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TOWN OF HOLDEN BEACH  
HOLDEN BEACH, NORTH CAROLINA  
FINANCIAL STATEMENTS  
June 30, 2013

TOWN OF HOLDEN BEACH, NORTH CAROLINA

June 30, 2013

Mayor: J. Alan Holden

Commissioners: Don Glander, Mayor Pro Tem

Sandy Miller

Ken Kyser

Dennis Harrington

Sheila Young

Town Manager/Finance Officer: David Hewett

Clerk: Heather Finnell

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June 30, 2013

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FINANCIAL SECTION



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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of the Town of Holden Beach, North Carolina, as of and for the year ended June 30, 2013, 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.

### Auditors' 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 basic 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 auditors' 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 the 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, the business-type activities each major fund and the aggregate remaining fund information of the Town of Holden Beach, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and BPart Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Members*

*American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms*

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 basic financial statements of the Town of Holden Beach, 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 and individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Thompson, Price Scott Adams & Co., P.A.*  
Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, North Carolina  
November 20, 2013

## Management's Discussion and Analysis

As management of the Town of Holden Beach, we offer readers of the Town of Holden Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Holden Beach for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### Financial Highlights

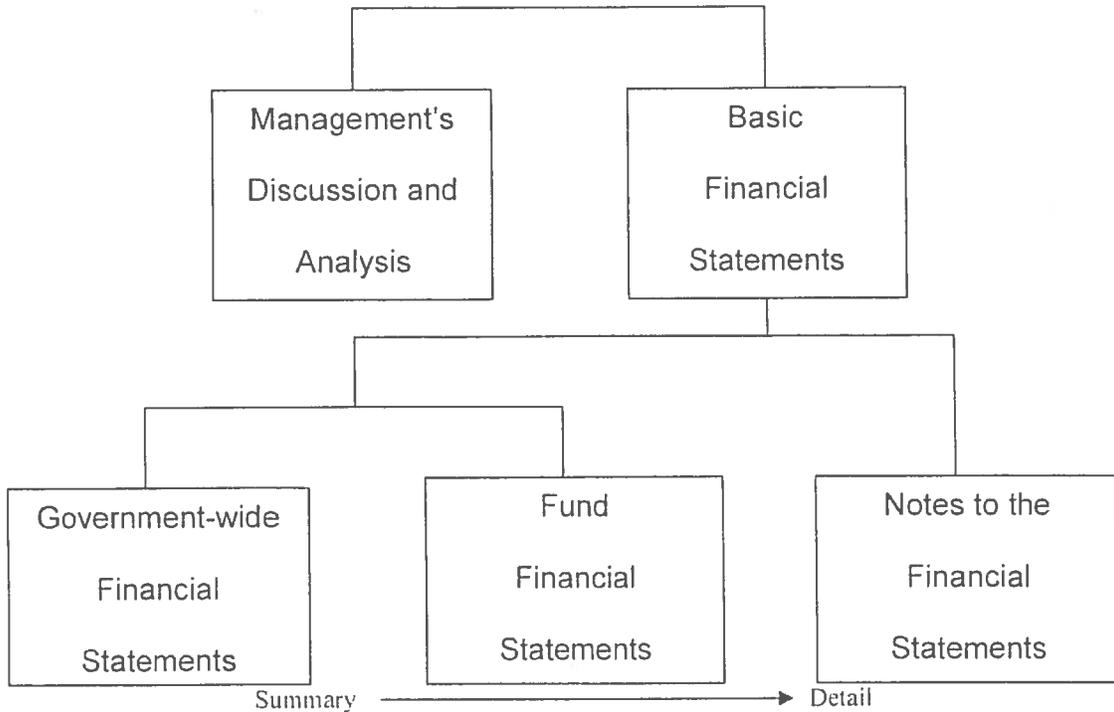
- The assets and deferred outflows of resources of the Town of Holden Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$29,335,956 (*net position*).
- The government's total net position increased by \$1,287,493, primarily due to increases in the governmental activities of \$805,190 and increases in the business-type activities of \$482,303.
- As of the close of the current fiscal year, the Town of Holden Beach governmental funds reported combined ending fund balances of \$6,986,844, an increase of \$212,416 in comparison with the prior year. Approximately 2 percent of this total amount, or \$205,674, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$205,674 or 9 percent of total general fund expenditures for the fiscal year.

### Overview of the Financial Statements

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

## Required Components of 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 9) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund 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.

### 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 gage the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Holden Beach. The government-wide financial statements are on Exhibits 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 Holden Beach, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Holden Beach can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between 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 Holden Beach adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

**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 directly behind the basic financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Holden Beach. Required supplementary information follows directly behind the notes to the financial statements.

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

**Government-Wide Financial Analysis**

**Town of Holden Beach Net Position**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 7,337,021	\$ 7,183,961	\$ 4,589,691	\$ 4,218,986	\$ 11,926,712	\$ 11,402,947
Capital assets	7,562,678	7,188,310	18,178,327	18,663,239	25,741,005	25,851,549
Deferred outflows of resources	-	-	-	-	-	-
Total assets	14,899,699	14,372,271	22,768,018	22,882,225	37,667,717	37,254,496
Long-term liabilities	3,541,707	3,755,923	3,626,871	4,163,779	7,168,578	7,919,702
Other liabilities	432,699	524,484	702,245	761,847	1,134,944	1,286,331
Deferred inflows of resources	28,239	-	-	-	28,239	-
Total liabilities	4,002,645	4,280,407	4,329,116	4,925,626	8,331,761	9,206,033
Net position:						
Net investment in capital assets	3,851,955	3,268,604	14,021,432	13,930,944	17,873,387	17,199,548
Restricted	864,209	577,507	-	-	864,209	577,507
Unrestricted	6,180,890	6,245,753	4,417,470	4,025,655	10,598,360	10,271,408
Total net position	\$ 10,897,054	\$ 10,091,864	\$ 18,438,902	\$ 17,956,599	\$ 29,335,956	\$ 28,048,463

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Holden Beach exceeded liabilities and deferred inflows by \$29,335,956 as of June 30, 2013. The Town's net position increased by \$1,287,493 for the fiscal year ended June 30, 2013. However, the largest portion (61%) of net position reflects the Town's net investment in capital assets (e.g. land, construction in progress, buildings, machinery, and equipment). The Town of Holden Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Holden Beach's net investment in 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's net position, \$864,209 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,598,360 is unrestricted.

A particular aspect 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 97.37%, which is comparable to the statewide average of 97.48%.

Town of Holden Beach Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 433,379	\$ 371,064	\$ 1,812,497	\$ 1,755,097	\$ 2,245,876	\$ 2,126,161
Operating grants and contributions	72,860	171,997	-	-	72,860	171,997
Capital grants and contributions	-	-	1,610,333	1,603,695	1,610,333	1,603,695
General revenues:						
Property taxes	1,576,909	1,578,393	-	-	1,576,909	1,578,393
Other taxes	1,939,568	1,960,822	-	-	1,939,568	1,960,822
Other	82,622	96,548	1,528	5,166	84,150	101,714
Total revenues	\$ 4,105,338	\$ 4,178,824	\$ 3,424,358	\$ 3,363,958	\$ 7,529,696	\$ 7,542,782
Expenses:						
General government	798,963	831,707	-	-	798,963	831,707
Public safety	856,899	923,370	-	-	856,899	923,370
Transportation	224,600	272,353	-	-	224,600	272,353
Environmental protection	124,583	120,085	-	-	124,583	120,085
Beach renourishment	1,220,059	1,295,531	-	-	1,220,059	1,295,531
Interest on long-term debt	151,162	162,878	-	-	151,162	162,878
Water and sewer	-	-	2,865,937	2,946,556	2,865,937	2,946,556
Total expenses	3,376,266	3,605,924	2,865,937	2,946,556	6,242,203	6,552,480
Increase in net position before transfers	729,072	572,900	558,421	417,402	1,287,493	990,302
Transfers	76,118	24,498	(76,118)	(24,498)	-	-
Increase in net position	805,190	597,398	482,303	392,904	1,287,493	990,302
Net position, July 1	10,091,864	9,546,093	17,956,599	17,661,157	28,048,463	27,207,250
Prior Period Adjustment	-	(51,627)	-	(97,462)	-	(149,089)
Net position, June 30	\$ 10,897,054	\$ 10,091,864	\$ 18,438,902	\$ 17,956,599	\$ 29,335,956	\$ 28,048,463

**Governmental activities.** Governmental activities increased the Town's net position by \$805,190, thereby accounting for 63% of the total growth in the net position of the Town of Holden Beach. A key element of this increase is as follows:

- Overall expenditures were reduced during the fiscal year.

**Business-type activities:** Business-type activities increased the Town of Holden Beach's net position by \$482,303, accounting for 37% of the total growth in the government's net position. Key elements of this increase are as follows:

- Increase in charges for service and a decrease in overall expenditures

### **Financial Analysis of the Town's Funds**

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

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

The general fund is the chief operating fund of the Town of Holden Beach. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$205,674, while total fund balance of the general fund was \$1,063,321. The Governing Body of the Town of Holden Beach has determined that the Town should maintain an available fund balance of 25% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 26% of general fund expenditures, while total fund balance represents 47% of the same amount.

At June 30, 2013, the governmental funds of Town of Holden Beach reported a combined fund balance of \$6,986,844, with an increase in fund balance of \$212,416.

**General Fund Budgetary Highlights:** During the fiscal year, the Town had few budgetary amendments. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The budgetary amendments for FY 12-13 were due to necessary increases in appropriations in order to meet and maintain service needs of the Town's departments.

**Proprietary Funds.** The Town of Holden Beach's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,417,470. The total change in net position in the Water and Sewer fund was \$482,303. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Holden Beach's business-type activities.

### **Capital Assets and Debt Administration**

**Capital Assets.** The Town of Holden Beach investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$25,741,005 (net of accumulated depreciation). These assets include buildings, land, construction in progress, machinery and equipment, and vehicles.

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

- Purchase of two Ford F-150 trucks for the public safety department
- Firehouse improvements for the public safety department.
- Purchase of a playground equipment for the recreation department.
- Purchase of land.
- Purchase of computer equipment for the administration department.

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

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,558,173	\$ 2,133,496	\$ 140,296	\$ 140,296	\$ 2,698,469	\$ 2,273,792
Buildings and distribution systems	4,438,566	4,508,888	17,690,104	18,126,167	22,128,670	22,635,055
Improvements and infrastructure	371,867	380,360	154,873	158,554	526,740	538,914
Machinery and equipment	85,453	76,341	191,520	230,544	276,973	306,885
Vehicles	108,619	89,225	1,534	7,678	110,153	96,903
Total	<u>\$ 7,562,678</u>	<u>\$ 7,188,310</u>	<u>\$ 18,178,327</u>	<u>\$ 18,663,239</u>	<u>\$ 25,741,005</u>	<u>\$ 25,851,549</u>

Additional information on the Town's capital assets can be found in note 2.A. of the Basic Financial Statements.

**Long-Term Debt**

As of June 30, 2013, the Town had total debt of \$7,867,618 (excluding compensated absences). There was a net decrease in total debt of \$784,383.

Additional information regarding the Town's debt can be found in Note 2.B.

**Economic Factors and Next Year's Budgets and Rates**

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

- High unemployment. The Town of Holden Beach's unemployment rate of 10.4% is well above the State average of 8.8%.
- The Town does continue to have a steady revenue stream of tourism dollars despite the overall sluggish economy in Southeastern North Carolina.

**Budget Highlights for the Fiscal Year Ending June 30, 2014**

**Governmental Activities:** The Town's ad valorem tax rate for the fiscal year ending June 30, 2014 remains unchanged from the prior fiscal year ended June 30, 2013. Fund balance in this fund was appropriated to balance the budget for the year ended June 30, 2014 in the amount of \$11,539.

**Business –Type Activities:** Revenues for the Water and Sewer fund are expected to remain steady as compared to the current year. Fund balance in this fund was appropriated to balance the budget for the year ended June 30, 2014 in the amount of \$622,957.

**Requests for Information**

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

## BASIC FINANCIAL STATEMENTS

Town of Holden Beach, North Carolina  
Statement of Net Position  
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Investments	\$ 6,418,465	\$ 2,400,003	\$ 8,818,468
Taxes Receivable (Net)	123,441	-	123,441
Accounts Receivable (Net)	439,766	670,206	1,109,972
Accrued Interest Receivable on Taxes	22,668	-	22,668
Due From Other Governments	78,161	10,774	88,935
Internal Balances	149,286	(149,286)	-
Inventories	-	84,504	84,504
Cash and cash equivalents, restricted	105,234	1,573,490	1,678,724
Total current assets	<u>\$ 7,337,021</u>	<u>\$ 4,589,691</u>	<u>\$ 11,926,712</u>
<b>Non-current Assets:</b>			
<b>Capital Assets:</b>			
Land, Non-depreciable Improvements, and Construction in Progress	\$ 2,558,173	\$ 140,296	\$ 2,698,469
Other Capital Assets, Net of Depreciation	5,004,505	18,038,031	23,042,536
Total Capital Assets	<u>\$ 7,562,678</u>	<u>\$ 18,178,327</u>	<u>\$ 25,741,005</u>
Total Assets	<u>\$ 14,899,699</u>	<u>\$ 22,768,018</u>	<u>\$ 37,667,717</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ 76,933	\$ 83,020	\$ 159,953
Due to other governments	67,140	-	67,140
Accrued Interest Payable	31,381	78,773	110,154
Compensated absences, due in one year	22,057	2,607	24,664
Bonds and notes payable, due in one year	235,188	537,845	773,033
Total current liabilities	<u>\$ 432,699</u>	<u>\$ 702,245</u>	<u>\$ 1,134,944</u>
<b>Long-Term Liabilities:</b>			
Compensated absences	\$ 66,172	\$ 7,821	\$ 73,993
Bonds and notes payable	3,475,535	3,619,050	7,094,585
Total long-term liabilities	<u>\$ 3,541,707</u>	<u>\$ 3,626,871</u>	<u>\$ 7,168,578</u>
Total Liabilities	<u>\$ 3,974,406</u>	<u>\$ 4,329,116</u>	<u>\$ 8,303,522</u>
<b>Deferred Inflows of Resources</b>			
Prepaid Taxes	28,239	-	28,239
Total Deferred Inflows of Resources	<u>\$ 28,239</u>	<u>\$ -</u>	<u>\$ 28,239</u>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 3,851,955	\$ 14,021,432	\$ 17,873,387
Restricted for:			
Stabilization by State Statute	778,691	-	778,691
Streets	85,518	-	85,518
Unrestricted	6,180,890	4,417,470	10,598,360
Total Net Position	<u>\$ 10,897,054</u>	<u>\$ 18,438,902</u>	<u>\$ 29,335,956</u>

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

Town of Holden Beach, North Carolina  
 Statement of Activities  
 For the Year Ended June 30, 2013

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	Business-type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 798,963	\$ 191,383	\$ -	\$ -	\$(607,580)	\$ -	\$(607,580)
Public safety	856,899	2,376	38,785	-	(815,738)	-	(815,738)
Transportation	224,600	-	34,075	-	(190,525)	-	(190,525)
Environmental protection	124,583	7,400	-	-	(117,183)	-	(117,183)
Beach renourishment	1,220,059	222,220	-	-	1987,839)	-	(987,839)
Interest and fees	151,162	-	-	-	(151,162)	-	(151,162)
<b>Total governmental activities</b>	<b>3,376,266</b>	<b>433,379</b>	<b>72,860</b>	<b>-</b>	<b>(2,870,027)</b>	<b>-</b>	<b>(2,870,027)</b>
Business-type activities:							
Water & Sewer	2,865,937	1,812,497	-	1,610,333	-	556,893	556,893
<b>Total business-type activities</b>	<b>2,865,937</b>	<b>1,812,497</b>	<b>-</b>	<b>1,610,333</b>	<b>(2,870,027)</b>	<b>556,893</b>	<b>556,893</b>
<b>Total primary government</b>	<b>\$ 6,242,203</b>	<b>\$ 2,245,876</b>	<b>\$ 72,860</b>	<b>\$ 1,610,333</b>	<b>(2,870,027)</b>	<b>556,893</b>	<b>(2,313,134)</b>
<b>General revenues:</b>							
Taxes					1,576,909	-	1,576,909
Property taxes, levied for general purpose					125,438	-	125,438
Sales and use tax					1,814,130	-	1,814,130
Other taxes					7,329	1,528	8,857
Investment earnings					8,701	-	8,701
Gain/(Loss) on Sale of Capital Assets					66,592	-	66,592
Miscellaneous					76,118	(76,118)	-
Transfers					3,675,217	(74,590)	3,600,627
Total general revenues and transfers					805,190	482,303	1,287,493
Change in net position					10,091,864	17,956,599	28,048,463
Net position, beginning					\$ 10,897,054	\$ 18,438,902	\$ 29,335,956
Net position, ending							

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

Town of Holden Beach, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2013

	Major Funds			Total Governmental Funds
	General Fund	BPART Tax Fund	Non-Major Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 715,614	\$ 4,917,554	\$ 785,297	\$ 6,418,465
Restricted Cash	105,234	-	-	105,234
Receivables, net				
Taxes	123,441	-	-	123,441
Accounts	946	408,010	30,810	439,766
Due from other governments	76,260	1,901	-	78,161
Due from other funds	292,520	-	55,676	348,196
Total assets	<u>\$ 1,314,015</u>	<u>\$ 5,327,465</u>	<u>\$ 871,783</u>	<u>\$ 7,513,263</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 38,110	\$ 18,802	\$ 20,021	\$ 76,933
Due to other governments	-	67,140	-	67,140
Due to other funds	59,958	138,952	-	198,910
Total liabilities	<u>\$ 98,068</u>	<u>\$ 224,894</u>	<u>\$ 20,021</u>	<u>\$ 342,983</u>
<b>Deferred Inflows of Resources</b>				
Property taxes receivable	\$ 123,441	-	-	\$ 123,441
Assessments receivable	946	-	30,810	31,756
Prepaid taxes	28,239	-	-	28,239
Total deferred inflows of resources	<u>\$ 152,626</u>	<u>\$ -</u>	<u>\$ 30,810</u>	<u>\$ 183,436</u>
<b>Fund balances</b>				
<b>Restricted</b>				
Stabilization by State Statute	368,780	409,911	-	778,691
Streets	85,518	-	-	85,518
Debt Covenant	19,716	-	-	19,716
Beach Renourishment	-	4,692,660	820,952	5,513,612
<b>Assigned</b>				
Subsequent year's expenditures	11,539	-	-	11,539
General government debt	372,094	-	-	372,094
<b>Unassigned</b>				
Total fund balances	<u>1,063,321</u>	<u>5,102,571</u>	<u>820,952</u>	<u>6,986,844</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,314,015</u>	<u>\$ 5,327,465</u>	<u>\$ 871,783</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

7,562,678

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds

22,668

Liabilities for earned resources in fund statements

155,197

Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds

(3,830,333)

Net position of governmental activities

\$ 10,897,054

Town of Holden Beach, North Carolina  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended June 30, 2013

	Major Fund			Total Governmental Funds
	General Fund	BPART Tax Fund	Non-Major Funds	
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,578,387	\$ -	\$ -	\$ 1,578,387
Other taxes and licenses	132,910	1,634,933	236,951	2,004,794
Unrestricted intergovernmental	171,725	-	-	171,725
Restricted intergovernmental	34,075	38,785	-	72,860
Permits and fees	193,531	-	-	193,531
Sales and Service	7,628	-	-	7,628
Investment earnings	453	5,308	1,568	7,329
Miscellaneous	10,396	43,693	-	54,089
Total revenues	2,129,105	1,722,719	238,519	4,090,343
<b>EXPENDITURES</b>				
Current:				
General government	689,598	-	-	689,598
Public safety	879,307	-	-	879,307
Transportation	207,492	-	-	207,492
Environmental protection	124,626	-	-	124,626
Beach renourishment	-	1,627,171	73,658	1,700,829
Debt Service:				
Principal retirement	235,995	-	-	235,995
Interest and fees	153,208	-	-	153,208
Total expenditures	2,290,226	1,627,171	73,658	3,991,055
Excess (deficiency) of revenues over expenditures	(161,121)	95,548	164,861	99,288
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer (to) from Capital Reserve Fund	-	-	-	-
Transfer (to) from Capital Project fund	-	-	-	-
Transfers (to) from Enterprise Fund	32,198	43,920	-	76,118
Transfers (to) from Special Revenue Funds	25,626	-	-	25,626
Transfers to General Fund	-	(32,198)	-	(32,198)
Transfer from General Fund	-	-	6,572	6,572
Sale of Capital Assets	9,998	-	-	9,998
Long-term debt issued	27,012	-	-	27,012
Total other financing sources (uses)	94,834	11,722	6,572	113,128
Net change in fund balance	(66,287)	107,270	171,433	212,416
Fund balances, beginning	1,129,608	4,995,301	649,519	6,774,428
Fund balances, ending	\$ 1,063,321	\$ 5,102,571	\$ 820,952	\$ 6,986,844

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

Town of Holden Beach, North Carolina  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities**  
For the Year Ended June 30, 2013

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

Net changes in fund balances - total governmental funds	\$ 212,416
<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>	
Compensated absences	1,083
<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	553,808
Depreciation Expense for governmental assets	(178,143)
<p>Gain on disposal of capital assets does not provide current financial resources and is not reported in the fund financial statements. Proceeds from asset sales are not reported as revenues in the Statement of Activities</p>	
Gain on Sale of Assets	8,701
Proceeds from Assets Sold	(9,998)
<p>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 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.</p>	
New long-term debt issued	(27,012)
Principal payments on long-term debt	235,995
Decrease in accrued interest payable	2,046
<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 and assessment revenues	<u>6,294</u>
Total changes in net position of governmental activities	<u><u>\$ 805,190</u></u>

Town of Holden Beach, North Carolina  
**Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
 For the Year Ended June 30, 2013

	General Fund				BPART Tax Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>								
Ad valorem taxes	\$ 1,506,470	\$ 1,506,470	\$ 1,578,387	\$ 71,917	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	128,337	128,337	132,910	4,573	1,488,495	1,488,495	1,634,933	146,438
Unrestricted intergovernmental revenues	185,473	185,473	171,725	(13,748)	3,000	3,000	-	(3,000)
Restricted intergovernmental revenues	33,398	33,398	34,075	677	637,434	637,434	38,785	(598,649)
Permits and fees	140,150	140,150	193,531	53,381	-	-	-	-
Sales and Services	4,050	9,050	453	(8,597)	-	-	-	-
Investment earnings	1,500	1,500	7,628	6,128	5,500	5,500	5,308	(192)
Miscellaneous	8,225	8,225	10,396	2,171	1,750	16,750	43,693	26,943
<b>Total revenues</b>	<b>\$ 2,007,603</b>	<b>\$ 2,012,603</b>	<b>\$ 3,129,105</b>	<b>\$ 116,502</b>	<b>\$ 2,136,179</b>	<b>\$ 2,151,179</b>	<b>\$ 1,722,719</b>	<b>\$ (428,460)</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	\$ 733,302	\$ 733,302	\$ 689,598	\$ 43,704	\$ -	\$ -	\$ -	\$ -
Public safety	901,096	901,096	879,307	21,789	-	-	-	-
Transportation	318,852	318,852	207,492	111,360	-	-	-	-
Environmental protection	110,479	115,479	124,626	(9,147)	-	-	-	-
Beach renourishment	-	-	-	-	2,315,864	2,705,864	1,627,171	1,078,693
Debt Service	379,714	379,714	235,995	143,719	-	-	-	-
Principal retirement	-	-	153,208	(153,208)	-	-	-	-
Interest and fees	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>\$ 2,443,443</b>	<b>\$ 2,448,443</b>	<b>\$ 2,290,226</b>	<b>\$ 158,217</b>	<b>\$ 2,315,864</b>	<b>\$ 2,705,864</b>	<b>\$ 1,627,171</b>	<b>\$ 1,078,693</b>
<b>Revenues over/(under) expenditures</b>	<b>\$ (435,840)</b>	<b>\$ (435,840)</b>	<b>\$ (161,121)</b>	<b>\$ 274,719</b>	<b>\$ (179,685)</b>	<b>\$ (554,685)</b>	<b>\$ 95,548</b>	<b>\$ 650,233</b>
<b>Other financing sources (uses):</b>								
Transfers (to) from BPART Fund	\$ 130,000	\$ 130,000	\$ -	\$ (130,000)	\$ -	\$ -	\$ -	\$ -
Transfers (to) from Enterprise Fund	130,000	130,000	32,198	(97,802)	-	-	43,920	43,920
Transfers (to) from Special Revenue Fund	(6,572)	(6,572)	25,626	32,198	-	-	-	-
Transfers (to) from General Fund	-	-	-	-	(130,000)	(130,000)	(32,198)	97,802
Sale of Capital Assets	-	-	9,998	9,998	-	-	-	-
Long term debt issued	-	-	27,012	27,012	-	-	-	-
Appropriated Fund Balance	182,412	182,412	-	(182,412)	309,685	684,685	-	(684,685)
<b>Total other financing sources (uses)</b>	<b>\$ 435,840</b>	<b>\$ 435,840</b>	<b>\$ 94,834</b>	<b>\$ (341,000)</b>	<b>\$ 179,685</b>	<b>\$ 554,685</b>	<b>\$ 11,722</b>	<b>\$ (684,685)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (66,287)</b>	<b>\$ (66,287)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 107,270</b>	<b>\$ 107,270</b>
Fund balance, beginning of year			1,129,608				4,995,301	
Prior Period Adjustment			-				-	
Fund balance, end of year			<u>\$ 1,063,321</u>				<u>\$ 5,102,571</u>	

The Notes To The Financial Statements Are An Integral Part Of This Statement.

Town of Holden Beach, North Carolina  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2013

		Major Enterprise Fund
		Water & Sewer Fund
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$	2,400,003
Accounts receivable (net)		670,206
Due From Other Funds		4,282
Due From Other Governments		10,774
Inventories		84,504
Restricted Assets:		
Cash and cash equivalents		1,573,490
Total current assets	\$	4,743,259
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets and construction in progress	\$	140,296
Other capital assets, net of depreciation		18,038,031
Capital Assets (net)	\$	18,178,327
Total noncurrent assets	\$	18,178,327
Total Assets	\$	22,921,586
<b>Liabilities</b>		
Current liabilities:		
Accounts Payable and Accrued Liabilities	\$	83,020
Due to Other Funds		153,568
Accrued Interest		78,773
Compensated absences		2,607
Notes payable - current maturities		537,845
Total Current Liabilities	\$	855,813
Noncurrent Liabilities		
Compensated Absences	\$	7,821
Notes payable - noncurrent maturities		3,619,050
Total Noncurrent liabilities	\$	3,626,871
Total Liabilities	\$	4,482,684
<b>Net Position</b>		
Net investment in capital assets	\$	14,021,432
Unrestricted		4,417,470
Total Net Position of Business - Type Activities	\$	18,438,902

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

Town of Holden Beach, North Carolina  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2013

Exhibit 8

		Major Enterprise Fund <u>Water &amp; Sewer Fund</u>
Operating revenues:		
Charges for services	\$	1,511,113
Taps and connection fees		39,212
Impact fees		46,727
Share fees		72,552
Other operating revenues		142,893
Total operating revenues	\$	<u>1,812,497</u>
Operating Expenses:		
Administration	\$	70,538
Water and sewer operations		1,009,926
Depreciation		484,912
Total operating expenses	\$	<u>1,565,376</u>
Operating income (loss)	\$	<u>247,121</u>
Nonoperating revenues (expenses):		
Investment earnings	\$	1,528
Capital charges		1,610,333
City capital charges		(1,154,642)
Interest expense		(145,919)
Total nonoperating revenues (expenses)	\$	<u>311,300</u>
Income (Loss) Before Contributions and Transfers	\$	558,421
Capital contributions		-
Transfers in (out)		<u>(76,118)</u>
Total Income (Loss) After Contributions and Transfers	\$	<u>482,303</u>
Change in Net Position	\$	482,303
Total Net Position, Beginning		<u>17,956,599</u>
Total Net Position, Ending	\$	<u><u>18,438,902</u></u>

Town of Holden Beach, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2013

Exhibit 9

		Major Enterprise Fund <u>Water &amp; Sewer Fund</u>
Cash flows from operating activities:		
Cash received from customers and users	\$	1,832,244
Cash paid for goods and services		(878,309)
Cash paid to employees for services		(229,731)
Net cash provided by (used in) operating activities	\$	<u>724,204</u>
Cash flows from capital and related financing activities:		
Principal paid on bonds	\$	(575,400)
Interest paid on bonds		(155,789)
Net cash provided by (used in) capital and related financing activities	\$	<u>(731,189)</u>
Cash flows from non-capital financing activities:		
Capital charges paid	\$	(1,154,642)
Capital charges paid by customers		1,656,636
Transfers to other funds		(76,118)
Change in due to/from other funds		153,740
Net cash provided by (used in) non-capital financing activities	\$	<u>579,616</u>
Cash flows from investment activities:		
Interest on investments	\$	<u>1,528</u>
Net increase (decrease) in cash and cash equivalents	\$	574,159
Cash and cash equivalents, July 1		<u>3,399,334</u>
Cash and cash equivalents, June 30	\$	<u>3,973,493</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$	<u>247,121</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$	484,912
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		19,747
(Increase) decrease in due from other governments		(1,372)
(Increase) decrease in inventory		(14,964)
Increase (decrease) in accounts payable and accrued liabilities		(12,489)
Increase (decrease) in compensated absences payable		1,249
Total adjustments	\$	<u>477,083</u>
Net cash provided by (used in) operating activities	\$	<u>724,204</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Holden Beach conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. - Reporting Entity

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

B. - Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

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 general government, public safety, street maintenance and construction and sanitation services.

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

The Town reports the following non-major governmental funds:

Canal Project Fund - This fund is used to account for assessments collected which are used for canal projects.

The Town reports the following major enterprise fund:

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

C. - Measurement Focus and Basis of Accounting

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

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Brunswick County is responsible for billing and

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

Page 3

collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Holden Beach. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Brunswick County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes which were billed during this period 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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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, BPART Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the remaining Special Revenue Funds and any Enterprise Capital Project Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Any revisions that alter the total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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 reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The Town of Holden Beach did not have any investments at June 30, 2013.

2. Cash and Cash Equivalents - All cash is essentially demand deposits and is considered cash and cash equivalents.
3. Restricted Assets and Liabilities - Cash and investments are restricted in the Enterprise Fund for the customer deposits held by the Town for payments on the sewer system, future capital projects, and utility deposits. These deposits are restricted to the service for which the deposit was collected.

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In the General Fund, Powell Bill funds and USDA funds reserved for debt payments are classified as restricted. The restricted assets of \$85,518 represent Powell Bill which is restricted 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. The USDA funds reserved for debt payments are also restricted. The restricted assets of \$19,716 in the General Fund represent the balance required in a debt covenant with the USDA.

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, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2012.
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 –The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town’s enterprise funds consist of material and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.
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. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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. The Town defines capital assets as assets with an individual cost of \$5,000 or more.

Capital assets of the Town are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 Years
Other Improvements	50 Years
Infrastructure	30 Years
Equipment	10 Years
Furniture and Fixtures	10 Years
Computers	10 Years
Vehicles	6 Years
Miscellaneous	3 Years

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 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 – prepaid taxes and property taxes receivable.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences - The vacation policy of the Town provides five days vacation during the first year of employment, ten days during the second through third years of employments, fifteen days during the fourth through ninth year of employment, and twenty days after ten years of employment. The maximum accumulation of vacation is thirty days. Vacation is 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 accumulation of one sick day per month of employment. 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 and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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 either they are (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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.
- Restricted for Debt – Portion of fund balance that is restricted by creditor.
- Restricted for Beach Renourishment – Portion of fund balance that is restricted by revenue source.

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

Assigned Fund Balance - portion of fund balance that Town of Holden Beach 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.
- Assigned for General Government Debt – Portion of fund balance that has been budgeted by the Board for debt payment.

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

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

The Town has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2013, the expenditures made in the Town's General Fund and Water and Sewer Fund debt exceeded the authorized appropriations made by the governing board by \$9,489 in the General Fund and \$47,543 in the Water and Sewer Fund. Management and the Board will more closely review the budget reports to ensure compliance in future years.

NOTE 3: 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 the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town'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, 2013, the Town's deposits had a carrying amount of \$9,607,402 and a bank balance of \$9,710,352. Of the Town's bank balance, \$500,000 was covered by FDIC and the excess deposits were collateralized under the pooling method. Included in the carrying amount at June 30, 2013 was the Town's petty cash fund which totaled \$100.

2. Investments - At June 30, 2013, the Town of Holden Beach had \$889,790 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk of its investments.
3. Accounts Receivable and Due From Other Governments  
 The amounts presented in the Statement of Net Position are shown below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Sales Tax Refund Receivable	\$ 9,397	\$ 10,774
Charges for Services Receivable	-	161,799
Sewer Fees and Capital Charges Receivable	-	508,407
Occupancy Taxes Receivable	408,010	-
Assessments Receivable and Other Miscellaneous	31,756	-
Due From Brunswick Co. - Motor Vehicle Tax	778	-
Tax on Video Programming Rec.	9,678	-
Franchise Tax Receivable	21,504	-
Telecommunications Tax Receivable	2,881	-
Local Option Sales Tax Receivable	33,923	-
Total	<u>\$ 517,927</u>	<u>\$ 680,980</u>

Receivables – Allowance for Doubtful Accounts

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

<u>Fund</u>	<u>6/30/2013</u>
General Fund:	
Taxes Receivable	\$ 3,000
Accounts Receivable	2,363
Total	<u>\$ 5,363</u>
Enterprise Fund:	
Accounts Receivable	<u>\$ 79,863</u>

4. Capital Assets

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	<u>Beginning Balances</u>	<u>Increases and Adjustments</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 2,133,496	\$ 424,677	\$ -	\$ 2,558,173
Total capital assets not being depreciated	<u>2,133,496</u>	<u>424,677</u>	<u>-</u>	<u>2,558,173</u>
<b>Capital assets being depreciated</b>				
Buildings	4,999,858	30,025	-	5,029,883
Other Improvements & Infrastructure	424,664	-	-	424,664
Equipment	325,670	34,782	7,410	353,042
Vehicles	447,366	64,324	55,752	455,938
Total capital assets being depreciated	<u>6,197,558</u>	<u>129,131</u>	<u>63,162</u>	<u>6,263,527</u>
<b>Less accumulated depreciation for:</b>				
Buildings	490,970	100,347	-	591,317
Other Improvements & Infrastructure	44,304	8,493	-	52,797
Equipment	249,329	24,373	6,113	267,589
Vehicles	358,141	44,930	55,752	347,319
Total accumulated depreciation	<u>1,142,744</u>	<u>178,143</u>	<u>61,865</u>	<u>1,259,022</u>
Total capital assets being depreciated, net	<u>5,054,814</u>			<u>5,004,505</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 7,188,310</u>			<u>\$ 7,562,678</u>

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

General Government	\$ 115,697
Public Safety	42,436
Transportation	17,184
Beach Renourishment & Recreational	2,826
Total Depreciation Expense	<u>\$ 178,143</u>

**Business-type activities:**

**Water and Sewer Fund**

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 140,296	\$ -	\$ -	\$ 140,296
Total capital assets not being depreciated	<u>140,296</u>	-	-	<u>140,296</u>
Capital assets being depreciated:				
Plant and distribution systems	21,803,126	-	-	21,803,126
Infrastructure	184,026	-	-	184,026
Furniture and Maintenance Equipment	481,649	-	-	481,649
Vehicles	78,847	-	-	78,847
Total capital assets being depreciated	<u>22,547,648</u>	-	-	<u>22,547,648</u>
Less accumulated depreciation for:				
Plant and distribution systems	3,676,959	436,063	-	4,113,022
Infrastructure	25,472	3,681	-	29,153
Furniture and Maintenance Equipment	251,105	39,024	-	290,129
Vehicles	71,169	6,144	-	77,313
Total accumulated depreciation	<u>4,024,705</u>	<u>484,912</u>	-	<u>4,509,617</u>
Total capital assets being depreciated, net	<u>18,522,943</u>			<u>18,038,031</u>
Business-type activities capital assets, net	<u>\$ 18,663,239</u>			<u>\$ 18,178,327</u>

**Commitments**

The government has active dredging projects as of June 30, 2013. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Dredging projects – Engineering Designs	\$45,450	\$19,900

B. - Liabilities

I. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description - The Town of Holden Beach contributes to the statewide Local Governmental Employees' Retirement System (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS 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 LERS. 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 - Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of Town of Holden Beach are established, and may be amended, by the North Carolina General Assembly. The Town's contributions to LERS for the years ended June 30, 2013, 2012, and 2011 were \$75,174, \$134,435, and \$120,844, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

- I. Plan Description - The Town of Holden Beach 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.

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	-
Terminated plan members entitled to but no yet receiving benefits	-
Active Plan Members	<u>8</u>
Total	<u>8</u>

A separate report was not issued for the plan.

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.

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

3. 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 Town of Holden Beach has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

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 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. Contributions for the year ended June 30, 2013 were \$26,994, which consisted of \$19,994 from the Town and \$7,000 from law enforcement officers. The Town has also elected to contribute five percent of general employees' salaries to the plan on their behalf. General employees may also make voluntary contributions to the plan. Contributions for general employees for the year ended June 30, 2013 were \$51,614, which consisted of \$25,842 from the Town and \$25,772 from general employees.

2. Other Employment Benefits

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 employees' 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. 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.

3. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Taxes/Assessments Rec. (General & Special Revenue Funds)	\$ 155,197	\$ -
Prepaid Taxes (General Fund)	-	28,239
	<u>\$ 155,197</u>	<u>\$ 28,239</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 two 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 insurance values of the property policy and workers' compensation coverage up to statutory limits. The pools are reinsured through 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 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 carries flood insurance through N.C. Farm Bureau Insurance. The Town has purchased commercial flood insurance for two structures, with \$153,300 coverage for one structure and \$500,000 in coverage for the second.

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

5. Claims, Judgments and Contingent Liabilities

As of June 30, 2013, the Town was not involved in any civil or legal actions which in the opinion of management and the Town's attorney would have an adverse or material effect on the Town's financial position.

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6. Long-Term Obligations

Debt payable is summarized as follows:

Governmental Activities:

4.25% USDA note, payable in annual installments of \$65,720, including interest, final payment due May 2034; secured by real estate	\$ 901,247
3.81% note, payable in annual installments of \$200,000, plus interest; final payment due March 2027; secured by real estate	2,791,954
5.5% lease purchase, payable in annual installments of \$9,490, including interest, final payment due September 2014; secured by 2012 Ford F150	<u>17,522</u>
Total	<u>\$ 3,710,723</u>

Business-Type Activities:

3.79% note, payable in annual installments of \$459,685, including interest; final payment due November 2019; secured by real estate	\$ 2,836,055
3.79% note, payable in annual installments of \$214,090, including interest; final payment due November 2019; secured by real estate	<u>1,320,840</u>
Total	<u>\$ 4,156,895</u>

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

Fiscal Year Ended	Governmental Activities			Business-Type Activities			Total Debt	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest
2014	\$ 235,188	\$ 146,395	\$ 381,583	\$ 537,845	\$ 135,930	\$ 673,775	\$ 773,033	\$ 282,325
2015	236,813	137,151	373,964	555,432	118,343	673,775	792,245	255,494
2016	229,023	127,830	356,853	573,595	100,180	673,775	802,618	228,010
2017	230,281	118,953	349,234	592,352	81,424	673,776	822,633	200,377
2018	231,593	110,020	341,613	611,722	62,054	673,776	843,315	172,074
2019-2023	1,179,729	414,038	1,593,767	1,285,949	61,601	1,347,550	2,465,678	475,639
2024-2028	1,014,154	181,374	1,195,528	-	-	-	1,014,154	181,374
2029-2033	274,706	53,894	328,600	-	-	-	274,706	53,894
2034-2038	79,236	3,434	82,670	-	-	-	79,236	3,434
Total	\$ 3,710,723	\$ 1,293,089	\$ 5,003,812	\$ 4,156,895	\$ 559,532	\$ 4,716,427	\$ 7,867,618	\$ 1,852,621

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At June 30, 2013, the Town of Holden Beach had a legal debt margin of \$94,599,954. There were no authorized bonds that had not been issued as of June 30, 2013.

Changes in Long – Term Liabilities

A summary of long-term debt is as follows:

	Balance			Balance June 30, 2013	Current Portion of Balance
	July 1, 2012	Increases	Decreases		
Governmental Activities:					
Notes Payable	\$ 3,919,706	\$ -	\$ 226,505	\$ 3,693,201	\$ 226,662
Lease Purchase	-	27,012	9,490	17,522	8,526
Compensated Absences	89,312	-	1,083	88,229	22,057
Governmental activity long term liabilities	<u>\$ 4,009,018</u>	<u>\$ 27,012</u>	<u>\$ 237,078</u>	<u>\$ 3,798,952</u>	<u>\$ 257,245</u>
Business-type Activities:					
Notes Payable	\$ 4,732,295	\$ -	\$ 575,400	\$ 4,156,895	\$ 537,845
Compensated Absences	9,179	1,249	-	10,428	2,607
Business-type activity long term liabilities	<u>\$ 4,741,474</u>	<u>\$ 1,249</u>	<u>\$ 575,400</u>	<u>\$ 4,167,323</u>	<u>\$ 540,452</u>

C. - Interfund Balances and Activity

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Canal Dredging Fund	General Fund	\$ 55,676
Utility Fund	General Fund	4,282
General Fund	Utility Fund	153,568
General Fund	BPART Fund	138,952
		<u>\$ 59,958</u>

The composition of interfund balances as of June 30, 2013 is as follows:

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2013, consist of the following:

Fund	From	To
Enterprise	\$ 76,118	
BPART Fund	32,198	43,920
Canal Dredging Fund		6,572
General Fund	6,572	64,396
	<u>\$ 114,888</u>	<u>\$ 114,888</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

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D. – 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	\$ 1,063,321
Less:	
Inventories	-
Stabilization by State Statute	368,780
Streets - Powell Bill	85,518
Appropriated Fund Balance in 2014 budget	11,539
Debt Covenant	19,716
General Government Debt	372,094
Working Capital / Fund Balance Policy	572,556
Remaining Fund Balance	<u>\$ (366,882)</u>

Jointly Governed Organization

The Town, in conjunction with twenty other local governments, participates in the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing boards. The Town paid membership fees of \$465 to the Council during the fiscal year ended June 30, 2013.

The Town, in conjunction with Brunswick County and six other municipalities is a member of the Brunswick Beaches Consortium (Consortium). The participating governments established the Consortium to plan and implement programs and projects directed toward preservation and maintenance of the ocean beaches. Each participating government appoints one representative to the policy board. The Town contributed \$10,000 to the Consortium during the fiscal year ended June 30, 2013.

Contracted Service Agreement

The Town has entered into a sewer service agreement with Brunswick County for the East/West Brunswick Regional Wastewater Project. The term of the agreement is from July 2002 for thirty (30) years or five years after the last maturity of the bonds issued to finance the project. Brunswick County has financed, constructed, and is operating a regional sewer system and the Town, which is using this system for transmission and treatment of the Town's sewage, has agreed to participate with the County in financing the project. The Town is responsible for assisting in paying for a portion of the operation and maintenance of the system, and the Town also has to pay its share of the financing costs the County incurred for construction. The total amounts that the Town is responsible for are approximately 22.43% of the County's 2004A Revenue Bond of \$31,540,000, 33.33% of the County's 2004 Revolving Loan of \$20,000,000, and 33.33% of the County's 2005 Revolving Loan of \$10,000,000. The Town also has to pay the same percentages of the interest on these debts. The payments made in the current year for the capital charges to Brunswick County totaled \$1,154,642. The subsequent years' payment will decrease gradually over the 25 year life span of the debt to a final payment of \$606,451 in 2029. The Town levies a capital charge to residents in order to fund the payments.

NOTE 4: 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 5: CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

## SUPPLEMENTARY STATEMENTS

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This section contains additional statements required by the Local Government Commission in North Carolina.

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Town of Holden Beach, North Carolina  
 General Fund  
 Comparative Balance Sheets  
 June 30, 2013 and June 30, 2012

Exhibit A-1

	<u>June 30,</u> 2013	<u>June 30,</u> 2012
<b>Assets</b>		
Cash and cash equivalents	\$ 715,614	\$ 1,088,181
Taxes Receivable, net	123,441	118,653
Accounts Receivable, net	946	1,035
Due From Other funds	292,520	-
Due From Other Governments	76,260	77,641
Cash and cash equivalents, restricted	105,234	102,038
Total assets	<u>\$ 1,314,015</u>	<u>\$ 1,387,548</u>
<b>Liabilities and fund balances</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 38,110	\$ 49,914
Due to Other Governments	-	-
Due to Other Funds	59,958	60,130
Total liabilities	<u>\$ 98,068</u>	<u>\$ 110,044</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes & Assessments Receivable	\$ 124,387	\$ 119,658
Prepaid Taxes	28,239	28,238
Total Deferred Inflows of Resources	<u>\$ 152,626</u>	<u>\$ 147,896</u>
<b>Fund balances:</b>		
<b>Restricted:</b>		
Stabilization by State Statue	\$ 368,780	\$ 77,671
Streets - Powell Bill	85,518	88,894
Debt Covenant	19,716	13,144
<b>Assigned:</b>		
Assigned for General Government Debt	372,094	379,714
Assigned for Subsequent Year's Expenditures	11,539	182,412
<b>Unassigned</b>		
	205,674	387,773
Total fund balances	<u>\$ 1,063,321</u>	<u>\$ 1,129,608</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,314,015</u>	<u>\$ 1,387,548</u>

Town of Holden Beach, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2013

Exhibit A-2

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>				
Ad Valorem taxes:				
Current year	\$ 1,468,970	\$ 1,529,832	\$ 60,862	\$ 1,505,958
Prior year	30,000	38,583	8,583	31,133
Penalties and interest	7,500	9,972	2,472	9,852
Total	<u>\$ 1,506,470</u>	<u>\$ 1,578,387</u>	<u>\$ 71,917</u>	<u>\$ 1,546,943</u>
Other taxes and licenses:				
Privilege license	\$ 7,000	\$ 7,472	\$ 472	\$ 7,502
Local option sales tax	121,337	125,438	4,101	125,187
Total	<u>\$ 128,337</u>	<u>\$ 132,910</u>	<u>\$ 4,573</u>	<u>\$ 132,689</u>
Unrestricted intergovernmental:				
Beer and Wine Tax	\$ 4,573	\$ 2,350	\$ (2,223)	\$ 2,509
Telecommunications Tax	12,800	22,177	9,377	11,627
Franchise Tax	111,600	109,352	(2,248)	95,402
Video Program Tax	50,000	37,846	(12,154)	38,739
Sales Tax Refund	6,500	-	(6,500)	-
Total	<u>\$ 185,473</u>	<u>\$ 171,725</u>	<u>\$ (13,748)</u>	<u>\$ 148,277</u>
Restricted intergovernmental revenues:				
Powell Bill allocation	\$ 33,398	\$ 34,075	\$ 677	\$ 33,222
FEMA	-	-	-	32,928
Total	<u>\$ 33,398</u>	<u>\$ 34,075</u>	<u>\$ 677</u>	<u>\$ 66,150</u>
Permits and fees:				
Building permits	\$ 116,750	\$ 172,687	\$ 55,937	\$ 115,028
CAMA permits and reimbursements	7,000	8,130	1,130	6,305
Cable franchise fees	9,500	10,389	889	9,775
Other permits and fees	6,900	2,325	(4,575)	7,619
Total	<u>\$ 140,150</u>	<u>\$ 193,531</u>	<u>\$ 53,381</u>	<u>\$ 138,727</u>
Other Revenue:				
Investment earnings	\$ 1,500	\$ 453	\$ (1,047)	\$ 3,356
Total	<u>\$ 1,500</u>	<u>\$ 453</u>	<u>\$ (1,047)</u>	<u>\$ 3,356</u>
Sales and Services:				
Sales and services	\$ 9,050	\$ 7,628	\$ (1,422)	\$ 117
Total	<u>\$ 9,050</u>	<u>\$ 7,628</u>	<u>\$ (1,422)</u>	<u>\$ 117</u>
Miscellaneous:				
Other	\$ 8,225	\$ 10,396	\$ 2,171	\$ 18,049
Total	<u>\$ 8,225</u>	<u>\$ 10,396</u>	<u>\$ 2,171</u>	<u>\$ 18,049</u>
Total Revenues	<u>\$ 2,012,603</u>	<u>\$ 2,129,105</u>	<u>\$ 116,502</u>	<u>\$ 2,054,308</u>

Town of Holden Beach, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2013

Exhibit A-2

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Expenditures</b>				
<b>General Government:</b>				
Governing body:				
Salaries and employee benefits	\$ 8,400	\$ 8,397	\$ 3	\$ 8,289
Other operating expenditures	129,700	109,470	20,230	131,157
Total	<u>\$ 138,100</u>	<u>\$ 117,867</u>	<u>\$ 20,233</u>	<u>\$ 139,446</u>
Administration:				
Salaries and employee benefits	\$ 398,802	\$ 380,162	\$ 18,640	\$ 381,119
Operating expenditures	196,400	185,540	10,860	189,534
	-	6,029	(6,029)	-
Total	<u>\$ 595,202</u>	<u>\$ 571,731</u>	<u>\$ 23,471</u>	<u>\$ 570,653</u>
Total General Government	<u>\$ 733,302</u>	<u>\$ 689,598</u>	<u>\$ 43,704</u>	<u>\$ 710,099</u>
<b>Public safety:</b>				
Police department:				
Salaries and employee benefits	\$ 501,423	\$ 492,733	\$ 8,690	\$ 509,104
Operating expenditures	112,000	86,366	25,634	98,734
Capital outlay	45,917	64,324	(18,407)	-
Total	<u>\$ 659,340</u>	<u>\$ 643,423</u>	<u>\$ 15,917</u>	<u>\$ 607,838</u>
Inspections:				
Salaries and employee benefits	\$ 195,606	\$ 187,158	\$ 8,448	\$ 186,195
Operating expenditures	46,150	48,726	(2,576)	75,156
Capital outlay	-	-	-	-
Total	<u>\$ 241,756</u>	<u>\$ 235,884</u>	<u>\$ 5,872</u>	<u>\$ 261,351</u>
Total Public Safety	<u>\$ 901,096</u>	<u>\$ 879,307</u>	<u>\$ 21,789</u>	<u>\$ 869,189</u>
<b>Transportation:</b>				
Streets and highways:				
Salaries and employee benefits	\$ 135,352	\$ 91,861	\$ 43,491	\$ 104,970
Operating expenditures	183,500	115,631	67,869	135,342
Total	<u>\$ 318,852</u>	<u>\$ 207,492</u>	<u>\$ 111,360</u>	<u>\$ 240,312</u>
Total Transportation	<u>\$ 318,852</u>	<u>\$ 207,492</u>	<u>\$ 111,360</u>	<u>\$ 240,312</u>

Town of Holden Beach, North Carolina  
 General Fund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 For the Fiscal Year Ended June 30, 2013

Exhibit A-2

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Environmental protection:				
Sanitation:				
Salaries and employee benefits	\$ 49,579	\$ 54,577	\$ (4,998)	\$ 57,594
Other operating expenditures	65,900	70,049	(4,149)	61,664
Total	<u>\$ 115,479</u>	<u>\$ 124,626</u>	<u>\$ (9,147)</u>	<u>\$ 119,258</u>
Total Environmental Protection	<u>\$ 115,479</u>	<u>\$ 124,626</u>	<u>\$ (9,147)</u>	<u>\$ 119,258</u>
Debt Service:				
Principal retirement	\$ 379,714	\$ 235,995	\$ 143,719	\$ 224,693
Interest and fees	-	153,208	(153,208)	164,932
Total debt service	<u>\$ 379,714</u>	<u>\$ 389,203</u>	<u>\$ (9,489)</u>	<u>\$ 389,625</u>
Total expenditures	<u>\$ 2,448,443</u>	<u>\$ 2,290,226</u>	<u>\$ 158,217</u>	<u>\$ 2,328,483</u>
Revenues over (under) expenditures	<u>\$ (435,840)</u>	<u>\$ (161,121)</u>	<u>\$ 274,719</u>	<u>\$ (274,175)</u>
Other financing sources (uses):				
Transfers from BPART Tax Fund	\$ 130,000	\$ 32,198	\$ (97,802)	\$ -
Transfers from Special Revenue Fund	-	-	-	49,235
Transfers (to) from Enterprise Fund	130,000	32,198	(97,802)	24,498
Transfers (to) from Special Revenue Fund	(6,572)	(6,572)	-	(13,144)
Sale of Capital Assets	-	9,998	9,998	11,540
Long-term debt issued	-	27,012	27,012	-
Total	<u>\$ 253,428</u>	<u>\$ 94,834</u>	<u>\$ (158,594)</u>	<u>\$ 72,129</u>
Appropriated From (Transfer to) Fund Balance	<u>182,412</u>	<u>-</u>	<u>(182,412)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (66,287)</u>	<u>\$ (66,287)</u>	<u>\$ (202,046)</u>
Fund balance:				
Beginning of year, July 1		1,129,608		1,335,170
Prior Period Adjustment		<u>-</u>		<u>(3,516)</u>
End of year, June 30		<u>\$ 1,063,321</u>		<u>\$ 1,129,608</u>

Town of Holden Beach, North Carolina  
Special Revenue Fund - BPART Tax Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2013  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013			2012
	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>				
Occupancy tax receipts	\$ 1,488,495	\$ 1,634,933	\$ 146,438	\$ 1,679,856
FEMA grants	637,434	38,785	(598,649)	105,847
Investment earnings	5,500	5,308	(192)	12,930
Donations	15,500	39,605	24,105	-
Sales Tax Refund	3,000	-	(3,000)	-
Miscellaneous	1,250	4,088	2,838	2,649
Total	\$ <u>2,151,179</u>	\$ <u>1,722,719</u>	\$ <u>(428,460)</u>	\$ <u>1,801,282</u>
<b>Expenditures</b>				
Salaries and employee benefits	\$ 197,311	\$ 184,160	\$ 13,151	\$ 167,319
Operating Expenditures	1,196,799	636,607	560,192	701,250
FEMA Expenditures	637,434	54,500	582,934	143,328
Capital Outlay	430,000	483,455	(53,455)	36,422
County's share of occupancy tax	244,320	268,449	(24,129)	275,717
Total	\$ <u>2,705,864</u>	\$ <u>1,627,171</u>	\$ <u>1,078,693</u>	\$ <u>1,324,036</u>
Revenues over (under) expenditures	\$ <u>(554,685)</u>	\$ <u>95,548</u>	\$ <u>650,233</u>	\$ <u>477,246</u>
<b>Other Financing Sources (Uses):</b>				
Transfer (to) from General Fund	\$ (130,000)	\$ (32,198)	\$ 97,802	\$ (49,235)
Transfer (to) from Water/Sewer Fund	-	43,920	43,920	-
Fund balance appropriated	684,685	-	(684,685)	-
Total other financing sources (uses)	\$ <u>554,685</u>	\$ <u>11,722</u>	\$ <u>(542,963)</u>	\$ <u>(49,235)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>107,270</u>	\$ <u>107,270</u>	\$ <u>428,011</u>
<b>Fund balance:</b>				
Beginning of year, July 1		4,995,301		4,579,920
Prior Period Adjustment		-		(12,630)
End of year, June 30		\$ <u>5,102,571</u>		\$ <u>4,995,301</u>

Town of Holden Beach, North Carolina  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2013

Exhibit A-4

	Special Revenue Fund Canal Project Fund	Total Nonmajor Governmental Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 785,297	\$ 785,297
Accounts receivable, net	30,810	30,810
Due from other funds	55,676	55,676
Total assets	\$ 871,783	\$ 871,783
<b>Liabilities and fund balances</b>		
<b>Liabilities:</b>		
Accounts Payable and Accrued Liabilities	\$ 20,021	\$ 20,021
Deferred revenues	30,810	30,810
Total liabilities	\$ 50,831	\$ 50,831
<b>Fund balances:</b>		
<b>Restricted:</b>		
Restricted for beach renourishment	\$ 820,952	\$ 820,952
Total fund balances	\$ 820,952	\$ 820,952
Total liabilities and fund balances	\$ 871,783	\$ 871,783

Town of Holden Beach, North Carolina  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the Fiscal Year Ended June 30, 2013

Exhibit A-5

	<u>Special Revenue Fund</u> <u>Canal Project Fund</u>	<u>Total Nonmajor</u> <u>Governmental Funds</u>
<b>Revenues:</b>		
Other taxes and licenses	\$ 236,951	\$ 236,951
Interest on investments	1,568	1,568
Miscellaneous revenue	-	-
<b>Total Revenues</b>	<u>\$ 238,519</u>	<u>\$ 238,519</u>
<b>Expenditures:</b>		
General government	\$ -	\$ -
Beach renourishment	73,658	73,658
<b>Total Expenditures</b>	<u>\$ 73,658</u>	<u>\$ 73,658</u>
<b>Revenues over expenditures</b>	<u>\$ 164,861</u>	<u>\$ 164,861</u>
<b>Other Financing Sources (Uses):</b>		
Operating transfers in:		
From General fund	\$ 6,572	\$ 6,572
Operating transfers out:		
To General Fund	-	-
<b>Total other financing sources (uses)</b>	<u>\$ 6,572</u>	<u>\$ 6,572</u>
<b>Net change in fund balances</b>	\$ 171,433	\$ 171,433
Fund balance, beginning	\$ 649,519	\$ 649,519
<b>Fund balance, ending</b>	<u><u>\$ 820,952</u></u>	<u><u>\$ 820,952</u></u>

Town of Holden Beach, North Carolina  
**Canal Dredging Funds - Nonmajor Governmental Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP)**  
From Inception and for the Fiscal Year Ended June 30, 2013

Exhibit A-6

	Project Authorization	Actual		Variance Favorable (Unfavorable)	
		Prior Years	Current Years		
<b>Revenues:</b>					
Assessments HBII	\$ 92,727	\$ 268,143	\$ 95,352	\$ 363,495	\$ 270,768
Assessments HBII	157,467	92,792	-	92,792	(64,675)
Assessments IIIC	15,029	214,927	15,024	229,951	214,922
Assessments IIIC	16,837	15,458	-	15,458	(1,379)
Assessments HAC	115,993	320,377	118,768	439,145	323,152
Assessments HAC	395,846	120,990	-	120,990	(274,856)
Assessments Blockade Runner	28,876	23,044	-	23,044	(5,832)
Prior Year Assessments HBII	3,000	3,020	6,507	9,527	6,527
Prior Year Assessments IIII	4,000	4,289	100	4,389	389
Prior Year Assessments IIA	800	795	1,200	1,995	1,195
Interest -HBII	500	3,654	814	4,468	3,968
Interest -HHI	150	2,539	74	2,613	2,463
Interest - IIA	850	-	680	680	(170)
Miscellaneous revenue		4,066	-	4,066	4,066
Miscellaneous revenue		168,197	-	168,197	168,197
<b>Total revenues</b>	<b>\$ 832,075</b>	<b>\$ 1,242,291</b>	<b>\$ 238,519</b>	<b>\$ 1,480,810</b>	<b>\$ 648,735</b>
<b>Expenditures:</b>					
<b>Holden Beach Harbor Project:</b>					
Administration	\$ -	\$ 13,546	\$ -	\$ 13,546	\$ (13,546)
Professional services	-	165,983	-	165,983	(165,983)
Construction	-	261,909	-	261,909	(261,909)
Administration	2,515	-	-	-	2,515
Professional services	2,515	404	21,500	21,904	(19,389)
Construction	248,664	-	-	-	248,664
<b>Total Holden Beach Harbor Project</b>	<b>\$ 253,694</b>	<b>\$ 441,842</b>	<b>\$ 21,500</b>	<b>\$ 463,342</b>	<b>\$ (209,648)</b>
<b>Heritage Harbor Canal Project:</b>					
Administration	\$ -	\$ 69	\$ -	\$ 69	\$ (69)
Professional services	-	120,796	-	120,796	(120,796)
Construction	-	255,363	-	255,363	(255,363)
Administration	364	-	-	-	364
Professional services	364	404	16,608	17,012	(16,648)
Construction	35,288	-	-	-	35,288
<b>Total Heritage Harbor Canal Project</b>	<b>\$ 36,016</b>	<b>\$ 376,632</b>	<b>\$ 16,608</b>	<b>\$ 393,240</b>	<b>\$ (357,224)</b>
<b>Harbor Acres Canal Project:</b>					
Administration	\$ -	\$ 193	\$ -	\$ 193	\$ (193)
Professional services	-	48,520	-	48,520	(48,520)
Construction	-	31,666	-	31,666	(31,666)
Administration	5,121	90	1,352	1,442	3,679
Professional services	5,119	2,121	34,198	36,319	(31,200)
Construction	503,249	-	-	-	503,249
<b>Total Harbor Acres Canal Project</b>	<b>\$ 513,489</b>	<b>\$ 82,590</b>	<b>\$ 35,550</b>	<b>\$ 118,140</b>	<b>\$ 395,349</b>
<b>Blockade Runner Project:</b>					
Administration	\$ 352	\$ 94	\$ -	\$ 94	\$ 258
Professional services	15,900	15,800	-	15,800	100
Construction	41,500	40,915	-	40,915	585
<b>Total Blockade Runner Project</b>	<b>\$ 57,752</b>	<b>\$ 56,809</b>	<b>\$ -</b>	<b>\$ 56,809</b>	<b>\$ 943</b>
<b>Total expenditures</b>	<b>\$ 860,951</b>	<b>\$ 957,873</b>	<b>\$ 73,658</b>	<b>\$ 1,031,531</b>	<b>\$ (170,580)</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (28,876)</b>	<b>\$ 284,418</b>	<b>\$ 164,861</b>	<b>\$ 449,279</b>	<b>\$ 478,155</b>

Town of Holden Beach, North Carolina  
**Canal Dredging Funds - Nonmajor Governmental Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP)**  
From Inception and for the Fiscal Year Ended June 30, 2013

Exhibit A-6

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Years		
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	\$ 6,572	\$ 351,957	\$ 6,572	\$ 358,529	\$ 351,957
Transfer from Powell Bill to Blockade Runner	28,876	-	-	-	(28,876)
Transfer from General Fund	-	13,144	-	13,144	13,144
Transfer from Capital Project Funds	-	343,192	-	343,192	343,192
Transfer to Dredging Special Revenue	-	(343,192)	-	(343,192)	(343,192)
Appropriated fund balance	(6,572)	-	-	-	6,572
Total Other Financing Uses	\$ 28,876	\$ 365,101	\$ 6,572	\$ 371,673	\$ 342,797
Net change	\$ -	\$ 649,519	\$ 171,433	\$ 820,952	\$ 820,952

Town of Holden Beach, North Carolina  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget & Actual (Non-GAAP)**

Exhibit B-1

For the Fiscal Year Ended June 30, 2013  
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2012)

	2013			2012	
	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual	
<b>Revenues:</b>					
<b>Operating Revenues:</b>					
Water and sewer charges	\$ 1,535,200	\$ 1,511,113	\$ (24,087)	\$ 1,557,685	
Sewer tap and connection fees	17,750	39,212	21,462	20,222	
Impact fees	20,000	46,727	26,727	20,345	
Share fees	27,500	72,552	45,052	23,225	
Other operating revenues	140,250	142,893	2,643	133,620	
<b>Total Operating Revenues</b>	<b>\$ 1,740,700</b>	<b>\$ 1,812,497</b>	<b>\$ 71,797</b>	<b>\$ 1,755,097</b>	
<b>Nonoperating Revenues</b>					
Interest on Investments	\$ 5,000	\$ 1,528	\$ (3,472)	\$ 5,166	
Sales Tax Refund	5,000	-	(5,000)	-	
Capital charges	1,564,100	1,610,333	46,233	1,603,695	
<b>Total Nonoperating Revenues</b>	<b>\$ 1,574,100</b>	<b>\$ 1,611,861</b>	<b>\$ 37,761</b>	<b>\$ 1,608,861</b>	
<b>Total Revenues</b>	<b>\$ 3,314,800</b>	<b>\$ 3,424,358</b>	<b>\$ 109,558</b>	<b>\$ 3,363,958</b>	
<b>Expenditures:</b>					
<b>Water &amp; Sewer Administration:</b>					
Salaries and employee benefits	\$ 45,550	\$ 37,552	\$ 7,998	\$ 38,695	
Operating expenses	43,250	32,986	10,264	33,183	
<b>Total Administration</b>	<b>\$ 88,800</b>	<b>\$ 70,538</b>	<b>\$ 18,262</b>	<b>\$ 71,878</b>	
<b>Operations:</b>					
Salaries and Employee Benefits	\$ 191,673	\$ 193,182	\$ (1,509)	\$ 185,893	
Operating expenses	1,865,169	816,744	1,048,425	921,700	
Capital Outlay	92,413	-	92,413	-	
<b>Total Operations</b>	<b>\$ 2,149,255</b>	<b>\$ 1,009,926</b>	<b>\$ 1,139,329</b>	<b>\$ 1,107,593</b>	
<b>Non-Operating:</b>					
City capital charges	1,154,642	1,154,642	-	1,132,123	
<b>Debt Service:</b>					
Principal retirement	\$ 673,776	\$ 575,400	\$ 98,376	\$ 572,682	
Interest and fees	-	145,919	(145,919)	148,637	
<b>Total Debt Service</b>	<b>\$ 673,776</b>	<b>\$ 721,319</b>	<b>\$ (47,543)</b>	<b>\$ 721,319</b>	
<b>Total Expenditures</b>	<b>\$ 4,066,473</b>	<b>\$ 2,956,425</b>	<b>\$ 1,110,048</b>	<b>\$ 3,032,913</b>	
<b>Other Financing Sources (Uses):</b>					
Transfer (to) from General Fund	\$ (130,000)	\$ (32,198)	\$ 97,802	\$ (24,498)	
Transfer (to) from BPART Fund	-	(43,920)	(43,920)	-	
Appropriated fund balance	881,673	-	(881,673)	-	
<b>Total Other Sources (Uses)</b>	<b>\$ 751,673</b>	<b>\$ (76,118)</b>	<b>\$ (827,791)</b>	<b>\$ (24,498)</b>	
<b>Revenues and Other Sources over Expenditures and Other Financing Uses</b>	<b>\$ -</b>	<b>\$ 391,815</b>	<b>\$ 391,815</b>	<b>\$ 306,547</b>	
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>					
<b>Reconciling Items:</b>					
Principal retirement		\$ 575,400		\$ 572,682	
Depreciation		(484,912)		(486,325)	
<b>Total Reconciling items</b>		<b>90,488</b>		<b>86,357</b>	
<b>Change in net position</b>		<b>\$ 482,303</b>		<b>\$ 392,904</b>	

## 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 Holden Beach, North Carolina  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
June 30, 2013

Exhibit C-1

Fiscal Year	Uncollected Balance 6/30/2012	Additions	Collections And Credits	Uncollected Balance 6/30/2013
2012-2013	\$	\$ 1,560,682	\$ 1,519,610	\$ 41,072
2011-2012	47,571	-	19,765	27,806
2010-2011	45,932	-	13,562	32,370
2009-2010	15,079	-	3,517	11,562
2008-2009	11,328	-	1,532	9,796
2007-2008	3,359	-	564	2,795
2006-2007	832	-	469	363
2005-2006	493	-	357	136
2004-2005	286	-	168	118
2003-2004	554	-	131	423
2002-2003	19	-	19	-
<b>Totals</b>	<b>\$ 125,453</b>	<b>\$ 1,560,682</b>	<b>\$ 1,559,694</b>	<b>\$ 126,441</b>

Less: Allowance for Uncollectible Accounts:  
General Fund

3,000

Ad valorem taxes receivable - net

\$ 123,441

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 1,578,387

Reconciling items:

Interest & Penalties Collected

(9,972)

Miscellaneous adjustments and releases

(8,721)

Subtotal

\$ (18,693)

Total collections and credits

\$ 1,559,694

Town of Holden Beach, North Carolina  
 Analysis of Current Tax Levy  
 Town - Wide Levy  
 For the Fiscal Year Ended June 30, 2013

Exhibit C-2

	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	\$ 1,228,883,464	0.127	\$ <u>1,560,682</u>	\$ <u>1,547,690</u>	\$ <u>12,992</u>
Net levy	*		\$ 1,560,682	\$ 1,547,690	\$ 12,992
Uncollected taxes at June 30, 2013			<u>41,072</u>	<u>40,694</u>	<u>378</u>
Current year's taxes collected			\$ <u><u>1,519,610</u></u>	\$ <u><u>1,506,996</u></u>	\$ <u><u>12,614</u></u>
Current levy collection percentage			<u><u>97.37%</u></u>	<u><u>97.37%</u></u>	<u><u>97.09%</u></u>