protection	279,835
Parks and recreation	180,440
Total expenditures	3,039,607
Excess (deficiency) of revenues over expenditures	564,618
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers from other funds	-
Total other financing sources and uses	-
Net change in fund balance	564,618
Fund balances-beginning	2,252,342
Fund balances-ending	\$ 2,816,960
	(cont.)

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 Funds**  
**For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds	\$	564,618
<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	\$	108,179
Depreciation expense for governmental assets	<u>(112,039)</u>	(3,860)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		122,254
Benefit payments paid and administrative expense for the LEOSA 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
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Change in unavailable revenue for tax revenues		(12,520)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Pension expense		(256,303)
OPEB plan expense		(12,980)
Compensated absences		16,727
Total changes in net position of governmental activities	<u>\$</u>	<u>455,235</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, 2021**

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,620,758	\$ 1,591,784	\$ 1,671,854	\$ 80,070
Other taxes and licenses	4,000	500	15	(485)
Unrestricted intergovernmental	839,305	844,105	1,148,840	304,735
Restricted intergovernmental	62,232	6,000	60,412	54,412
Permits and fees	216,600	220,800	325,240	104,440
Sales and services	301,450	295,000	364,018	69,018
Investment earnings	1,500	1,500	923	(577)
Miscellaneous	35,800	33,250	32,923	(327)
Total revenues	<u>3,081,645</u>	<u>2,992,939</u>	<u>3,604,225</u>	<u>611,286</u>
<b>Expenditures</b>				
General government	967,072	915,193	792,929	122,264
Public safety	1,342,684	1,402,582	1,210,573	192,009
Streets	586,317	593,013	575,830	17,183
Environmental protection	280,000	280,056	279,835	221
Parks and recreation	194,258	194,258	180,440	13,818
Total expenditures	<u>3,370,331</u>	<u>3,385,102</u>	<u>3,039,607</u>	<u>345,495</u>
Revenues over (under) expenditures	(288,686)	(392,163)	564,618	956,781
<b>Other financing sources (uses):</b>				
Fund balance appropriated	288,686	392,163	-	(392,163)
Total other financing sources (uses)	<u>288,686</u>	<u>392,163</u>	<u>-</u>	<u>(392,163)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	564,618	<u>\$ 564,618</u>
Fund Balance, beginning			2,252,342	
Fund Balance, ending			<u>\$ 2,816,960</u>	

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

## NOTES TO THE FINANCIAL STATEMENTS

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**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.

**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 and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Capital Projects Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. 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	\$	17,887
			17,887
Total Restricted Cash		\$	17,887

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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020. 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. 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 2021 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 2021 fiscal year.

#### 9. 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.

#### 10. 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.

#### 11. 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.

## 12. 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

Timeliness of audit submission.

#### 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 Funds****A. Assets****1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in 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, 2021, the Town's deposits had a carrying amount of \$2,711,199 and a bank balance of \$2,747,296. 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, 2021, the Town's petty cash fund totaled \$125.

**2. Investments**

At June 30, 2021, the Town of Holly Ridge had \$0 invested with the North Carolina Capital Management Trust's Government Portfolio which earned a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

**3. Capital Assets****Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 76,547	\$ -	\$ -	\$ 76,547
Construction in progress	-	-	-	-
Total capital assets not being depreciated	76,547	-	-	76,547
<b>Capital assets being depreciated:</b>				
Buildings and infrastructure	1,661,367	8,865	-	1,670,232
Machinery and equipment	292,250	99,314	-	391,564
Vehicles and motorized equipment	562,139	-	-	562,139
Total capital assets being depreciated	2,515,756	108,179	-	2,623,935
<b>Less accumulated depreciation for:</b>				
Buildings and infrastructure	611,304	47,381	-	658,685
Machinery and equipment	217,146	19,813	-	236,959
Vehicles and motorized equipment	410,272	44,845	-	455,117
Total accumulated depreciation	1,238,722	\$ 112,039	\$ -	1,350,761
Total capital assets being depreciated, net	1,277,034			1,273,174
<b>Governmental activity capital assets, net</b>	<b>\$ 1,353,581</b>			<b>\$ 1,349,721</b>

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

General Government	\$ 9,859
Public Safety	53,219
Transportation	<u>48,961</u>
Total Depreciation Expense	<u>\$ 112,039</u>

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](http://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, 2021, was 10.24% for general employees and 10.84% 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 \$122,254 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$622,133 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.01741%, which was a decrease of 0.00022% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$218,048. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 78,565	\$ -
Change of assumptions	46,299	-
Net difference between projected and actual earnings on pension plan investments	87,549	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	2,530	6,281
Town's contributions subsequent to the measurement date	122,254	-
Total	<u>\$ 337,197</u>	<u>\$ 6,281</u>

\$122,254 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	
2022	\$ 59,891
2023	77,667
2024	45,194
2025	25,910
2026	7,502
	<u>\$ 216,164</u>

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

Inflation	3.0 percent
Salary 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, 2019 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, 2021 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	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1 % Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,262,241	\$ 622,133	\$ 90,159

*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, 2019, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>8</u>
Total	<u><u>9</u></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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93%

**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, 2021, the Town reported a total pension liability of \$262,469. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$34,122.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 45,452	\$ 47,071
Changes of assumptions and other inputs	62,490	5,063
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 107,942</u>	<u>\$ 52,134</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>	
2022	15,889
2023	15,889
2024	14,259
2025	6,954
2026	2,123
Thereafter	694
	<u>\$ 55,808</u>

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

	<b>1 % Decrease (0.93%)</b>	<b>Discount Rate (1.93%)</b>	<b>1% Increase (2.93%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 280,563	\$ 262,469	\$ 245,668

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

	<b>2021</b>
Beginning balance	\$ 255,817
Service Cost	10,212
Interest on the total pension liability	8,021
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(55,522)
Changes of assumptions or other inputs	63,500
Benefit payments	(19,559)
Other changes	-
Ending balance of the total pension liability	<u>\$ 262,469</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, 2019 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:

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension Expense	218,048	34,122	252,170
Pension Liability	622,133	262,469	884,602
Proportionate share of the net pension liability	0.01741%	N/A	
<b>Deferred of Outflows of Resources</b>			
Differences between expected and actual experience	78,565	45,452	124,017
Changes of assumptions	46,299	62,490	108,789
Net difference between projected and actual earning			
on plan investments	87,549	-	87,549
Changes in proportion and differences between contributions and proportionate share of contributions	2,530	-	2,530
Benefit payments and administrative costs paid subsequent to the measurement date	122,254	-	122,254
<b>Deferred of Inflows of Resources</b>			
Differences between expected and actual experience	-	47,071	47,071
Changes of assumptions	-	5,063	5,063
Net differences between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,281	-	6,281

**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, 2021, the Town's total payments were \$19,559.

**Total OPEB Liability**

The Town's total OPEB liability of \$174,504 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the December 31, 2020 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	3.50 to 7.75 percent, including inflation
Discount rate	2.21 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**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2020</b>	
<b>Change for the year</b>	\$ 179,264
Service cost	-
Interest	5,966
Changes of benefit terms	-
Differences between expected and actual experience	(953)
Changes in assumptions or other inputs	7,967
Benefit payments	(17,740)
<b>Net changes</b>	<u>(4,760)</u>
<b>Balance at June 30, 2020</b>	<u>\$ 174,504</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

The actuarial assumptions used in the December 31, 2020 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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<u>1% Decrease</u> <u>(1.21%)</u>	<u>Discount Rate</u> <u>(2.21%)</u>	<u>1% Increase</u> <u>(3.21%)</u>
Total OPEB liability	\$ 181,094	\$ 174,504	\$ 168,277

*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	\$ 167,646	\$ 174,504	\$ 181,638

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$12,980. At June 30, 2021, 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year ended June 30:	
2022	-
2023	-
2024	-
2025	-
2026	-
Thereafter	-
	<u>-</u>

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	\$ 122,254
Benefit payments made and administrative expenses for LEOSA made subsequent to measurement date	-
Differences between expected and actual experience	124,017
Changes of assumptions	108,789
Net difference between projected and actual earnings on pension plan investments	87,549
Changes in proportion and differences between Town's contributions and proportionate share of contributions	2,530
Total	<u>\$ 445,139</u>

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

	Statement of Net Position	General Fund Balance Sheet
Pension deferrals	\$ 58,415	\$ -
Taxes Receivable, less penalties (General Fund)	-	36,627
	<u>\$ 58,415</u>	<u>\$ 36,627</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, 2021, 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. Changes in General Long-Term Liabilities

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

	Balance 07/01/20	Increases	Decreases	Balance 06/30/21	Current Portion
Governmental activities:					
Net pension liability (LGERS)	\$ 481,462	\$ 140,671	\$ -	\$ 622,133	\$ -
Total pension liability (LEOSSA)	255,817	6,652	-	262,469	-
Total OPEB liability	179,264	-	(4,760)	174,504	
Compensated absences	90,598	47,365	(64,092)	73,871	-
Governmental activity long-term liabilities	<u>\$ 1,007,141</u>	<u>\$ 194,688</u>	<u>\$ (68,852)</u>	<u>\$ 1,132,977</u>	<u>\$ -</u>

At June 30, 2021, the Town of Holly Ridge had a legal debt margin of \$34,010,400.

#### C. Net Investment in Capital Assets

Capital assets	Governmental \$ 1,349,721
Less: long term debt	-
Net investment in capital asset	<u>\$ 1,349,721</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:

<b>Total fund balance - General Fund</b>	<b>\$ 2,816,960</b>
<b>Less:</b>	
<b>Stabilization by State Statute</b>	259,802
<b>Streets - Powell Bill</b>	17,887
<b>Remaining Fund Balance</b>	<b>2,539,271</b>

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 February 4, 2022, which is the date the financial statements were available to be issued.

REQUIRED  
SUPPLEMENTAL FINANCIAL  
DATA

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This section contains additional information required by  
generally accounting principals.

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Schedule of the Proportionate Share of the Net Pension  
Asset – Local Government Employees’ Retirement System

Schedule of Contributions – Local Government Employees’ Retirement System

Schedule of Changes in Total Pension Liability - Law Enforcement Officer's Special  
Separation Allowance

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Schedule of Changes in Net OPEB Liability and Related Ratios

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

**Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	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) (\$)	\$ 622,133	\$ 481,462	\$ 403,773	\$ 259,255	\$ 320,260	\$ 60,228	\$ (75,900)	\$ 161,521
Town's covered-employee payroll	\$ 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	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**	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 Eight Fiscal Years\***

**Local Government Employees' Retirement System**

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 122,254	\$ 107,330	\$ 88,881	\$ 81,912	\$ 73,747	\$ 67,082	\$ 57,159	\$ 52,238
Contributions in relation to the contractually required contribution	\$ 122,254	107,330	88,881	81,912	73,747	67,082	57,159	52,238
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 1,164,320	\$ 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	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, 2021**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 255,817	\$ 235,307	\$ 185,393	\$ 164,315	\$ 153,472
Service Cost	10,212	12,201	12,205	9,946	8,614
Interest on the total pension liability	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	(55,522)	12,865	59,508	14,189	-
Changes of assumptions or other inputs	63,500	6,794	(7,789)	10,537	(3,250)
Benefit payments	(19,559)	(19,559)	(19,559)	(19,559)	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<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, 2021**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 262,469	\$ 255,817	\$ 235,307	\$ 185,393	\$ 164,315
Covered payroll	434,031	528,281	467,999	464,322	380,556
Total pension liability as a percentage of covered payroll	60.47%	48.42%	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, 2021\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	5,966	7,585	7,380	7,005
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(953)	(18,690)	3,190	(16,046)
Changes of assumptions	7,967	5,128	(3,162)	(6,390)
Benefit payments	(17,740)	(19,320)	(20,131)	-
<b>Net change in total OPEB liability</b>	<u>(4,760)</u>	<u>(25,297)</u>	<u>(12,723)</u>	<u>(15,431)</u>
<b>Total OPEB liability - beginning</b>	<u>179,264</u>	<u>204,561</u>	<u>217,284</u>	<u>232,715</u>
<b>Total OPEB liability - ending</b>	<u><u>174,504</u></u>	<u><u>\$ 179,264</u></u>	<u><u>\$ 204,561</u></u>	<u><u>\$ 217,284</u></u>
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

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

## GENERAL FUND

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The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

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**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, 2021**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ -	\$ 1,664,430	\$ -
Penalty and interest		7,424	
Total	<u>1,591,784</u>	<u>1,671,854</u>	<u>80,070</u>
Other taxes and licenses:			
Privilege licenses		15	
Total	<u>500</u>	<u>15</u>	<u>(485)</u>
Unrestricted intergovernmental:			
Local option sales taxes		935,643	
Utility sales tax		145,410	
ABC profit distribution		51,373	
Sales tax refund		8,144	
Beer and wine tax		8,270	
Total	<u>844,105</u>	<u>1,148,840</u>	<u>304,735</u>
Restricted intergovernmental:			
Federal and State Grants		-	
Powell Bill allocation		58,901	
Controlled substance tax		67	
Solid waste disposal tax		1,444	
Total	<u>6,000</u>	<u>60,412</u>	<u>54,412</u>
Permits and Fees:			
Building permits		297,670	
Zoning permits		24,945	
Other fees		2,625	
Total	<u>220,800</u>	<u>325,240</u>	<u>104,440</u>
Sales and Services:			
Recreation department fees		495	
Solid waste fees		363,523	
Total	<u>295,000</u>	<u>364,018</u>	<u>69,018</u>
Miscellaneous:			
Other	<u>33,250</u>	<u>32,923</u>	<u>(327)</u>
Investment earnings:			
General	<u>1,500</u>	<u>923</u>	<u>(577)</u>
Total revenues	<u>2,992,939</u>	<u>3,604,225</u>	<u>611,286</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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government:			
Governing Body			
Salaries & benefits		17,439	
Other expenditures		364,083	
Total governing body	<u>468,693</u>	<u>381,522</u>	<u>87,171</u>
Administration:			
Salaries & benefits		230,800	
Other expenditures		58,399	
Total administration	<u>321,500</u>	<u>289,199</u>	<u>32,301</u>
Finance:			
Salaries & benefits		120,159	
Other expenditures		2,049	
Total finance	<u>125,000</u>	<u>122,208</u>	<u>2,792</u>
Total general government	<u>915,193</u>	<u>792,929</u>	<u>122,264</u>
Public Safety:			
Police department:			
Salaries and employee benefits		857,786	
Other expenditures		105,025	
Capital outlay		-	
Total police	<u>1,122,164</u>	<u>962,811</u>	<u>159,353</u>
Inspections:			
Salaries and employee benefits		197,347	
Other expenditures		50,415	
Total inspections	<u>280,418</u>	<u>247,762</u>	<u>32,656</u>
Total public safety	<u>1,402,582</u>	<u>1,210,573</u>	<u>192,009</u>
Streets:			
Salaries & benefits		299,099	
Other expenditures		133,254	
Powell bill expenditures		47,575	
Capital outlay		95,902	
Total street	<u>593,013</u>	<u>575,830</u>	<u>17,183</u>
Environmental protection:			
Other expenditures		279,835	
Total environmental protection	<u>280,056</u>	<u>279,835</u>	<u>221</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, 2021**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Parks and Recreation:			
Other expenditures		168,163	
Capital outlay		12,277	
Total parks and recreation	<u>194,258</u>	<u>180,440</u>	<u>13,818</u>
Debt Service:			
Principal retirement		-	
Interest and other charges		-	
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>3,385,102</u>	<u>3,039,607</u>	<u>345,495</u>
Revenues over (under) expenditures	(392,163)	564,618	956,781
Other financing sources (uses):			
Transfers from other funds	-	-	
Installment purchase proceeds	-	-	
Fund Balance Appropriated	<u>392,163</u>	<u>-</u>	
Total	<u>392,163</u>	<u>-</u>	<u>(392,163)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	564,618	<u>\$ 564,618</u>
Fund balance, beginning		<u>2,252,342</u>	
Fund balance, ending		<u>\$ 2,816,960</u>	

## OTHER SCHEDULES

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This section includes additional information on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**Town of Holly Ridge, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2021**

<u>Fiscal Year</u>	Uncollected Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	Uncollected Balance <u>June 30, 2021</u>
2020-2021	\$ -	\$ 1,664,430	\$ (1,657,007)	\$ 7,423
2019-2020	10761	-	(6,399)	4,362
2018-2019	5,428	-	(2,884)	2,544
2017-2018	3,835	-	(1,575)	2,260
2016-2017	4,374	-	(1,499)	2,875
2015-2016	5,742	-	(629)	5,113
2014-2015	3,074	-	(721)	2,353
2013-2014	4,545	-	(988)	3,557
2012-2013	11,388	-	(5,248)	6,140
	<u>\$ 49,147</u>	<u>\$ 1,664,430</u>	<u>\$ (1,676,950)</u>	<u>\$ 36,627</u>

Ad valorem taxes receivable - net \$ 36,627

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 1,671,854
Reconciling items:	
Discounts, releases, refunds, fees, write-offs	12,520
Interest collected	<u>(7,424)</u>
Total collections and credits	<u>\$ 1,676,950</u>

**Town of Holly Ridge, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2021**

	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	\$ 426,776,923	0.390	\$ 1,664,430	\$ 1,503,383	\$ 161,047
Penalties	-		-	-	-
Total	426,776,923		1,664,430	1,503,383	161,047
Total property valuation	\$ 426,776,923				
Net levy			1,664,430	1,503,383	161,047
Uncollected taxes at June 30, 2021			7,423	7,423	-
Current year's taxes collected			\$ 1,657,007	\$ 1,495,960	\$ 161,047
Current levy collection percentage			99.55%	99.51%	100.00%