

TOWN OF HOLDEN BEACH  
HOLDEN BEACH, NORTH CAROLINA  
FINANCIAL STATEMENTS  
June 30, 2012

TOWN OF HOLDEN BEACH  
HOLDEN BEACH, NORTH CAROLINA  
FINANCIAL STATEMENTS  
June 30, 2012

TOWN OF HOLDEN BEACH, NORTH CAROLINA

June 30, 2012

Mayor: J. Alan Holden

Commissioners: Don Glander, Mayor Pro Tem

Sandy Miller

Ray Lehr

Dennis Harrington

Sheila Young

Town Manager/Finance Officer: David Hewett

Clerk: Heather Finnell

TOWN OF HOLDEN BEACH  
TABLE OF CONTENTS  
June 30, 2012

FINANCIAL SECTION

Independent Auditors' Report	<u>Exhibit</u>
Management's Discussion and Analysis	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General and Major Special Revenue Funds	6
Statement of Fund Net Assets – Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	8
Statement of Cash Flows – Proprietary Funds	9
Notes to the Financial Statements	
Individual Fund Statements and Schedules:	
Comparative Balance Sheets – General Fund	A-1
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	A-2
Major Special Revenue Fund – BPART Tax Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	A-3
Combining Balance Sheet – Non-Major Governmental Funds	A-4
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	A-5

Special Revenue Fund – Canal Project Fund  
Schedule of Revenues, Expenditures and Changes in Fund  
Balance - Budget and Actual

A-6

Water and Sewer Fund  
Schedule of Revenues, Expenditures and Changes in Fund  
Balance – Budget and Actual (Non GAAP)

B-1

Other Schedules

Schedule of Ad Valorem Taxes Receivable

C-1

Analysis of Current Tax Levy – Town-Wide Levy

C-2

Compliance Section

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

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Year Audit Findings

## FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS

Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA

Independent Auditors' Report

Offices:  
Whiteville, NC  
Elizabethtown, NC  
Wilmington, NC

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

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Holden Beach's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the 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, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012 on our consideration of the Town of Holden Beach's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Holden Beach's basic financial statements. The 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, and other schedules are 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.  
November 28, 2012

## 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, 2012. 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

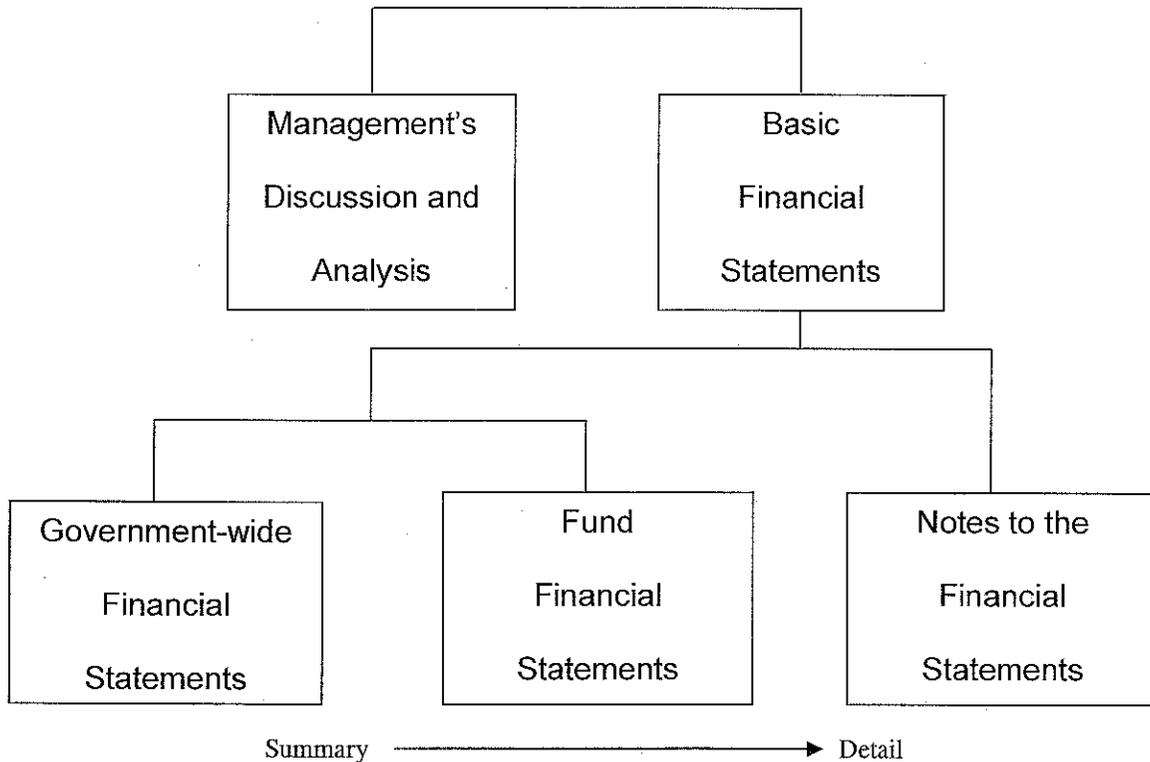
- The assets of the Town of Holden Beach exceeded its liabilities at the close of the fiscal year by \$28,048,463 (*net assets*).
- The government's total net assets increased by \$990,302, primarily due to increases in the governmental activities of \$597,398 and increases in the business-type activities of \$392,904.
- As of the close of the current fiscal year, the Town of Holden Beach governmental funds reported combined ending fund balances of \$6,774,428, an increase of \$481,939 in comparison with the prior year. Approximately 19 percent of this total amount, or \$1,259,584, 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 \$387,773 or 17 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 assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets 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 Assets 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 Assets 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 Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 7,183,961	\$ 6,494,176	\$ 4,218,986	\$ 3,932,184	\$ 11,402,947	\$10,426,360
Capital assets	7,188,310	7,357,290	18,663,239	19,149,564	25,851,549	26,506,854
Total assets	14,372,271	13,851,466	22,882,225	23,081,748	37,254,496	36,933,214
Long-term liabilities	3,755,923	3,947,482	4,163,779	4,689,690	7,919,702	8,637,172
Other liabilities	524,484	357,891	761,847	730,901	1,286,331	1,088,792
Total liabilities	4,280,407	4,305,373	4,925,626	5,420,591	9,206,033	9,725,964
Net assets:						
Invested in capital assets, net of related debt	3,268,604	3,212,891	13,930,944	13,844,587	17,199,548	17,057,478
Restricted	577,507	571,780	-	-	577,507	571,780
Unrestricted	6,245,753	5,761,422	4,025,655	3,816,570	10,271,408	9,577,992
Total net assets	\$ 10,091,864	\$ 9,546,093	\$ 17,956,599	\$ 17,661,157	\$ 28,048,463	\$27,207,250

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Holden Beach exceeded liabilities by \$28,048,463 as of June 30, 2012. The Town's net assets increased by \$990,302 for the fiscal year ended June 30, 2012. There was a prior period adjustment in the amount of \$149,089 which decreased beginning net assets. The largest portion (61%) of net assets reflects the Town's investment in capital assets (e.g. land, construction in progress, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Holden Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Holden Beach's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net assets \$577,507 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,271,408 is unrestricted.

A particular aspect of the Town's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.94%, which is comparable to the statewide average of 97.63%.

**Town of Holden Beach Changes in Net Assets**

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 371,064	\$ 205,508	\$ 1,755,097	\$ 1,731,733	\$ 2,126,161	\$ 1,937,241
Operating grants and contributions	171,997	206,572	-	-	171,997	206,572
Capital grants and contributions	-	40,042	1,603,695	1,670,701	1,603,695	1,710,743
<b>General revenues:</b>						
Property taxes	1,578,393	1,544,837	-	-	1,578,393	1,544,837
Other taxes	1,960,822	1,942,703	-	-	1,960,822	1,942,703
<b>Other</b>	96,548	10,712	5,166	2,242	101,714	12,954
<b>Total revenues</b>	<b>\$ 4,178,824</b>	<b>\$ 3,950,374</b>	<b>\$ 3,363,958</b>	<b>\$ 3,404,676</b>	<b>\$ 7,542,782</b>	<b>\$ 7,355,050</b>
<b>Expenses:</b>						
General government	831,707	737,092	-	-	831,707	737,092
Public safety	923,370	843,201	-	-	923,370	843,201
Transportation	272,353	253,618	-	-	272,353	253,618
Environmental protection	120,085	122,802	-	-	120,085	122,802
Beach renourishment	1,295,531	958,578	-	-	1,295,531	958,578
Interest on long-term debt	162,878	183,623	-	-	162,878	183,623
Water and sewer	-	-	2,946,556	3,165,065	2,946,556	3,165,065
<b>Total expenses</b>	<b>3,605,924</b>	<b>3,098,914</b>	<b>2,946,556</b>	<b>3,165,065</b>	<b>6,552,480</b>	<b>6,263,979</b>
Increase in net assets before transfers	572,900	851,460	417,402	239,611	990,302	1,091,071
Transfers	24,498	(34,807)	(24,498)	34,807	-	-
Increase in net assets	597,398	816,653	392,904	274,418	990,302	1,091,071
Net assets, July 1	9,546,093	8,729,440	17,661,157	17,386,739	27,207,250	26,116,179
Prior Period Adjustment	(51,627)	-	(97,462)	-	(149,089)	-
<b>Net assets, June 30</b>	<b>\$ 10,091,864</b>	<b>\$ 9,546,093</b>	<b>\$ 17,956,599</b>	<b>\$ 17,661,157</b>	<b>\$ 28,048,463</b>	<b>\$ 27,207,250</b>

**Governmental activities.** Governmental activities increased the Town's net assets by \$597,398, thereby accounting for 60% of the total growth in the net assets of the Town of Holden Beach. A key element of this increase is as follows:

- Tax revenues increased.

**Business-type activities:** Business-type activities increased the Town of Holden Beach's net assets by \$392,904, accounting for 40% of the total growth in the government's net assets. 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 \$387,773, while total fund balance of the general fund was \$1,129,608. 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 17% of general fund expenditures, while total fund balance represents 49% of the same amount.

At June 30, 2012, the governmental funds of Town of Holden Beach reported a combined fund balance of \$6,774,428, with an increase in fund balance of \$481,939.

**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 11-12 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 assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,025,655. The total change in net assets in the Water and Sewer fund was \$392,904. 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, 2012, totals \$25,851,549 (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 a John Deere gator for the public safety department.
- Purchase of a fit trail 20 station exercise system for the recreation department.
- Purchase of two mowers for the street department.

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,133,496	\$ 2,133,496	\$ 140,296	\$ 140,296	\$ 2,273,792	\$ 2,273,792
Buildings and distribution systems	4,508,888	4,608,885	18,126,167	18,562,230	22,635,055	23,171,115
Improvements and infrastructure	380,360	388,853	158,554	162,234	538,914	551,087
Machinery and equipment	76,341	78,957	230,544	270,982	306,885	349,939
Vehicles	89,225	147,099	7,678	13,822	96,903	160,921
Total	<u>\$ 7,188,310</u>	<u>\$ 7,357,290</u>	<u>\$ 18,663,239</u>	<u>\$ 19,149,564</u>	<u>\$ 25,851,549</u>	<u>\$ 26,506,854</u>

Additional information on the Town's capital assets can be found in note 3.A. of the Basic Financial Statements.

### Long-Term Debt

As of June 30, 2012, the Town had total debt of \$8,652,001 (excluding compensated absences and pension obligation). There was a net decrease in total debt of \$797,375.

Additional information regarding the Town's debt can be found in Note 3.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 11.7% is well above the State average of 9.4%.
- 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, 2013

**Governmental Activities:** The Town's ad valorem tax rate for the fiscal year ending June 30, 2013 remains unchanged from the prior fiscal year ended June 30, 2012.

**Business –T ype 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, 2013 in the amount of \$106,673.

### **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 Assets**  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Investments	\$ 6,426,193	\$ 2,343,128	\$ 8,769,321
Taxes Receivable (Net)	118,653	-	118,653
Accounts Receivable (Net)	441,945	736,256	1,178,201
Accrued Interest Receivable on Taxes	16,412	-	16,412
Due From Other Governments	83,174	9,402	92,576
Internal Balances	(4,454)	4,454	-
Inventories	-	69,540	69,540
Cash and cash equivalents, restricted	102,038	1,056,206	1,158,244
Total current assets	<u>\$ 7,183,961</u>	<u>\$ 4,218,986</u>	<u>\$ 11,402,947</u>
<b>Non-current Assets:</b>			
<b>Capital Assets:</b>			
Land, Non-depreciable Improvements, and Construction in Progress	\$ 2,133,496	\$ 140,296	\$ 2,273,792
Other Capital Assets, Net of Depreciation	5,054,814	18,522,943	23,577,757
Total Capital Assets	<u>\$ 7,188,310</u>	<u>\$ 18,663,239</u>	<u>\$ 25,851,549</u>
Total Assets	<u>\$ 14,372,271</u>	<u>\$ 22,882,225</u>	<u>\$ 37,254,496</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ 143,069	\$ 95,509	\$ 238,578
Due to other governments	66,655	-	66,655
Accrued Interest Payable	33,427	88,643	122,070
Unearned revenues	28,238	-	28,238
Compensated absences, due in one year	22,328	2,295	24,623
Bonds and notes payable, due in one year	230,767	575,400	806,167
Total current liabilities	<u>\$ 524,484</u>	<u>\$ 761,847</u>	<u>\$ 1,286,331</u>
<b>Long-Term Liabilities:</b>			
Compensated absences	\$ 66,984	\$ 6,884	\$ 73,868
Bonds and notes payable	3,688,939	4,156,895	7,845,834
Total long-term liabilities	<u>\$ 3,755,923</u>	<u>\$ 4,163,779</u>	<u>\$ 7,919,702</u>
Total Liabilities	<u>\$ 4,280,407</u>	<u>\$ 4,925,626</u>	<u>\$ 9,206,033</u>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	\$ 3,268,604	\$ 13,930,944	\$ 17,199,548
Restricted for:			
Stabilization by State Statute	488,613	-	488,613
Streets	88,894	-	88,894
Unrestricted	6,245,753	4,025,655	10,271,408
Total Net Assets	<u>\$ 10,091,864</u>	<u>\$ 17,956,599</u>	<u>\$ 28,048,463</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, 2012

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Total
						Business-type Activities	Governmental Activities	
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 831,707	\$ 132,461	\$ -	\$ -	\$ (699,246)	\$ -	\$ -	\$ (699,246)
Public safety	923,370	6,383	138,775	-	(778,212)	-	-	(778,212)
Transportation	272,353	-	33,222	-	(239,131)	-	-	(239,131)
Environmental protection	120,085	-	-	-	(120,085)	-	-	(120,085)
Beach renourishment	1,295,531	232,220	-	-	(1,063,311)	-	-	(1,063,311)
Interest and fees	162,878	-	-	-	(162,878)	-	-	(162,878)
<b>Total governmental activities</b>	<b>3,605,924</b>	<b>371,064</b>	<b>171,997</b>	<b>-</b>	<b>(3,062,863)</b>	<b>-</b>	<b>-</b>	<b>(3,062,863)</b>
<b>Business-type activities:</b>								
Water & Sewer	2,946,556	1,755,097	-	1,603,695	-	412,236	-	412,236
Total business-type activities	2,946,556	1,755,097	-	1,603,695	-	412,236	-	412,236
<b>Total primary government</b>	<b>\$ 6,552,480</b>	<b>\$ 2,126,161</b>	<b>\$ 171,997</b>	<b>\$ 1,603,695</b>	<b>(3,062,863)</b>	<b>412,236</b>	<b>-</b>	<b>(2,650,627)</b>
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purpose					1,578,393	-	-	1,578,393
Sales and use tax					125,187	-	-	125,187
Other taxes					1,835,635	-	-	1,835,635
Investment earnings					18,825	5,166	-	23,991
Gain/(Loss) on Sale of Capital Assets					(974)	-	-	(974)
Miscellaneous					78,697	-	-	78,697
Transfers					24,498	(24,498)	-	-
Total general revenues and transfers					3,660,261	(19,332)	-	3,640,929
Change in net assets					597,398	392,904	-	990,302
Net assets, beginning					9,546,093	17,661,157	-	27,207,250
Prior Period Adjustment					(51,627)	(97,462)	-	(149,089)
Net assets, ending					\$ 10,091,864	\$ 17,956,599	\$ -	\$ 28,048,463

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, 2012

	Major Funds			Total Governmental Funds
	General Fund	BPART Tax Fund	Non-Major Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,088,181	\$ 4,744,169	\$ 593,843	\$ 6,426,193
Restricted Cash	102,038	-	-	102,038
Receivables, net:				
Taxes	118,653	-	-	118,653
Accounts	1,035	405,409	35,501	441,945
Due from other governments	77,641	5,533	-	83,174
Due from other funds	-	-	55,676	55,676
Total assets	<u>\$ 1,387,548</u>	<u>\$ 5,155,111</u>	<u>\$ 685,020</u>	<u>\$ 7,227,679</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 49,914	\$ 93,155	\$ -	\$ 143,069
Due to other governments	-	66,655	-	66,655
Due to other funds	60,130	-	-	60,130
Unearned revenue	28,238	-	-	28,238
Deferred revenue	119,658	-	35,501	155,159
Total liabilities	<u>\$ 257,940</u>	<u>\$ 159,810</u>	<u>\$ 35,501</u>	<u>\$ 453,251</u>
Fund balances:				
Restricted				
Stabilization by State Statute	77,671	410,942	-	488,613
Streets	88,894	-	-	88,894
Debt Covenant	13,144	-	-	13,144
Beach Renourishment	-	4,274,674	649,519	4,924,193
Assigned				
Subsequent year's expenditures	182,412	309,685	-	492,097
General government debt	379,714	-	-	379,714
Unassigned	387,773	-	-	387,773
Total fund balances	<u>1,129,608</u>	<u>4,995,301</u>	<u>649,519</u>	<u>6,774,428</u>
Total liabilities and fund balances	<u>\$ 1,387,548</u>	<u>\$ 5,155,111</u>	<u>\$ 685,020</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1)

are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

7,188,310

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.

16,412

Liabilities for earned but deferred revenues in fund statements.

155,159

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.

(4,042,445)

Net assets of governmental activities

\$ 10,091,864

Town of Holden Beach, North Carolina  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended June 30, 2012

	Major Fund			Total Governmental Funds
	General Fund	BPART Tax Fund	Non-Major Funds	
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,546,943	\$ -	\$ -	\$ 1,546,943
Other taxes and licenses	132,689	1,679,856	239,244	2,051,789
Unrestricted intergovernmental	148,277	-	-	148,277
Restricted intergovernmental	66,150	105,847	-	171,997
Permits and fees	138,727	-	-	138,727
Sales and Service	117	-	-	117
Investment earnings	3,356	12,930	2,539	18,825
Miscellaneous	18,049	2,649	4,066	24,764
Total revenues	2,054,308	1,801,282	245,849	4,101,439
<b>EXPENDITURES</b>				
Current:				
General government	710,099	-	-	710,099
Public safety	869,189	-	-	869,189
Transportation	240,312	-	-	240,312
Environmental protection	119,258	-	-	119,258
Beach renourishment	-	1,324,036	3,019	1,327,055
Debt Service:				
Principal retirement	224,693	-	-	224,693
Interest and fees	164,932	-	-	164,932
Total expenditures	2,328,483	1,324,036	3,019	3,655,538
Excess (deficiency) of revenues over expenditures	(274,175)	477,246	242,830	445,901
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer (to) from Capital Reserve Fund	-	-	-	-
Transfer (to) from Capital Project fund	-	-	-	-
Transfers (to) from Enterprise Fund	24,498	-	-	24,498
Transfers (to) from Special Revenue Fund	36,091	-	-	36,091
Transfers to General Fund	-	(49,235)	-	(49,235)
Transfer from General Fund	-	-	13,144	13,144
Sale of Capital Assets	11,540	-	-	11,540
Long-term debt issued	-	-	-	-
Total other financing sources (uses)	72,129	(49,235)	13,144	36,038
Net change in fund balance	(202,046)	428,011	255,974	481,939
Fund balances, beginning	1,335,170	4,579,920	393,545	6,308,635
Prior Period Adjustment	(3,516)	(12,630)	-	(16,146)
Fund balances, ending	\$ 1,129,608	\$ 4,995,301	\$ 649,519	\$ 6,774,428

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, 2012

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

Net changes in fund balances - total governmental funds \$ 481,939

Exhibit 4 reports revenues using a current financial resources basis, which generally means revenue is recognized when collected or is expected to be collected within 90 days of year-end. Exhibit 2 reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:

Property taxes and other sales and services 78,359

Expenses related to compensated absences and other accruals that do not require current financial resources are not reported as expenditures in the governmental funds statement. (18,613)

Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets. 36,422

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental fund statements. (192,888)

Loss on disposal of capital assets does not require 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 (12,514)

Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities. 224,693

Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities. -

Total changes in net assets of governmental activities \$ 597,398

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

Town of Holden Beach, North Carolina  
 Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2012

	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	\$ 1,525,564	\$ 1,525,564	\$ 1,546,943	\$ 21,379	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	136,542	136,542	132,689	(3,853)	1,429,350	1,429,350	1,679,856	250,506
Unrestricted intergovernmental revenues	181,937	181,937	148,277	(33,660)	-	-	-	-
Restricted intergovernmental revenues	32,423	32,423	66,150	33,727	-	637,434	105,847	(531,587)
Permits and fees	134,897	134,897	138,727	3,830	-	-	-	-
Sales and Services	300	1,000	3,356	2,356	-	-	-	-
Investment earnings	1,000	300	117	(183)	6,000	6,000	12,930	6,930
Miscellaneous	4,550	4,550	18,049	13,499	2,500	2,500	2,649	149
<b>Total revenues</b>	<b>\$ 2,017,213</b>	<b>\$ 2,017,213</b>	<b>\$ 2,054,308</b>	<b>\$ 37,095</b>	<b>\$ 1,437,850</b>	<b>\$ 2,075,284</b>	<b>\$ 1,801,282</b>	<b>\$ (274,002)</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	\$ 725,453	\$ 725,453	\$ 710,099	\$ 15,354	\$ -	\$ -	\$ -	\$ -
Public safety	856,740	856,740	869,189	(12,449)	-	-	-	-
Transportation	312,063	312,063	240,312	71,751	-	-	-	-
Environmental protection	112,787	112,787	119,258	(6,471)	-	-	-	-
Beach renourishment	-	-	-	-	1,342,022	2,279,456	1,324,036	955,420
Debt Service:								
Principal retirement	224,693	224,693	224,693	-	-	-	-	-
Interest and fees	164,932	164,932	164,932	-	-	-	-	-
<b>Total expenditures</b>	<b>\$ 2,396,668</b>	<b>\$ 2,396,668</b>	<b>\$ 2,328,483</b>	<b>\$ 68,185</b>	<b>\$ 1,342,022</b>	<b>\$ 2,279,456</b>	<b>\$ 1,324,036</b>	<b>\$ 955,420</b>
Revenues over/(under) expenditures	\$ (379,455)	\$ (379,455)	\$ (274,175)	\$ 105,280	\$ 95,828	\$ (204,172)	\$ 477,246	\$ 681,418
<b>Other financing sources (uses):</b>								
Transfers (to) from Capital Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers (to) from Capital Project/Special Revenue	(13,144)	(13,144)	(13,144)	-	-	-	-	-
Transfers (to) from Enterprise Fund	47,682	47,682	24,498	(23,184)	-	-	-	-
Transfers (to) from Special Revenue Fund	95,828	95,828	49,235	(46,593)	-	-	-	-
Transfers (to) from General Fund	-	-	-	-	(95,828)	(95,828)	(49,235)	46,593
Sale of Capital Assets	3,500	3,500	11,540	8,040	-	-	-	(300,000)
<b>Appropriated Fund Balance</b>	<b>245,589</b>	<b>245,589</b>	<b>245,589</b>	<b>(245,589)</b>	<b>-</b>	<b>300,000</b>	<b>-</b>	<b>(300,000)</b>
<b>Total other financing sources (uses)</b>	<b>\$ 379,455</b>	<b>\$ 379,455</b>	<b>\$ 72,129</b>	<b>\$ (307,326)</b>	<b>\$ (95,828)</b>	<b>\$ 204,172</b>	<b>\$ (49,235)</b>	<b>\$ (253,407)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (202,046)</b>	<b>\$ (202,046)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 428,011</b>	<b>\$ 428,011</b>
Fund balance, beginning of year			1,335,170				4,579,920	
Prior Period Adjustment			(3,516)				(12,630)	
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,129,608</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,995,301</b>	<b>\$ -</b>

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

Town of Holden Beach, North Carolina  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
June 30, 2012

		Major Enterprise Fund
		Water & Sewer Fund
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$	2,343,128
Accounts receivable (net)		736,256
Due From Other Funds		4,454
Due From Other Governments		9,402
Inventories		69,540
Restricted Assets:		
Cash and cash equivalents		1,056,206
Total current assets	\$	4,218,986
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets and construction in progress	\$	140,296
Other capital assets, net of depreciation		18,522,943
Capital Assets (net)	\$	18,663,239
Total noncurrent assets	\$	18,663,239
Total Assets	\$	22,882,225
<b>Liabilities</b>		
Current liabilities:		
Accounts Payable and Accrued Liabilities	\$	95,509
Accrued Interest		88,643
Compensated absences		2,295
Notes payable - current maturities		575,400
Total Current Liabilities	\$	761,847
Noncurrent Liabilities		
Compensated Absences	\$	6,884
Notes payable - noncurrent maturities		4,156,895
Total Noncurrent liabilities	\$	4,163,779
Total Liabilities	\$	4,925,626
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$	13,930,944
Unrestricted		4,025,655
Total Net Assets of Business - Type Activities	\$	17,956,599

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 Assets  
Proprietary Funds  
For the Year Ended June 30, 2012

Exhibit 8

		Major Enterprise Fund <u>Water &amp; Sewer Fund</u>
Operating revenues:		
Charges for services	\$	1,557,685
Taps and connection fees		20,222
Impact fees		20,345
Share fees		23,225
Other operating revenues		133,620
Total operating revenues	\$	<u>1,755,097</u>
Operating Expenses:		
Administration	\$	71,878
Water and sewer operations		1,107,593
Depreciation		486,325
Total operating expenses	\$	<u>1,665,796</u>
Operating income (loss)	\$	<u>89,301</u>
Nonoperating revenues (expenses):		
Investment earnings	\$	5,166
Capital charges		1,603,695
City capital charges		(1,132,123)
Interest expense		(148,637)
Total nonoperating revenues (expenses)	\$	<u>328,101</u>
Income (Loss) Before Contributions and Transfers	\$	417,402
Capital contributions		-
Transfers in (out)		<u>(24,498)</u>
Total Income (Loss) After Contributions and Transfers	\$	<u>392,904</u>
Change in Net Assets	\$	392,904
Total Net Assets, Beginning		17,661,157
Prior Period Adjustment		<u>(97,462)</u>
Total Net Assets, Ending	\$	<u><u>17,956,599</u></u>

**Town of Holden Beach, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2012**

Exhibit 9

		Major Enterprise Fund <u>Water &amp; Sewer</u> <u>Fund</u>
Cash flows from operating activities:		
Cash received from customers and users	\$	1,746,717
Cash paid for goods and services		(959,724)
Cash paid to employees for services		(231,221)
Net cash provided by (used in) operating activities	\$	<u>555,772</u>
Cash flows from capital and related financing activities:		
Principal paid on bonds	\$	(572,682)
Interest paid on bonds		(158,505)
Net cash provided by (used in) capital and related financing activities	\$	<u>(731,187)</u>
Cash flows from non-capital financing activities:		
Capital charges paid	\$	(1,132,123)
Capital charges paid by customers		1,572,562
Transfers to other funds		(24,498)
Change in due to/from other funds		(172)
Net cash provided by (used in) non-capital financing activities	\$	<u>415,769</u>
Cash flows from investment activities:		
Interest on investments	\$	<u>5,166</u>
Net increase (decrease) in cash and cash equivalents	\$	245,520
Cash and cash equivalents, July 1		<u>3,153,814</u>
Cash and cash equivalents, June 30	\$	<u><u>3,399,334</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$	<u>89,301</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$	486,325
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		(8,380)
(Increase) decrease in due from other governments		3,871
(Increase) decrease in inventory		(5,470)
Increase (decrease) in accounts payable and accrued liabilities		(3,242)
Increase (decrease) in compensated absences payable		(6,633)
Total adjustments	\$	<u>466,471</u>
Net cash provided by (used in) operating activities	\$	<u><u>555,772</u></u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2012

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 assets and the statement of activities display information about the primary government and its component unit. 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 is 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

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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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 assets 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.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

#### D. - Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the remaining Special Revenue Funds and the Enterprise Capital Project Fund, 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, 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, 2012.

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.

In the General Fund, Powell Bill funds and USDA funds reserved for debt payments are classified as restricted. The restricted assets of \$88,894 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 \$13,144 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, 2010.
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. 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 assets. 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 are reported as deferred charges and amortized over the term of the related 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.

9. 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 employment, 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.

10. Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

**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. 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

Immaterial Violation of Finance-Related Legal & Contractual Provisions

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2012, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the public safety department by \$12,449 and for the sanitation department by \$6,471. 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, 2012, the Town's deposits had a carrying amount of \$9,038,186, and a bank balance of \$9,063,775. 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, 2012 was the Town's petty cash fund which totaled \$100.

2. Investments - At June 30, 2012, the Town of Holden Beach had \$889,379 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 Assets are shown below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Sales Tax Refund Receivable	\$ 14,265	\$ 9,402
Charges for Services Receivable	-	181,546
Sewer Fees and Capital Charges Receivable	-	554,710
Occupancy Taxes Receivable	405,409	
Assessments Receivable and Other Miscellaneous	36,536	
Due From Brunswick Co. - Motor Vehicle Tax	606	-
Tax on Video Programming Rec.	10,395	-
Franchise Tax Receivable	20,346	-
Telecommunications Tax Receivable	3,101	-
Local Option Sales Tax Receivable	34,461	-
Total	<u>\$ 525,119</u>	<u>\$ 745,658</u>

Receivables – Allowance for Doubtful Accounts

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

<u>Fund</u>	<u>6/30/2012</u>
General Fund:	
Taxes Receivable	\$ 6,800
Accounts Receivable	<u>2,363</u>
Total	<u>\$ 9,163</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, 2012, 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	\$ -	\$ -	\$ 2,133,496
Total capital assets not being depreciated	<u>2,133,496</u>	<u>-</u>	<u>-</u>	<u>2,133,496</u>
<b>Capital assets being depreciated</b>				
Buildings	4,999,858	-	-	4,999,858
Other Improvements & Infrastructure	424,664	-	-	424,664
Equipment	312,707	36,422	23,459	325,670
Vehicles	447,366	-	-	447,366
Total capital assets being depreciated	<u>6,184,595</u>	<u>36,422</u>	<u>23,459</u>	<u>6,197,558</u>
<b>Less accumulated depreciation for:</b>				
Buildings	390,973	99,997	-	490,970
Other Improvements & Infrastructure	35,811	8,493	-	44,304
Equipment	233,750	26,524	10,945	249,329
Vehicles	300,267	57,874	-	358,141
Total accumulated depreciation	<u>960,801</u>	<u>192,888</u>	<u>10,945</u>	<u>1,142,744</u>
Total capital assets being depreciated, net	<u>5,223,794</u>			<u>5,054,814</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 7,357,290</u>			<u>\$ 7,188,310</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 Page 9

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

General Government	\$ 116,028
Public Safety	44,054
Transportation	30,388
Beach Renourishment & Recreational	<u>2,418</u>
Total Depreciation Expense	<u>\$ 192,888</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>-</u>	<u>-</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>-</u>	<u>-</u>	<u>22,547,648</u>
Less accumulated depreciation for:				
Plant and distribution systems	3,240,896	436,063	-	3,676,959
Infrastructure	21,792	3,680	-	25,472
Furniture and Maintenance Equipment	210,667	40,438	-	251,105
Vehicles	65,025	6,144	-	71,169
Total accumulated depreciation	<u>3,538,380</u>	<u>486,325</u>	<u>-</u>	<u>4,024,705</u>
Total capital assets being depreciated, net	<u>19,009,268</u>			<u>18,522,943</u>
Business-type activities capital assets, net	<u>\$ 19,149,564</u>			<u>\$ 18,663,239</u>

B. - Liabilities

1. 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 (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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 11.77% and 11.94%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Holden Beach is established, and may be amended, by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$134,435, \$120,844, and \$72,013, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. 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, 2011, 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><u>8</u></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, 2012 were \$27,260, which consisted of \$19,760 from the Town and \$7,500 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, 2012 were \$42,494, which consisted of \$21,273 from the Town and \$21,221 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 Revenues

The balance in deferred and unearned revenues for the governmental funds at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Taxes/Assessments Rec. (General & Special Revenue Funds)	\$ 155,159	\$ -
Prepaid Taxes (General Fund)	-	28,238
	<u>\$ 155,159</u>	<u>\$ 28,238</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.

5. 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.
6. Claims, Judgments and Contingent Liabilities  
 As of June 30, 2012, 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.

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 Page 13

7. Long-Term Obligations

Notes payable are 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	\$ 927,752
3.81% note, payable in annual installments of \$200,000, plus interest; final payment due March 2027; secured by real estate	<u>2,991,954</u>
Total	<u>\$ 3,919,706</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	\$ 3,191,382
3.79% note, payable in annual installments of \$214,090, including interest; final payment due November 2019; secured by real estate	1,486,327
5.18% note, payable in annual installments of \$57,412, including interest; final payment due January 2013; secured by equipment	<u>54,586</u>
Total	<u>\$ 4,732,295</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
2013	\$ 230,767	\$ 148,947	\$ 379,714	\$ 575,400	\$ 155,787	\$ 731,187	\$ 806,167	\$ 304,734
2014	226,847	145,247	372,094	537,845	135,930	673,775	764,692	281,177
2015	228,010	136,463	364,473	555,432	118,343	673,775	783,442	254,806
2016	229,224	127,629	356,853	573,595	100,180	673,775	802,819	227,809
2017	230,491	118,743	349,234	592,352	81,424	673,776	822,843	200,167
2018-2022	1,173,457	458,410	1,631,867	1,897,671	123,655	2,021,326	3,071,128	582,065
2023-2027	1,206,399	226,922	1,433,321	-	-	-	1,206,399	226,922
2028-2032	265,119	63,481	328,600	-	-	-	265,119	63,481
2033-2037	129,392	8,610	138,002	-	-	-	129,392	8,610
Total	<u>\$ 3,919,706</u>	<u>\$ 1,434,452</u>	<u>\$ 5,354,158</u>	<u>\$ 4,732,295</u>	<u>\$ 715,319</u>	<u>\$ 5,447,614</u>	<u>\$ 8,652,001</u>	<u>\$ 2,149,771</u>

At June 30, 2012, the Town of Holden Beach had a legal debt margin of \$93,852,204. There were no authorized bonds that had not been issued as of June 30, 2012.

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 Page 14

Changes in Long – Term Liabilities

A summary of long-term debt is as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Governmental Activities:					
Notes Payable	\$ 4,144,399	\$ -	\$ 224,693	\$ 3,919,706	\$ 230,767
Compensated Absences	68,645	20,667	-	89,312	22,328
Governmental activity long term liabilities	<u>\$ 4,213,044</u>	<u>\$ 20,667</u>	<u>\$ 224,693</u>	<u>\$ 4,009,018</u>	<u>\$ 253,095</u>
Business-type Activities:					
Notes Payable	\$ 5,304,977	\$ -	\$ 572,682	\$ 4,732,295	\$ 575,400
Compensated Absences	15,812	-	6,633	9,179	2,295
Business-type activity long term liabilities	<u>\$ 5,320,789</u>	<u>\$ -</u>	<u>\$ 579,315</u>	<u>\$ 4,741,474</u>	<u>\$ 577,695</u>

C. - Interfund Balances and Activity

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Canal Project Fund	General Fund	\$ 55,676
Utility Fund	General Fund	4,454
		<u>\$ 60,130</u>

The composition of interfund balances as of June 30, 2012 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, 2012, consist of the following:

Fund	From	To
Enterprise	\$ 24,498	\$ -
Special Revenue	49,235	-
General Fund	-	73,733
	<u>\$ 73,733</u>	<u>\$ 73,733</u>

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 Page 15

D. - Prior Period Adjustment

During the fiscal year ended June 30, 2012, it was discovered that there were some corrections needed. Therefore, an adjustment to beginning fund balance has been recorded to account for these accruals, the net effect of which decreased net assets in total by \$149,089.

E. - Fund Balance

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

Total fund balance - General Fund	<u>\$ 1,129,608</u>
Less:	
Inventories	-
Stabilization by State Statute	77,671
Streets - Powell Bill	88,894
Appropriated Fund Balance in 2013 budget	182,412
Debt Covenant	13,144
General Government Debt	379,714
Working Capital / Fund Balance Policy	<u>582,121</u>
Remaining Fund Balance	<u>\$ (194,348)</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, 2012.

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, 2012.

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 \$1,132,123. 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.

## SUPPLEMENTARY STATEMENTS

---

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

---

**Town of Holden Beach, North Carolina**  
**General Fund**  
**Comparative Balance Sheets**  
June 30, 2012 and June 30, 2011

Exhibit A-1

	<u>June 30,</u> 2012	<u>June 30,</u> 2011
<b>Assets</b>		
Cash and cash equivalents	\$ 1,088,181	\$ 1,174,340
Taxes Receivable, net	118,653	71,087
Accounts Receivable, net	1,035	-
Due From Other funds	-	-
Due From Other Governments	77,641	105,307
Cash and cash equivalents, restricted	<u>102,038</u>	<u>150,030</u>
Total assets	<u>\$ 1,387,548</u>	<u>\$ 1,500,764</u>
<b>Liabilities and fund balances</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 49,914	\$ 6,313
Due to Other Governments	-	-
Due to Other Funds	60,130	59,958
Unearned Revenue	28,238	28,236
Deferred Revenue	<u>119,658</u>	<u>71,087</u>
Total liabilities	<u>\$ 257,940</u>	<u>\$ 165,594</u>
<b>Fund balances:</b>		
<b>Restricted:</b>		
Stabilization by State Statue	\$ 77,671	\$ 111,455
Streets - Powell Bill	88,894	143,518
Debt Covenant	13,144	6,572
<b>Assigned:</b>		
Assigned for General Government Debt	379,714	357,429
Assigned for Subsequent Year's Expenditures	182,412	245,589
<b>Unassigned</b>		
	<u>387,773</u>	<u>470,607</u>
Total fund balances	<u>\$ 1,129,608</u>	<u>\$ 1,335,170</u>
Total liabilities and fund balances	<u>\$ 1,387,548</u>	<u>\$ 1,500,764</u>

Town of Holden Beach, North Carolina  
General Fund

Exhibit A-2

Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012		Variance Favorable (Unfavorable)	2011
	Final Budget	Actual		Actual
<b>Revenues</b>				
Ad Valorem taxes:				
Current year	\$ 1,476,564	\$ 1,505,958	\$ 29,394	\$ 1,474,420
Prior year	42,000	31,133	(10,867)	50,304
Penalties and interest	7,000	9,852	2,852	11,362
Total	<u>\$ 1,525,564</u>	<u>\$ 1,546,943</u>	<u>\$ 21,379</u>	<u>\$ 1,536,086</u>
Other taxes and licenses:				
Privilege license	\$ 7,000	\$ 7,502	\$ 502	\$ 6,487
Local option sales tax	129,542	125,187	(4,355)	175,390
Total	<u>\$ 136,542</u>	<u>\$ 132,689</u>	<u>\$ (3,853)</u>	<u>\$ 181,877</u>
Unrestricted intergovernmental:				
Beer and Wine Tax	\$ 2,437	\$ 2,509	\$ 72	\$ 4,249
Telecommunications Tax	14,500	11,627	(2,873)	13,454
Franchise Tax	105,000	95,402	(9,598)	119,501
Video Program Tax	53,000	38,739	(14,261)	67,523
Sales Tax Refund	7,000	-	(7,000)	-
Total	<u>\$ 181,937</u>	<u>\$ 148,277</u>	<u>\$ (33,660)</u>	<u>\$ 204,727</u>
Restricted intergovernmental revenues:				
Powell Bill allocation	\$ 32,423	\$ 33,222	\$ 799	\$ 40,042
FEMA	-	32,928	32,928	-
Total	<u>\$ 32,423</u>	<u>\$ 66,150</u>	<u>\$ 33,727</u>	<u>\$ 40,042</u>
Permits and fees:				
Building permits	\$ 115,847	\$ 115,028	\$ (819)	\$ 124,915
CAMA permits and reimbursements	7,000	6,305	(695)	8,115
Cable franchise fees	8,250	9,775	1,525	8,771
Other permits and fees	3,800	7,619	3,819	4,337
Total	<u>\$ 134,897</u>	<u>\$ 138,727</u>	<u>\$ 3,830</u>	<u>\$ 146,138</u>
Other Revenue:				
Investment earnings	\$ 1,000	\$ 3,356	\$ 2,356	\$ 1,688
Total	<u>\$ 1,000</u>	<u>\$ 3,356</u>	<u>\$ 2,356</u>	<u>\$ 1,688</u>
Sales and Services:				
Sales and services	\$ 300	\$ 117	\$ (183)	\$ 88
Total	<u>\$ 300</u>	<u>\$ 117</u>	<u>\$ (183)</u>	<u>\$ 88</u>
Miscellaneous:				
Other	\$ 4,550	\$ 18,049	\$ 13,499	\$ 50,380
Total	<u>\$ 4,550</u>	<u>\$ 18,049</u>	<u>\$ 13,499</u>	<u>\$ 50,380</u>
Total Revenues	<u>\$ 2,017,213</u>	<u>\$ 2,054,308</u>	<u>\$ 37,095</u>	<u>\$ 2,161,026</u>

Town of Holden Beach, North Carolina  
General Fund

Exhibit A-2

Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012		Variance Favorable (Unfavorable)	2011
	Final Budget	Actual		Actual
<b>Expenditures</b>				
<b>General Government:</b>				
Governing body:				
Salaries and employee benefits	\$ 8,375	\$ 8,289	\$ 86	\$ 8,397
Other operating expenditures	126,900	131,157	(4,257)	102,544
Total	<u>\$ 135,275</u>	<u>\$ 139,446</u>	<u>\$ (4,171)</u>	<u>\$ 110,941</u>
Administration:				
Salaries and employee benefits	\$ 389,978	\$ 381,119	\$ 8,859	\$ 369,619
Operating expenditures	200,200	189,534	10,666	181,104
Total	<u>\$ 590,178</u>	<u>\$ 570,653</u>	<u>\$ 19,525</u>	<u>\$ 550,723</u>
Total General Government	<u>\$ 725,453</u>	<u>\$ 710,099</u>	<u>\$ 15,354</u>	<u>\$ 661,664</u>
<b>Public safety:</b>				
Police department:				
Salaries and employee benefits	\$ 497,796	\$ 509,104	\$ (11,308)	\$ 486,572
Operating expenditures	110,200	98,734	11,466	84,233
Capital outlay	-	-	-	26,478
Total	<u>\$ 607,996</u>	<u>\$ 607,838</u>	<u>\$ 158</u>	<u>\$ 597,283</u>
Inspections:				
Salaries and employee benefits	\$ 191,144	\$ 186,195	\$ 4,949	\$ 146,124
Operating expenditures	57,600	75,156	(17,556)	38,018
Capital outlay	-	-	-	34,347
Total	<u>\$ 248,744</u>	<u>\$ 261,351</u>	<u>\$ (12,607)</u>	<u>\$ 218,489</u>
Total Public Safety	<u>\$ 856,740</u>	<u>\$ 869,189</u>	<u>\$ (12,449)</u>	<u>\$ 815,772</u>
<b>Transportation:</b>				
Streets and highways:				
Salaries and employee benefits	\$ 133,063	\$ 104,970	\$ 28,093	\$ 108,055
Operating expenditures	179,000	135,342	43,658	109,901
Total	<u>\$ 312,063</u>	<u>\$ 240,312</u>	<u>\$ 71,751</u>	<u>\$ 217,956</u>
Total Transportation	<u>\$ 312,063</u>	<u>\$ 240,312</u>	<u>\$ 71,751</u>	<u>\$ 217,956</u>

## Town of Holden Beach, North Carolina

Exhibit A-2

## General Fund

Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Environmental protection:				
Sanitation:				
Salaries and employee benefits	\$ 59,037	\$ 57,594	\$ 1,443	\$ 60,298
Other operating expenditures	53,750	61,664	(7,914)	51,242
Total	\$ 112,787	\$ 119,258	\$ (6,471)	\$ 111,540
Total Environmental Protection	\$ 112,787	\$ 119,258	\$ (6,471)	\$ 111,540
Debt Service:				
Principal retirement	\$ 224,693	\$ 224,693	\$ -	\$ 427,303
Interest and fees	164,932	164,932	-	183,623
Total debt service	\$ 389,625	\$ 389,625	\$ -	\$ 610,926
Total expenditures	\$ 2,396,668	\$ 2,328,483	\$ 68,185	\$ 2,417,858
Revenues over (under) expenditures	\$ (379,455)	\$ (274,175)	\$ 105,280	\$ (256,832)
Other financing sources (uses):				
Transfers from General Fund Capital Reserve	\$ -	\$ -	\$ -	\$ 245,614
Transfers from Special Revenue Fund	95,828	49,235	(46,593)	565,475
Transfers (to) from Enterprise Fund	47,682	24,498	(23,184)	(34,807)
Transfers (to) from Special Revenue Fund	(13,144)	(13,144)	-	(28,877)
Sale of Capital Assets	3,500	11,540	8,040	6,625
Long-term debt issued	-	-	-	69,614
Total	\$ 133,866	\$ 72,129	\$ (61,737)	\$ 823,644
Appropriated From (Transfer to) Fund Balance	245,589	-	(245,589)	-
Net change in fund balance	\$ -	\$ (202,046)	\$ (202,046)	\$ 566,812
Fund balance:				
Beginning of year, July 1		1,335,170		768,358
Prior Period Adjustment		(3,516)		-
End of year, June 30		\$ 1,129,608		\$ 1,335,170

**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, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues</b>				
Occupancy tax receipts	\$ 1,429,350	\$ 1,679,856	\$ 250,506	\$ 1,520,605
FEMA grants	637,434	105,847	(531,587)	-
Investment earnings	6,000	12,930	6,930	7,322
Miscellaneous	2,500	2,649	149	3,908
Total	\$ <u>2,075,284</u>	\$ <u>1,801,282</u>	\$ <u>(274,002)</u>	\$ <u>1,531,835</u>
<b>Expenditures</b>				
Salaries and employee benefits	\$ 201,795	\$ 167,319	\$ 34,476	\$ 163,033
Operating Expenditures	1,190,942	701,250	489,692	514,802
FEMA Expenditures	637,434	143,328	494,106	-
Capital Outlay	14,674	36,422	(21,748)	1,235,227
County's share of occupancy tax	234,611	275,717	(41,106)	246,715
Total	\$ <u>2,279,456</u>	\$ <u>1,324,036</u>	\$ <u>955,420</u>	\$ <u>2,159,777</u>
Revenues over (under) expenditures	\$ <u>(204,172)</u>	\$ <u>477,246</u>	\$ <u>681,418</u>	\$ <u>(627,942)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer (to) from General Fund	\$ (95,828)	\$ (49,235)	\$ 46,593	\$ -
Fund balance appropriated	300,000	-	(300,000)	-
Total other financing sources (uses)	\$ <u>204,172</u>	\$ <u>(49,235)</u>	\$ <u>(253,407)</u>	\$ <u>-</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>428,011</u>	\$ <u>428,011</u>	\$ <u>(627,942)</u>
<b>Fund balance:</b>				
Beginning of year, July 1		4,579,920		5,207,862
Prior Period Adjustment		<u>(12,630)</u>		<u>-</u>
End of year, June 30		\$ <u>4,995,301</u>		\$ <u>4,579,920</u>

Town of Holden Beach, North Carolina  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2012

Exhibit A-4

	Special Revenue Fund Canal Project Fund	Total Nonmajor Governmental Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 593,843	\$ 593,843
Accounts receivable, net	35,501	35,501
Due from other funds	55,676	55,676
Total assets	\$ 685,020	\$ 685,020
<b>Liabilities and fund balances</b>		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ -	\$ -
Deferred revenues	35,501	35,501
Total liabilities	\$ 35,501	\$ 35,501
Fund balances:		
Restricted:		
Restricted for beach renourishment	\$ 649,519	\$ 649,519
Total fund balances	\$ 649,519	\$ 649,519
Total liabilities and fund balances	\$ 685,020	\$ 685,020

**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, 2012

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	\$ 239,244	\$ 239,244
Interest on investments	2,539	2,539
Miscellaneous revenue	4,066	4,066
Total Revenues	<u>\$ 245,849</u>	<u>\$ 245,849</u>
<b>Expenditures:</b>		
General government	\$ -	\$ -
Beach renourishment	3,019	3,019
Total Expenditures	<u>\$ 3,019</u>	<u>\$ 3,019</u>
<b>Revenues over expenditures</b>	<u>\$ 242,830</u>	<u>\$ 242,830</u>
<b>Other Financing Sources (Uses):</b>		
Operating transfers in:		
From General fund	\$ 13,144	\$ 13,144
Operating transfers out:		
To General Fund	-	-
Total other financing sources (uses)	<u>\$ 13,144</u>	<u>\$ 13,144</u>
Net change in fund balances	\$ 255,974	\$ 255,974
Fund balance, beginning	\$ 393,545	\$ 393,545
Fund balance, ending	<u><u>\$ 649,519</u></u>	<u><u>\$ 649,519</u></u>

Town of Holden Beach, North Carolina  
**Canal Project Fund - 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, 2012

Exhibit A-6

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Years		
<b>Revenues:</b>					
Assessments HBH	\$ 268,143	\$ 268,143	\$ -	\$ 268,143	\$ -
Assessments HBH	92,727	-	92,792	92,792	65
Assessments HHC	217,958	214,927	-	214,927	(3,031)
Assessments HHC	15,029	-	15,458	15,458	429
Assessments HAC	287,975	320,377	-	320,377	32,402
Assessments HAC	115,993	-	120,990	120,990	4,997
Assessments Blockade Runner	28,876	21,144	1,900	23,044	(5,832)
Prior Year Assessments HH	2,320	-	-	-	(2,320)
Prior Year Assessments HBH	-	-	3,020	3,020	3,020
Prior Year Assessments HH	-	-	4,289	4,289	4,289
Prior Year Assessments HA	-	-	795	795	795
Interest	2,975	3,654	-	3,654	679
Interest	1,049	-	2,539	2,539	1,490
Miscellaneous revenue	-	-	4,066	4,066	4,066
Miscellaneous revenue - HA	41,189	-	-	-	(41,189)
Miscellaneous revenue	116,480	168,197	-	168,197	51,717
<b>Total revenues</b>	<b>\$ 1,190,714</b>	<b>\$ 996,442</b>	<b>\$ 245,849</b>	<b>\$ 1,242,291</b>	<b>\$ 51,577</b>
<b>Expenditures:</b>					
<b>Holden Beach Harbor Project:</b>					
Administration	\$ 13,546	\$ 13,546	\$ -	\$ 13,546	\$ -
Professional services	170,767	165,983	-	165,983	4,784
Construction	261,909	261,909	-	261,909	-
Administration	1,562	-	-	-	1,562
Professional services	35,486	-	404	404	35,082
Construction	119,204	-	-	-	119,204
<b>Total Holden Beach Harbor Project</b>	<b>\$ 602,474</b>	<b>\$ 441,438</b>	<b>\$ 404</b>	<b>\$ 441,842</b>	<b>\$ 160,632</b>
<b>Heritage Harbor Canal Project:</b>					
Administration	\$ 69	\$ 69	\$ -	\$ 69	\$ -
Professional services	123,682	120,796	-	120,796	2,886
Construction	255,363	255,363	-	255,363	-
Administration	170	-	-	-	170
Professional services	4,080	-	404	404	3,676
Construction	12,750	-	-	-	12,750
<b>Total Heritage Harbor Canal Project</b>	<b>\$ 396,114</b>	<b>\$ 376,228</b>	<b>\$ 404</b>	<b>\$ 376,632</b>	<b>\$ 19,482</b>
<b>Harbor Acres Canal Project:</b>					
Administration	\$ 69	\$ 193	\$ -	\$ 193	\$ (124)
Professional services	48,284	48,520	-	48,520	(236)
Construction	31,666	31,666	-	31,666	-
Administration	3,939	-	90	90	3,849
Professional services	94,518	-	2,121	2,121	92,397
Construction	295,371	-	-	-	295,371
<b>Total Harbor Acres Canal Project</b>	<b>\$ 473,847</b>	<b>\$ 80,379</b>	<b>\$ 2,211</b>	<b>\$ 82,590</b>	<b>\$ 391,257</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>\$ 1,530,187</b>	<b>\$ 954,854</b>	<b>\$ 3,019</b>	<b>\$ 957,873</b>	<b>\$ 572,314</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(339,473)</b>	<b>41,588</b>	<b>242,830</b>	<b>284,418</b>	<b>623,891</b>

Town of Holden Beach, North Carolina  
**Canal Project Fund - 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, 2012

Exhibit A-6

	Project Authorization	Prior Years	Actual Current Years	Total to Date	Variance Favorable (Unfavorable)
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	310,597	351,957	-	351,957	41,360
Transfer from Powell Bill to Blockade Runner	28,876	-	-	-	(28,876)
Transfer from General Fund	13,144	-	13,144	13,144	-
Contributions FY 10/11 & FY 11/12	(13,144)	-	-	-	13,144
Transfer from Capital Project Funds	342,282	-	343,192	343,192	(910)
Transfer to Dredging Special Revenue	(342,282)	-	(343,192)	(343,192)	910
Appropriated fund balance	-	-	-	-	-
Total Other Financing Uses	<u>339,473</u>	<u>351,957</u>	<u>13,144</u>	<u>365,101</u>	<u>25,628</u>
 Net change in fund balance	 - \$	 <u>393,545</u> \$	 <u>255,974</u> \$	 <u>649,519</u> \$	 <u>649,519</u>

**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget & Actual (Non-GAAP)**

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2011)

	2012			2011
	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues:</b>				
<b>Operating Revenues:</b>				
Water and sewer charges	\$ 1,446,700	\$ 1,557,685	\$ 110,985	\$ 1,530,330
Sewer tap and connection fees	19,550	20,222	672	22,948
Impact fees	22,500	20,345	(2,155)	19,366
Share fees	102,000	23,225	(78,775)	24,507
Other operating revenues	134,200	133,620	(580)	134,582
Total Operating Revenues	\$ 1,724,950	\$ 1,755,097	\$ 30,147	\$ 1,731,733
<b>Nonoperating Revenues:</b>				
Interest on Investments	\$ 3,100	\$ 5,166	\$ 2,066	\$ 2,242
Capital charges	1,598,000	1,603,695	5,695	1,670,701
Total Nonoperating Revenues	\$ 1,601,100	\$ 1,608,861	\$ 7,761	\$ 1,672,943
<b>Total Revenues</b>	\$ 3,326,050	\$ 3,363,958	\$ 37,908	\$ 3,404,676
<b>Expenditures:</b>				
<b>Water &amp; Sewer Administration:</b>				
Salaries and employee benefits	\$ 46,650	\$ 38,695	\$ 7,955	\$ 37,334
Operating expenses	43,250	33,183	10,067	33,087
Total Administration	\$ 89,900	\$ 71,878	\$ 18,022	\$ 70,421
<b>Operations:</b>				
Salaries and Employee Benefits	\$ 185,583	\$ 185,893	\$ (310)	\$ 184,090
Operating expenses	1,037,840	921,700	116,140	902,363
Capital Outlay	57,500	-	57,500	69,751
Total Operations	\$ 1,280,923	\$ 1,107,593	\$ 173,330	\$ 1,156,204
<b>Non-Operating:</b>				
City capital charges	1,248,443	1,132,123	116,320	1,248,443
<b>Debt Service:</b>				
Principal retirement	\$ 572,682	\$ 572,682	\$ -	\$ 598,242
Interest and fees	157,477	148,637	8,840	233,897
Total Debt Service	\$ 730,159	\$ 721,319	\$ 8,840	\$ 832,139
Total Expenditures	\$ 3,349,425	\$ 3,032,913	\$ 316,512	\$ 3,307,207
<b>Other Financing Sources (Uses):</b>				
Transfer (to) from General Fund	\$ (47,682)	\$ (24,498)	\$ 23,184	\$ 34,807
Transfer (to) from Water and Sewer Capital Reserve	-	-	-	-
Appropriated fund balance	71,057	-	(71,057)	-
Total Other Sources (Uses)	\$ 23,375	\$ (24,498)	\$ (47,873)	\$ 34,807
<b>Revenues and Other Sources over Expenditures and Other Financing Uses</b>	\$ -	\$ 306,547	\$ 306,547	\$ 132,276
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>				
<b>Reconciling Items:</b>				
Principal retirement		\$ 572,682		\$ 598,242
Capital outlay		-		33,385
Depreciation		(486,325)		(489,485)
Total Reconciling items		86,357		142,142
<b>Change in net assets</b>		\$ 392,904		\$ 274,418

## OTHER SCHEDULES

---

- This section includes additional information on property taxes.

---

- 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, 2012

Exhibit C-1

Fiscal Year	Uncollected Balance 6/30/2011	Additions	Collections And Credits	Uncollected Balance 6/30/2012
2011-2012	\$ -	\$ 1,552,129	\$ 1,504,558	\$ 47,571
2010-2011	65,719		19,787	45,932
2009-2010	18,681	-	3,602	15,079
2008-2009	15,462	-	4,134	11,328
2007-2008	4,535	-	1,176	3,359
2006-2007	1,790	-	958	832
2005-2006	516	-	23	493
2004-2005	298	-	12	286
2003-2004	833	-	279	554
2002-2003	1,479	-	1,460	19
2001-2002	274	-	274	-
<b>Totals</b>	<b>\$ 109,587</b>	<b>\$ 1,552,129</b>	<b>\$ 1,536,263</b>	<b>\$ 125,453</b>

Less: Allowance for Uncollectible Accounts:  
General Fund

6,800

Ad valorem taxes receivable - net

\$ 118,653

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 1,546,943
Reconciling items:	
Interest & Penalties Collected	(9,852)
Miscellaneous adjustments and releases	(828)
Subtotal	<u>\$ (10,680)</u>
Total collections and credits	<u>\$ 1,536,263</u>

Town of Holden Beach, North Carolina  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
For the Fiscal Year Ended June 30, 2012

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	\$ 1,222,148,869	0.127	\$ 1,552,129	\$ 1,542,125	\$ 10,004
Net levy			\$ 1,552,129	\$ 1,542,125	\$ 10,004
Uncollected taxes at June 30, 2012			<u>47,571</u>	<u>46,773</u>	<u>798</u>
Current year's taxes collected			<u>\$ 1,504,558</u>	<u>\$ 1,495,352</u>	<u>\$ 9,206</u>
Current levy collection percentage			<u>96.94%</u>	<u>96.97%</u>	<u>92.02%</u>

## COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS

Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA

Offices:  
Whiteville, NC  
Elizabethtown, NC  
Wilmington, NC

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

Independent Auditors' Report

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of Town of Holden Beach, North Carolina, as of and for the year ended June 30, 2012, which collectively comprises the Town of Holden Beach's basic financial statements, and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Holden Beach is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Holden Beach's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town of Holden Beach's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. The material weaknesses are described in the accompanying schedule of findings and responses as item 12-1, 12-2 and 12-3.

Report On Internal Control Over Financial Reporting  
And On Compliance and Other Matters Based On An  
Audit Of Financial Statements Performed In Accordance With  
Government Auditing Standards  
Page 2

Compliance and Other Matters

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

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the organization, members of the Town Council and federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.  
November 28, 2012

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2012

---

Section I. Summary of Auditor's Results

---

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
  
- Significant Deficiency(s) identified that are not considered to be material weaknesses  Yes  None Reported

Noncompliance material to financial statements noted  Yes  No

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2012

Section II. Financial Statement Findings

Prior year findings repeated in the current year are indicated by an asterisk (\*).

MATERIAL WEAKNESSES

FINDING: 12-1 (\*)

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Financial reporting under the accounting standards requires a level of technical expertise not possessed by the Town's personnel with regards to drafting full accrual, full disclosure financial statements. The Town's auditor must prepare the draft of the basic financial statements, all required note disclosures and supplemental schedules.

Effect: Errors in financial reporting could occur.

Cause: There are limited Town resources relating to the preparation of full accrual, full disclosure year-end financial statements.

Recommendation: The Town should exercise due care in reviewing the financial statements drafted by the auditor because the Town is responsible for the financial statements.

Name of Contact Person: David Hewett, Town Manager

Views of responsible officials and planned corrective actions: The Town agrees with this finding and based on the cost/benefit will continue to have the auditor perform this function.

FINDING: 12-2 (\*)

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Significant audit adjustments were required in preparation of the financial statements.

Effect: Adjustments not posted could cause misstatement of the account balances.

Cause: There are limited Town resources relating to the preparation of all the necessary year-end adjustments for financial reporting purposes.

Recommendation: The Town should review the journal entries proposed by the auditor to see if any can be made by Town personnel in the future to reduce the journal entries made at year end.

Name of Contact Person: David Hewett, Town Manager

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will review journal entries carefully. In areas where the cost/benefit allows, journal entries will be made to reduce the number made at year-end.

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2012

FINDING: 12-3

Criteria: Audit standards require communication of certain matters related to internal control over financial reporting.  
Condition: The Town recorded a prior period adjustment to correct accruals from the prior year.  
Effect: Expenditures were not recorded in the prior year and the payables were misstated.  
Cause: There are limited Town resources relating to the preparation of all the necessary year-end adjustments for financial reporting purposes.  
Recommendation: The Town should review to assure all journal entries are recorded correctly at year end.

Name of Contact Person: David Hewett, Town Manager

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will review journal entries carefully to assure all have been made correctly.

TOWN OF HOLDEN BEACH, NORTH CAROLINA  
Summary Schedule of Prior Year Audit Findings  
For the Fiscal Year Ended June 30, 2012

Finding: 11-1, 11-02 Financial Statement Findings  
Status: Repeated in the current year