
Town of Holly Ridge

Holly Ridge, North Carolina

Financial Statements

June 30, 2015



TOWN OF HOLLY RIDGE

HOLLY RIDGE, NORTH CAROLINA

TOWN OFFICIALS

Mayor

Anita Dinger

Town Council Members

Gregory Hines – Mayor Pro Tem

Rena Bragg

Carolyn Stanley

George Lang

Deborah Hill

Finance Officer

Christina Austin

Town of Holly Ridge, North Carolina
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June 30, 2014

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June 30, 2014

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Independent Auditor's Report

Honorable Mayor
And Town Council
Town of Holly Ridge, North Carolina

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, and each major fund, and the aggregate remaining fund information of the Town of Holly Ridge, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Holly Ridge's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Holly Ridge, North Carolina, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows 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 on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Holly Ridge, North Carolina's financial statements as a whole. The introductory section, combining and individual financial fund statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2015 on our consideration of the Town of Holly Ridge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Holly Ridge's internal control over financial reporting and compliance.

Larry E. Carpenter, CPA, PA

Greenville, North Carolina
September 24, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Holly Ridge (the *Town*), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. 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

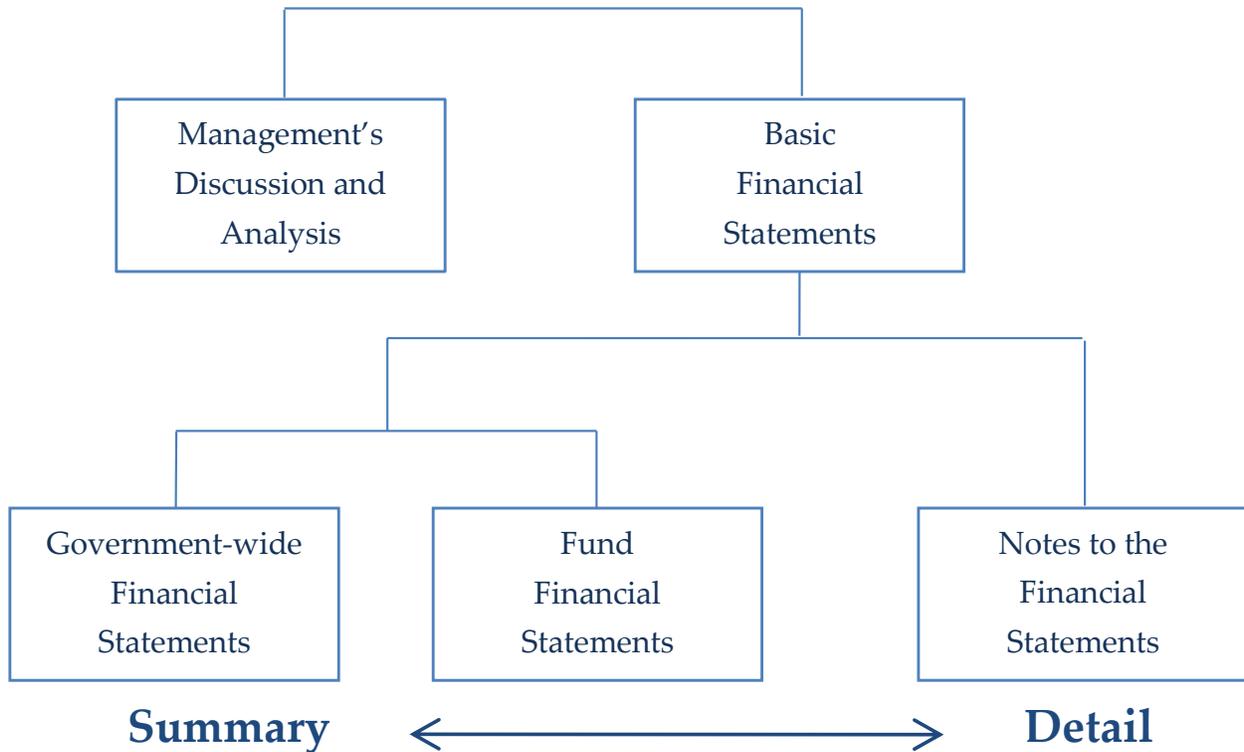
- The Town's assets exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,983,547 (*net position*).
- The government's total net position increased by \$162,511.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$1,227,694 with a net change of \$209,818 in the fund balance. Approximately 81.06% of this total amount or \$995,214 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$995,214, or 201.12% 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 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.

Components of the Financial Section

Figure 1



Basic Financial Statements

The first two statements (Exhibits A-1 and A-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 A-3 through A-7) 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; and 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 details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Management's Discussion and Analysis

Town of Holly Ridge

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 they have changed. Net position are the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

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

The government-wide financial statements can be found on Exhibits A-1 and A-2 of this report.

Fund Financial Statements

Traditional users of governmental fund financial statements will find the fund financial statements presentation more familiar. However, the focus is on major funds, rather than the individual fund types. The fund financial statements 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 demonstrate compliance with finance-related legal requirements, such as the general statutes or the Town's budget ordinance.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term Inflows and Outflows of Spendable Resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *Governmental Activities* in the Government-Wide Financial Statements.

Management's Discussion and Analysis

Town of Holly Ridge

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

The basic governmental fund financial statements can be found on Exhibits A-3 and A-7 of this report.

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 are on pages 20-35 of this report.

Other Information

Interdependence with Other Entities

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

Management's Discussion and Analysis
Town of Holly Ridge

Government-Wide Financial Analysis

Town of Holly Ridge's Net Position

Figure 2

	Governmental	
	Activities	
	2015	2014
Current and other assets	\$1,490,302	\$1,331,252
Pension liability		
Noncurrent assets	1,496,451	1,542,364
Deferred outflows of resources	4,555	-
Total assets and deferred outflows of resources	<u>2,991,308</u>	<u>2,873,616</u>
Long-term liabilities outstanding	669,771	714,825
Other liabilities	152,975	233,393
Deferred inflows of resources	185,015	-
Total liabilities and deferred inflows of resources	<u>1,007,761</u>	<u>948,218</u>
Net investment in capital assets	705,726	664,642
Restricted	232,480	181,736
Unrestricted	1,045,341	1,079,020
Total Net Position	<u>\$1,983,547</u>	<u>\$1,925,398</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial position. The assets of the Town of Holly Ridge exceeded liabilities by \$1,983,547 at the close of the most recent fiscal year. The Town's net position increased by \$162,511 for the fiscal year ended June 30, 2015.

However, a 35.58% or \$705,726 portion reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. 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 investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Management's Discussion and Analysis
Town of Holly Ridge

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

	Governmental	
	Activities	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 378,240	\$ 365,636
Operating grants and contributions	72,167	105,139
General revenues:		
Property taxes	1,022,324	894,973
Other taxes	649,723	542,409
Investment earnings	266	1,835
Gain on sale of capital assets	18,686	-
Other	19,996	84,054
Total revenues	<u>2,161,402</u>	<u>1,994,046</u>
Expenses:		
Administration	364,647	353,005
Inspections	201,953	187,337
Public safety		
Fire	97,470	126,893
Police	762,585	750,511
Street department	323,772	340,024
Sanitation	189,946	172,393
Interest on long-term debt	34,118	36,484
Parks and recreation	24,400	16,759
Total expenses	<u>1,998,891</u>	<u>1,983,406</u>
Increase (decrease) in Net Position before transfers	<u>-</u>	<u>10,640</u>
Increase (decrease) in Net Position	162,511	10,640
Net Position, July 1	1,925,398	1,914,758
Net Position, beginning, restated	<u>1,821,036</u>	<u>-</u>
Net Position, June 30	<u>\$1,983,547</u>	<u>\$1,925,398</u>

Governmental Activities

Governmental activities increased the Town's net position by \$209,818 thereby accounting for 100% of the total decrease in the net position of the Town of Holly Ridge.

Management's Discussion and Analysis

Town of Holly Ridge

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. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The *General Fund* is the chief operating fund of the Town of Holly Ridge. At the end of the current fiscal year, the Town of Holly Ridge's fund balance available in the General Fund was \$995,214 while total fund balance reached \$1,227,694. The Town currently has an available fund balance of 49.72% of general fund expenditures.

The North Carolina Local Government Commission strongly recommends that local governments maintain an undesignated fund balance of at least 8% of general fund expenditures. Undesignated fund balance is a sub classification of unassigned fund balance after consideration for management's policy designations.

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

The Town of Holly Ridge's investment in capital assets for its governmental activities as of June 30, 2015, totals \$1,496,451 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment. The town made major parking lot improvements and purchased a new police car during the year.

Management's Discussion and Analysis
Town of Holly Ridge

Town of Holly Ridge's Capital Assets
(Net of Depreciation)

Figure 4

	Governmental	
	Activities	
	2015	2014
Land	\$ 31,135	\$ 31,135
Buildings	650,802	673,166
Equipment	50,410	66,703
Vehicles	89,720	144,165
Infrastructure	598,483	627,195
Capital assets, net	<u>\$ 1,420,550</u>	<u>\$ 1,542,364</u>

Long-Term Debt. As of June 30, 2015, the Town of Holly Ridge had no long-term debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 % of the total assessed value of taxable property located within that government's boundaries. The Town of Holly Ridge does not have any authorized but unissued debt at June 30, 2015.

Economic Factors and Next Year's Budgets and Rates

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

- Population growth: The Town's population growth can be partially attributed to the expansion of surrounding areas.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities. Property tax rates and garbage collection rates will remain constant for 2015. Budgeted expenditures will remain similar to the current year.

Requests for Information

This report is designed to provide an overview of the Town finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the following:

Finance Officer
Town of Holly Ridge
P.O. Box 145
Holly Ridge, NC 28445

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Holly Ridge, North Carolina
Statement of Net Position
June 30, 2015

	Primary Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 1,023,259
Taxes receivable, net	234,563
Due from other governments	145,580
Accounts receivable, Other	1,483
Restricted cash and cash equivalents	85,417
Total Current Assets	1,490,302
<i>Noncurrent Assets</i>	
Net Pension Assets	75,901
Land and other nondepreciable assets	31,135
Other capital assets, net of depreciation	1,389,415
Total Assets	2,986,753
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	4,555
Total Deferred Outflows of Resources	4,555
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable and accrued liabilities	28,045
Accrued interest payable	13,891
Current portion of long-term debt	111,039
Total Current Liabilities	152,975
<i>Noncurrent Liabilities</i>	
Due in more than one year	603,785
Compensated Absence	65,986
Total Liabilities	822,746
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	185,015
Total Deferred Inflows of Resources	185,015
NET POSITION	
Net investments in capital assets	705,726
<i>Restricted for:</i>	
Stabilization by State Statute	147,063
Streets	85,417
<i>Unrestricted</i>	1,045,341
Total Net Position	\$ 1,983,547

The accompanying notes are an integral part of this financial statements

Town of Holly Ridge, North Carolina
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Total
Primary Government						
Governmental Activities:						
Interest and other charges	\$ 34,118	\$ --	\$ --	\$ --	\$ (34,118)	\$ (34,118)
Parks & recreation	24,400	--	5,000	--	(19,400)	(19,400)
Sanitation	189,946	180,663	--	--	(9,283)	(9,283)
Street department	323,772	--	67,167	--	(256,605)	(256,605)
Fire	97,470	--	--	--	(97,470)	(97,470)
Inspections	201,953	113,668	--	--	(88,285)	(88,285)
Police	762,585	4,930	--	--	(757,655)	(757,655)
Administration	364,647	78,979	--	--	(285,668)	(285,668)
Total Governmental Activities	1,998,891	378,240	72,167	--	(1,548,484)	(1,548,484)
Total Primary Government	\$ 1,998,891	\$ 378,240	\$ 72,167	\$ --	\$ (1,548,484)	\$ (1,548,484)

General Purpose Revenues and Transfers:

Revenues

Property taxes, levied for general purpose	1,022,324	1,022,324
Investment earnings	266	266
Unrestricted intergovernmental	649,723	649,723
Gain on sale of capital assets	18,686	18,686
Miscellaneous	19,996	19,996
Total General Revenues and Transfers	1,710,995	1,710,995
Change in Net Position	162,511	162,511
<i>Net Position at Beginning of Period, previously reported</i>	1,925,398	1,925,398
Restatement	(104,362)	(104,362)
<i>Net Position at Beginning of Period, restated</i>	1,821,036	1,821,036
Net Position at End of Period	\$ 1,983,547	\$ 1,983,547

The accompanying notes are an integral part of this financial statements

FUND FINANCIAL STATEMENTS

Town of Holly Ridge, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	Major Fund
	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,023,259
Taxes receivable, net	234,563
Due from other governments	145,580
Accounts receivable, Other	1,483
Restricted cash and cash equivalents	85,417
<i>Total Assets</i>	1,490,302
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
<i>Total Assets and Deferred Outflows of Resources</i>	\$ 1,490,302
LIABILITIES	
Accounts payable and accrued liabilities	\$ 28,045
<i>Total Liabilities</i>	28,045
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	234,563
<i>Total Liabilities and Deferred Inflows of Resources</i>	262,608
FUND BALANCE	
Restricted	
Stabilization by State Statute	147,063
Streets	85,417
Unassigned	995,214
<i>Total Fund Balance</i>	1,227,694
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 1,490,302

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

Town of Holly Ridge, North Carolina
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds	\$ 1,227,694
Some liabilities, including accrued interest payable not paid in the current period and therefore are not reported in the funds.	(13,891)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,420,550
Other long-term liabilities (accrued interest payable, bonds payable, earned vacation payable) are not due and payable in the current period and, therefore are not reported in the funds.	(65,986)
Long-term liabilities used in governmental activities are not financial uses and, therefore are not reported in the funds.	(714,823)
Net pension assets/liabilities resulting from contributions greater than or less than the amount of annual required contributions are not financial resources and therefore are not reported in the funds.	75,901
Tax receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.	234,563
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	4,555
Pension related deferrals	(185,015)
Total Net Position-Governmental Funds	\$ <u>1,983,547</u>

Town of Holly Ridge, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	Major Fund
	General Fund
Revenues	
Property taxes, levied for general purpose	\$ 1,072,317
Unrestricted intergovernmental	669,897
Restricted intergovernmental	51,993
Permits & fees	113,598
Sales & services	264,642
Investment earnings	266
Miscellaneous	19,996
<i>Total Revenues</i>	2,192,709
Expenditures	
Administration	363,647
Police	701,659
Inspections	196,593
Fire	97,470
Street department	284,182
Sanitation	189,946
Parks & recreation	24,400
Principal	109,562
Interest and other charges	34,118
<i>Total Expenditures</i>	2,001,577
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	191,132
Other Financing Sources (Uses)	
Transfers from other funds	--
Sale of capital assets	18,686
Transfer from other funds	--
<i>Net Other Financing Sources (Uses)</i>	18,686
<i>Net Change in Fund Balance</i>	209,818
<i>Fund Balance at Beginning of Period</i>	1,017,876
<i>Fund Balance at End of Period</i>	\$ 1,227,694

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

Town of Holly Ridge, North Carolina
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2015

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

Total Net Change in Fund Balances - Governmental Funds	\$ 209,818
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	109,562
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.	(121,814)
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. (change in earned vacation pay, change in accrued interest expense)	15,135
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(49,994)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	4,555
Pension expense	(4,752)
Changes in Net Position-Governmental Funds	\$ <u>162,511</u>

Town of Holly Ridge, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Ad valorem taxes	\$ 1,096,330	\$ 1,096,330	\$ 1,072,317	\$ (24,013)
Unrestricted intergovernmental	567,300	567,300	669,897	102,597
Restricted Intergovernmental	51,046	51,046	51,993	947
Permits and fees	149,000	149,000	113,598	(35,402)
Sales and services	274,854	274,854	263,848	(11,006)
Investment earnings	800	800	266	(534)
Miscellaneous	32,925	32,925	19,996	(12,929)
Total Revenues	2,172,255	2,172,255	2,191,915	19,660
Other Financing Sources				
Total Revenues and Other Financing Sources	2,172,255	2,172,255	2,191,915	19,660
Expenditures				
Administration	401,060	401,060	363,647	37,413
Police	729,745	729,745	701,659	28,086
Inspections	200,214	200,214	195,799	4,415
Fire	104,000	104,000	97,470	6,530
Street Department	344,446	344,446	286,043	58,403
Sanitation	193,000	193,000	189,946	3,054
Parks & Recreation	56,650	56,650	24,400	32,250
Principal	110,458	110,458	107,701	2,757
Interest and other charges	34,882	34,882	34,118	764
Total Expenditures	2,174,455	2,174,455	2,000,783	173,672
Other Financing Uses				
Sale of capital assets	(2,200)	(2,200)	(18,686)	16,486
Total Expenditures and Other Financing Uses	2,172,255	2,172,255	1,982,097	190,158
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	209,818	209,818
Net Change in Fund Balance	\$ --	\$ --	209,818	\$ 209,818
<i>Fund Balance at Beginning of Period</i>			1,017,876	
Fund Balance at End of Period			\$ 1,227,694	

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

NOTES TO THE FINANCIAL STATEMENTS

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

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. The Financial Reporting Entity

The Town of Holly Ridge is a municipal corporation that is governed by an elected mayor and a five-member council. The accounting policies of the Town of Holly Ridge conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The following is a summary of the more significant accounting policies of the Town.

B. Basis of Presentation

Government-wide Statements: The Government-wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) display information 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 Statement: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental 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 local option sales taxes and various other taxes and licenses. The primary expenditures are for public safety and general government.

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

Additionally, the Town reports the following non-major funds:

Special Revenue Fund

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Town has no special revenue fund.

C. Measurement Focus and Basis of Accounting, and Financial Statement Presentation

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental Fund Financial Statements. Governmental funds are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers all revenues to be available if they are collected within 90 days after year-end, except for property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. The Town considers all revenues available if they are collected within 90 days after yearend, 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

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

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.

All other revenue items are considered to be measurable and available only when cash is received by the government. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multiyear funds. All amendments must be approved by the governing board. During the year, there were several amendments to the original budget. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and 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;

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

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 securities of the NCCMT – Cash Portfolio are valued at fair value, which is the NCCMT's share price.

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 it 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.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that 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 as they are considered immaterial. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements and expenses as the items are used.

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. Minimum capitalization costs are \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost.

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003 are not recorded. 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 depreciated on the straight-line basis, applying the following useful lives to the cost of the assets:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25
Buildings	50
Improvements	25
Vehicles	5
Furniture and Fixtures	10
Equipment	5
Computer Equipment	3
Software	5

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. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to future period and so will not be recognized as revenue until then. The Town has one item that meet the criterion for this category – property taxes receivable.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

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

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

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

11. Pensions

The Town of Holly Ridge contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. 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.

12. Net Position/Fund Balances

Net Position

Net Position in government-wide and financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent 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:

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

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Holly Ridge’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

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

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are: allowance for doubtful accounts and depreciation lives.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

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

None.

4. Excess of Expenditures over Appropriations

None.

III. Detail Notes of All Funds

A. Assets

1. Deposits and Investments

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town. 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 a fiduciary capa for the Town, these deposits are considered to be held by the Town. 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. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of the G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the Town's deposits had a carrying amount of \$1,108,561 and a bank balance of \$1,045,901. Of the bank balance, \$426,834 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2015, the Town’s petty cash funds totaled \$115.

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

General Fund:	
Taxes Receivable, net	\$ 234,563
Accounts Receivable, net	147,063
Total	\$ 381,626

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

3. Capital Assets

Governmental Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 31,135	\$ -	\$ -	\$ 31,135
Total capital assets not being depreciated	<u>31,135</u>	<u>-</u>	<u>-</u>	<u>31,135</u>
Capital assets being depreciated:				
Buildings	839,374	-	-	839,374
Equipment	160,498	-	-	160,498
Vehicles	631,176	-	-	631,176
Other improvements	772,928	-	-	772,928
Total capital assets being depreciated	<u>2,403,976</u>	<u>-</u>	<u>-</u>	<u>2,403,976</u>
Less accumulated depreciation for:				
Buildings	166,207	22,365	-	188,572
Equipment	93,794	16,294	-	110,088
Vehicles	487,011	54,445	-	541,456
Other improvements	145,735	28,710	-	174,445
Total accumulated depreciation	<u>892,747</u>	<u>\$ 121,814</u>	<u>\$ -</u>	<u>1,014,561</u>
Total capital assets being depreciated, net	<u>1,511,229</u>			<u>1,389,415</u>
Governmental activity capital assets, net	<u>\$ 1,542,364</u>			<u>\$ 1,420,550</u>

Depreciation expense was charged to functions/programs of the primary government as follows: 1511229

1,389,415

Governmental Activities:

121,814

General Government	\$ 2,028
Public Safety	68,816
Transportation	43,968
Parks & Recreation	7,002
Total	<u>\$ 121,814</u>

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

B. Liabilities

1. Pension Plan and Post-Employment 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions.

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Holly Ridge 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, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Holly Ridge were \$4,555 for the year ended June 30, 2015.

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, 2015, the Town reported an asset of \$75,900 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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, 2014, the Town's proportion was 0.013%, which was a decrease of 0.0026% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$4,753. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 8,293
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	176,694
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	27
Town contributions subsequent to the measurement date	4,555	-
Total	<u>\$ 4,555</u>	<u>\$ 185,015</u>

\$4,555 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$ (46,259)
2017	(46,259)
2018	(46,259)
2019	(46,238)
2020	-
Thereafter	-
	<u>\$ (185,015)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.00%	2.5
Global Equity	40.50%	6.1
Real Estate	8.00%	5.7
Alternative	6.50%	10.5
Credit	4.50%	6.8
Inflation Protection	4.50%	3.7
Total	<u>100.00%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	1% Increase (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 257,639	\$ (75,900)	\$ (356,729)

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

b. Law Enforcement Officers Special Separation Allowance

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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

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

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	8
Total	8

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

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

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

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

Contributions.

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

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

increases of 4.25-7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust 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. Also, the law enforcement officers may make voluntary contributions to the plan.

d. Post-employment Benefits

The Town does not offer any post-employment benefits.

e. Other Employees

Plan Description. All other employees have the option of contributing to the Supplemental Retirement Plan of North Carolina 401(k). This plan is a defined contribution pension plan and participation is optional.

Funding Policy. The Town matches up to three percent of employees' wages.

f. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000.

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

All death benefit payments are made from the Death Benefit Plan. 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.

2. Fund Balance

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

Total Fund Balance - General Fund	\$ 1,227,694
<i>Less:</i>	
Stabilization by State Statute	147,063
Streets - Powell Bill	85,417
Remaining Fund Balance	995,214

3. Deferred Outflows and Inflows of Resources

The Town has several deferred inflows/outflows of resources.

Deferred inflows of resources comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 4,555

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

Prepaid taxes (General Fund)	\$ -
Taxes Receivable, less penalties (General Fund)	234,563
Pension deferrals	185,015

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 the 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, public officials' liability, and law enforcement liability coverage of \$1 million per occurrence, property coverage up to \$1,557,028, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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 flood insurance through the National Flood Insurance Plan (NFIP). The Town is not in an area of the State that has been mapped and designated an "A" area.

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 is bonded for \$50,000.

IV. Long-Term Obligations

The town records long-term debt of the governmental funds at face value in the government-wide statement of net position. All general obligation bonds serviced by the town's general fund were issued into finance the improvements of the Town's streets and are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest payments are appropriated when due.

A. Installment Purchases

Installment purchase notes payable at June 30, 2015, are comprised of the following notes:

Governmental Activities:

\$296,400 installment purchase dated August 27, 2007 for the construction of a police building in annual principal installments of \$19,760 plus interest of 4.170% through August 2022	\$ 158,207
\$63,048.36 installment purchase dated August 4, 2011 for four Ford F-150 trucks in annual installments of \$17,042.91 including interest at 3.20% through August 2015	16,514
\$118,743 installment purchase dated January 23, 2012 for four Dodge Charger police cars in annual installments of \$32,098 including interest at 3.20% through January 2016	31,103
\$400,000 installment purchase dated December 19, 2011 for street improvements in annual principal installments of \$26,666.67 plus interest at 4.030% through December 2026	320,000
Total Installment Purchases	\$ 525,824

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

Annual debt service requirements to maturity for the installment loans - governmental activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	100,636	21,017	121,652.74
2017	46,421	17,595	64,015.94
2018	46,421	15,696	62,117.29
2019	46,421	12,723	59,143.96
2020	46,420	11,900	58,319.97
2021-2025	186,172	31,655	217,827.24
2026-2027	53,333	3,224	56,557.32
	<u>\$ 525,824</u>	<u>\$ 113,810</u>	<u>\$ 639,634</u>

B. General Obligation Bonds

General obligations bonds payable at June 30, 2013, are comprised of the following notes:

Governmental Activities:

\$325,000 general obligation bonds dated June 1, 2006 issued to finance the improvement of the Town's streets in annual principal installments starting at \$15,000 plus interest at 4.75% through June 2024	\$ 206,000
Total General Obligation Bonds	<u>\$ 206,000</u>
Grand Total Governmental Activities	<u>\$ 824,387</u>

Annual debt service requirements to maturity for the general obligation bonds - governmental activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	17,000	8,978	25,978
2017	18,000	8,170	26,170
2018	19,000	7,315	26,315
2019	20,000	6,413	26,413
2020	21,000	5,463	26,463
2021-2025	94,000	11,400	105,400
	<u>\$ 189,000</u>	<u>\$ 47,738</u>	<u>\$ 236,738</u>

Town of Holly Ridge, North Carolina
Notes to the Financial Statements
For Fiscal Year Ended June 30, 2015

C. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's governmental activities in long-term debt:

	June 30, 2014	Additions	Retirements	June 30, 2015	Current Maturities
Installment Loans	\$ 618,386	\$ -	\$ 92,562	\$ 525,824	\$ 94,039
General Obligation Bond	206,000	-	17,000	189,000	17,000
Compensated Absences	78,694	4,677	17,385	65,986	-
Total	<u>\$ 903,080</u>	<u>\$ 4,677</u>	<u>\$ 126,947</u>	<u>\$ 780,810</u>	<u>\$ 111,039</u>

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.

V. Claims, Judgments and Contingent Liabilities

At June 30, 2015, there were no outstanding claims or judgments against the Town.

VI. 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 monies.

VII. Transfers From / To Other Funds

In fiscal year 2015, the Town made no transfers within its fund structure.

VIII. Evaluation of Subsequent Events

Subsequent events have been evaluated through September 24, 2015 the date the financial statements were available to be issued.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Holly Ridge North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes:			
Taxes	\$ -	\$ 1,037,210	\$ -
Interest		35,107	
Total	<u>1,096,330</u>	<u>1,072,317</u>	<u>(24,013)</u>
Unrestricted Intergovernmental Revenues			
Local Option Sales Tax		492,710	
Utility Franchise Tax		124,132	
Cable TV Franchise Tax		10,476	
Beer and Wine Tax		22,211	
Solid Waste Tax		194	
Grants		20,174	
Total	<u>567,300</u>	<u>669,897</u>	<u>102,597</u>
Restricted Intergovernmental Revenue			
Powell Bill Allocation		46,993	
Onslow Couty Tourism		5,000	
Total	<u>51,046</u>	<u>51,993</u>	<u>947</u>
Permits and Fees:			
Planning & Zoning Fees		8,554	
Building Fees		105,044	
Total	<u>149,000</u>	<u>113,598</u>	<u>(35,402)</u>
Sales and Services:			
Privilege Licenses		794	
Garbage Collection		138,400	
Recycling		42,263	
Rental Income		53,094	
Community Center		25,885	
Court and Civil Citations		4,206	
Total	<u>274,854</u>	<u>263,848</u>	<u>(11,006)</u>
Investment Earnings	<u>800</u>	<u>266</u>	<u>(534)</u>
Miscellaneous:			
Other Revenue		19,996	
Total	<u>32,925</u>	<u>19,996</u>	<u>(12,929)</u>
Total Revenues	<u>2,172,255</u>	<u>2,191,915</u>	<u>19,660</u>

**Town of Holly Ridge North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
Administration:			
Town Council Fees		12,450	
Salaries and Benefits		199,176	
Legal and Professional Fees		24,154	
Training		2,315	
Postage		2,624	
Telephone		2,762	
Utilities		10,123	
Travel		26	
Office Expenses		2,643	
Insurance and Bonds		38,241	
Property Tax Collection Fees		9,324	
Dues and Subscriptions		3,893	
Community Building		9,462	
Contracted Services		16,863	
Other Operating Costs		29,591	
Total	<u>401,060</u>	<u>363,647</u>	<u>37,413</u>
Police:			
Salaries and Benefits		610,476	
Telephone		11,864	
Vehicle Expenses		34,768	
Supplies		2,649	
Uniforms		6,032	
Other Operating Costs		27,499	
Capital Outlay		8,371	
Total	<u>729,745</u>	<u>701,659</u>	<u>28,086</u>
Fire Department	<u>104,000</u>	<u>97,470</u>	<u>6,530</u>
Inspections:			
Salaries and Benefits		148,130	
Telephone		1,603	
Supplies		4,161	
Vehicle Expenses		2,409	
Other Operating Costs		39,496	
Total	<u>200,214</u>	<u>195,799</u>	<u>4,415</u>

**Town of Holly Ridge North Carolina
General Fund
Schedule of Revenue, Expenditures, and Changes
In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Street Department:			
Salaries and Benefits		170,771	
Street Lights		34,210	
Insurance		40,548	
Telephone		2,238	
Repairs		18,405	
Vehicle Expenses		7,598	
Supplies		4,420	
Other Operating Costs		7,853	
Total	<u>344,446</u>	<u>286,043</u>	<u>58,403</u>
Sanitation	<u>193,000</u>	<u>189,946</u>	<u>3,054</u>
Parks and Recreation:			
Fireworks		10,000	
Revitalization		13,088	
Other Operating Costs		1,312	
Total	<u>56,650</u>	<u>24,400</u>	<u>32,250</u>
Debt Service:			
Principal Retirement		107,701	
Interest and Other Charges		34,118	
Total	<u>145,340</u>	<u>141,819</u>	<u>3,521</u>
Total Expenditures	<u>2,174,455</u>	<u>2,000,783</u>	<u>173,672</u>
Revenues over (Under) Expenditures	(2,200)	191,132	193,332
Other Financing Source (Uses):			
Proceeds from Sale of Assets		(18,686)	
Total	<u>2,200</u>	<u>(18,686)</u>	<u>(16,486)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>209,818</u>	<u>\$ 209,818</u>
Fund Balances:			
Beginning of year, July 1		<u>1,017,876</u>	
End of year, June 30		<u>\$ 1,227,694</u>	

OTHER SCHEDULES

Town of Holly Ridge, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2015

Fiscal Year	2014	Additions	Collections and Credits	2015
2014-2015	\$ -	\$ 1,024,168	\$ 952,147	\$ 72,021
2013-2014	95,290	-	21,530	73,760
2012-2013	72,597	-	25,372	47,225
2011-2012	64,237	-	56,173	8,064
2010-2011	13,854	-	6,284	7,570
2009-2010	34,194	-	6,207	27,987
2008-2009	23,906	-	4,474	19,432
2007-2008	2,600	-	104	2,496
2006-2007	2,128	-	60	2,068
2005-2006	1,976	-	36	1,940
2004-2005	1,775	-	1,775	-
	<u>\$ 312,557</u>	<u>\$ 1,024,168</u>	<u>\$ 1,074,162</u>	<u>\$ 262,563</u>

Less allowance for uncollectible taxes (28,000)

\$ 234,563

Reconciliation with Revenues:

Ad Valorem Tax - General Fund	\$ 1,072,317
Reconciling Items:	
Interest and Penalties Collected	(35,107)
Taxes Released & Adjustments	5,354
Taxes Written Off	31,598
Total Collections & Credits	<u>\$ 1,074,162</u>

Town of Holly Ridge, North Carolina
General Fund
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2015

	Town-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Year's Tax Rate	\$246,787,470	0.415	\$ 1,024,168	\$ 972,804	\$ 51,364
Net levy			1,024,168	972,804	51,364
Less uncollected taxes at June 30, 2015			72,021	72,021	-
Current year's taxes collected			<u>\$ 952,147</u>	<u>\$ 900,783</u>	<u>\$ 51,364</u>
Current levy collection percentage			92.97%	92.60%	100.00%

Town of Holly Ridge Proportiate Share of Net Pension Liability (Assets)
Required Supplementary Information
Last Two Fiscal Years

	2015	2014
Unit's proportion of the net pension liability (asset) (%)	0.02898%	0.02898%
Unit's proportion of the net pension liability (asset) (\$)	\$ (75,900)	\$ (161,521)
Unit's covered-employee payroll	\$ 739,184	\$ 756,699
Unit's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	(0.10)	(0.21)
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 57,159	\$ 52,238
Contributions in relation to the contractually required contribtuions	<u>57,159</u>	<u>52,238</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Unit's covered-employee payroll	\$ 739,184	\$ 756,699
Contributions as apercentage of coverd-employee payroll	7.73%	6.90%

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Holly Ridge, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Town of Holly Ridge's basic financial statements, and have issued our report thereon dated September 24, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Holly Ridge's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Holly Ridge's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Member:

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants
AICPA – Governmental Audit Quality Center

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Holly Ridge's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters⁶ that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Larry E. Carpenter, CPA, PA

Greenville, NC
September 24, 2015

