

**TOWN OF WRIGHTSVILLE BEACH
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

Prepared by the Town of Wrightsville Beach Finance Office

TOWN OF WRIGHTSVILLE BEACH NORTH CAROLINA



1899

*Comprehensive
Annual
Financial
Report*

*Fiscal Year Ended
June 30, 2014*

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**TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2014**

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Introductory Section

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Town of Wrightsville Beach

P. O. Box 626, 321 Causeway Drive
Wrightsville Beach, North Carolina 28480
Phone: 910-256-7900 – Fax: 910-256-7910

September 26, 2014

The Honorable Mayor Bill Blair,
Board of Aldermen, and Citizens of the
Town of Wrightsville Beach, North Carolina

The Comprehensive Annual Financial Report of the Town of Wrightsville Beach (Town) for the fiscal year ended June 30, 2014, is hereby submitted as mandated by North Carolina General Statutes. State law requires that all general-purpose governments publish a complete set of financial statements annually. These statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the Town of Wrightsville Beach. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

INDEPENDENT AUDIT

The General Statutes of North Carolina (Section 159-34) require an independent financial audit of all local government units. The Town of Wrightsville Beach's financial statements have been audited by Martin Starnes and Associates an independent firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the Town's financial statements for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Wrightsville Beach's financial statements for the fiscal year ended June 30, 2014, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditor.

THE TOWN AND ITS GOVERNMENTAL STRUCTURE

The Town of Wrightsville Beach is located in the eastern portion of New Hanover County. It consists of two islands and a small portion of commercial satellite annexations on the mainland about ten miles east of downtown Wilmington, North Carolina. The islands are located on the Atlantic Ocean and separated from the mainland by the Intracoastal Waterway and tidal marshes. Access is limited to a drawbridge maintained by the State of North Carolina. The Town, which was incorporated in 1899, consists of 1.3 square miles of land.

The Town has a Council-Manager form of government. The Board of Aldermen consists of a Mayor and four Aldermen elected at large every four years with staggered terms. The Mayor is elected for a two-year term. The Board of Aldermen is the governing body of the Town with the Mayor as a voting member and the presiding officer. The Town Manager, who is appointed by the Board of Aldermen, administers the daily operations of the Town and is responsible for implementing and explaining the policies of the Board.

The Town provides a full range of services including police and fire protection, ocean rescue, first responder medical services, planning and inspections, construction and maintenance of streets and infrastructure, water and wastewater services, stormwater management, sanitation, animal control, and parks and recreation. The Town also provides administrative and technical services.

Wrightsville Beach is a well-established "family" beach resort community with excellent facilities for wading, swimming, boating and fishing. The Town has no manufacturing industry and is served by two US highways. Tourism is the basic source of local economy. The permanent population of 2,511 increases dramatically in the summer season to an estimated 40,000.

ECONOMIC CONDITIONS AND OUTLOOK

New Hanover County continues to experience high unemployment. The unemployment rate is currently 6.4%. Results from the U. S. Census Bureau Quick Facts Reports show almost 16% of the county's population living in poverty. Although specific socioeconomic demographics are not available for Wrightsville Beach, the town has fared much better than the county and state.

Tourism is the Town's main industry. Revenues from the room occupancy tax have increased more than 18% since 2011. The Town relies heavily on this revenue to help offset the cost of providing services such as ocean rescue, beach patrol and additional trash collection for tourists and seasonal residents.

The Town finished the fiscal year in relatively good financial condition. Overall, revenues exceeded projections due in part to increases in sales tax, recreation fees, parking revenues, building permits, and room occupancy tax. Conservative revenue projections and expenditure policies resulted in a healthy fund balance at the end of FY 2014. The Town began the fiscal year with a fund balance of \$5.275 million and ended the year with a fund balance of \$6.264 million.

MAJOR INITIATIVES, ISSUES AND ACCOMPLISHMENTS

- Projects funded through Room Occupancy Tax (ROT) Revenues – The Town continued to rely heavily on revenues derived from Room Occupancy Tax (ROT) to support programs critical to both tourism and beach renourishment. The Tourism Development Authority (TDA) oversees the expenditure of a portion of ROT funds dedicated to the Town to support tourism related activities. During FY 2014, the TDA approved more than \$550,000 to fund the Town’s ocean rescue and beach patrol programs, fireworks and advertising costs for the North Carolina Holiday Flotilla, beach ambassador program and lease of the Trolley Stop restroom facilities in the downtown area.

- General Fund Projects – During FY 2014, the General Fund was able to complete several major projects including the following:
 - Purchase of a \$525,000 fire truck pumper apparatus to replace a piece of equipment that was more than twenty years old.
 - Budget for a 2% cost-of-living for all employees and a 1% merit increase.
 - Replacement of several vehicles in multiple departments.
 - Replacement of cameras downtown and near Johnnie Mercer’s pier.
 - Resurface 3 beach parking lots and installed vinyl siding on several bath houses.
 - Resurface Island Drive and Lindy Lane.

- Water and Sewer Fund Projects – During FY 2014, the Water & Sewer Fund was able to complete several major projects including the following:
 - Begin engineering and funding for replacement of lift station 3.
 - Replaced waterlines on Seagull and Shearwater.

FINANCIAL POLICIES

Fund Balance Policy. Since 1993, one of the Town’s key financial goals has been the maintenance of an undesignated fund balance equal to or greater than 34.5% of current year General Fund expenditures. Even during the recent fiscal climate, the Town has maintained a healthy fund balance due to conservative revenue projections and aggressive management of expenditures including freezing hiring for vacant positions and postponing purchases of capital equipment and vehicles.

Budget Control. The North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1st of each year. The annual budget serves as the basis for the Town’s financial planning and budgetary control. The Town’s responsibility for sound financial management is demonstrated by the statements and schedules included in the financial section of this report.

Long-term Financial Planning through the Capital Improvement Program. In addition to the annual budget, the Town prepares a Five-Year Capital Improvement Program each year. The primary objective is to set aside funds for projects and vehicle and equipment purchases that will occur within a 5 year period. Due to decreasing revenues, some capital projects and purchases were shifted to future years, but there were several significant items that the Town funded during FY 2014 including:

- Contributions to a dedicated reserve fund for beaches and inlet maintenance.
- Contributions to a dedicated reserve fund for Planning & Public Works Software.
- Contributions to a dedicated reserve fund for future purchase of an EMS Vehicle, SCBA Equipment, and a new Training Facility.
- Contributions to a dedicated reserve fund for future upgrades to the Southside Wastewater Treatment Plant in Wilmington where the Town's wastewater is treated.
- Contributions to a dedicated reserve fund for future lifeguard stand replacement.

GFOA CERTIFICATE OF ACHIEVEMENT PROGRAM

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Wrightsville Beach for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This is the nineteenth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements. A special note of appreciation goes to our auditor, Marcie Spivey of Martin-Starnes and Associates. Without her dedicated support and assistance, the production of this document would not have been possible.

As required by North Carolina General Statute 159-34, a copy of this report will be filed with the Secretary of the North Carolina Local Government Commission. A copy will also be placed on file in the Clerk's office for public inspection.

Respectfully submitted,



Timothy Owens
Town Manager

Respectfully submitted,



Erica Walters
Finance Officer

TOWN OF WRIGHTSVILLE BEACH NORTH CAROLINA

Board of Aldermen

William Blair, Mayor

Daryl Mills, Mayor Pro Tem

Lisa Weeks

Elizabeth King

Hank Miller, III

Town Manager

Timothy Owens

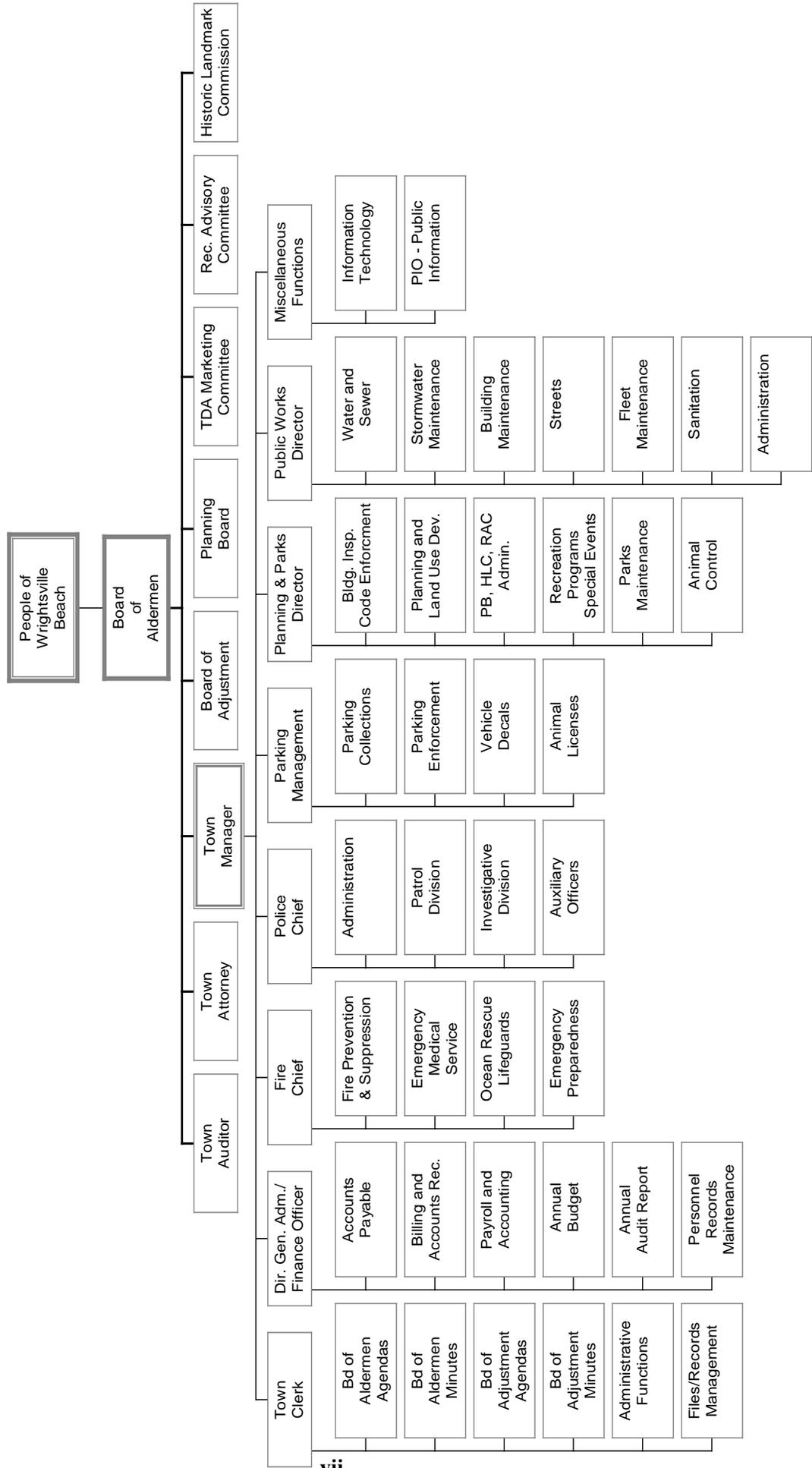
Finance Officer

Erica Walters

TOWN OF WRIGHTSVILLE BEACH
LIST OF TOWN OFFICIALS
JUNE 30, 2014

<u>TITLE</u>	<u>NAME</u>
Mayor	Bill Blair
Mayor Pro Tem	Darryl Mills
Alderman	Lisa Weeks
Alderman	Elizabeth King
Alderman	Hank Miller, III
Town Attorney	John Wessell, III
Town Manager	Timothy Owens
Town Clerk	Sylvia Holleman
Finance Officer	Erica Walters
Police Chief	Daniel House
Fire Chief	Frank Smith
Public Works Director	Mike Vukelich
Planning & Parks Director	Tony Wilson

Wrightsville Beach Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Wrightsville Beach
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Financial Section

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Board of Aldermen
Town of Wrightsville Beach, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wrightsville Beach, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wrightsville Beach, North Carolina, as of June 30, 2014, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's, and the Other Post-Employment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Wrightsville Beach, North Carolina. The combining and individual fund statements, budget and actual schedules, supplemental ad valorem tax schedules, introductory and statistical sections are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements, budget and actual schedules, and the ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014 on our consideration of the Town of Wrightsville Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wrightsville Beach's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
September 26, 2014

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Management's Discussion and Analysis

As management of the Town of Wrightsville Beach (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Wrightsville Beach for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

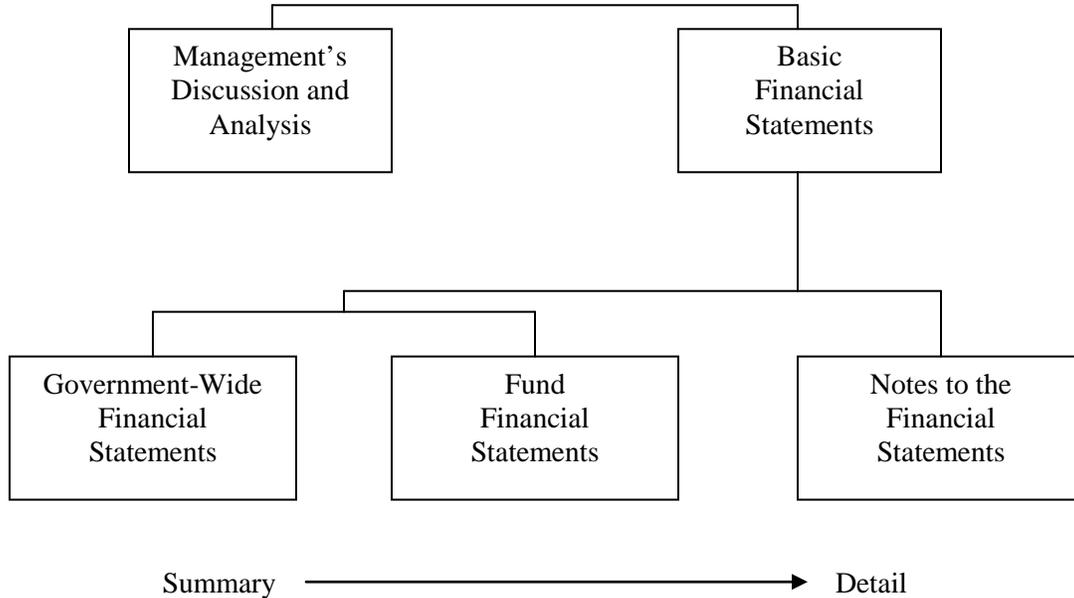
- The assets and the deferred outflows of resources of the Town of Wrightsville Beach exceeded its liabilities and deferred inflows at the close of the fiscal year by \$23,605,556 (*net position*).
- The government's total net position increased by \$1,032,612, primarily due to increases in the governmental activities net position. Key factors in the increase were growth in sales tax and parking revenues.
- As of the close of the current fiscal year, the Town of Wrightsville Beach's governmental funds reported combined ending fund balances of \$7,459,800, an increase of approximately \$1,033,277 in comparison with the prior year.
- 9.68% of this total amount, or \$721,827, is unspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,366,938, or 61.63%, of total General Fund expenditures for the fiscal year.
- The Town's total debt decreased by \$253,572 (5.4%) during the current fiscal year. The key factor in the decrease is that each year the interest on the 15-year loan for the Public Safety Facility decreases.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through K) 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 four parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary 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 can also be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short- and long-term information about the Town's financial status as a whole. These statements have been presented since fiscal year 2005 in accordance with the implementation of Governmental Accounting Standards Board Statement (GASB) 34.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition. The Town's net position (assets minus liabilities) has increased steadily since fiscal year 2005 when net position was \$16,301,875. At the end of fiscal year 2014, net position is \$23,605,556.

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, parking revenues, sales and room occupancy taxes, and refuse fees finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include water and sewer services and stormwater management.

The government-wide financial statements are shown in Exhibits A and B 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 Wrightsville 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 the Town of Wrightsville Beach can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 be readily 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 governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Wrightsville 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.

The basic governmental fund financial statements can be found in Exhibits C through F of this report.

Proprietary Funds. The Town of Wrightsville Beach maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Wrightsville Beach uses enterprise funds to account for its water and sewer operations. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

The basic proprietary fund financial statements can be found in Exhibits G through I.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. The Town has two fiduciary funds: one to account for the Pension Trust Fund for the Law Enforcement Separation Allowance and one to account for employee contributions to the Employee Assistance Fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

The basic fiduciary fund financial statements can be found in Exhibits J and K.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27-48 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Wrightsville Beach's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 of this report.

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

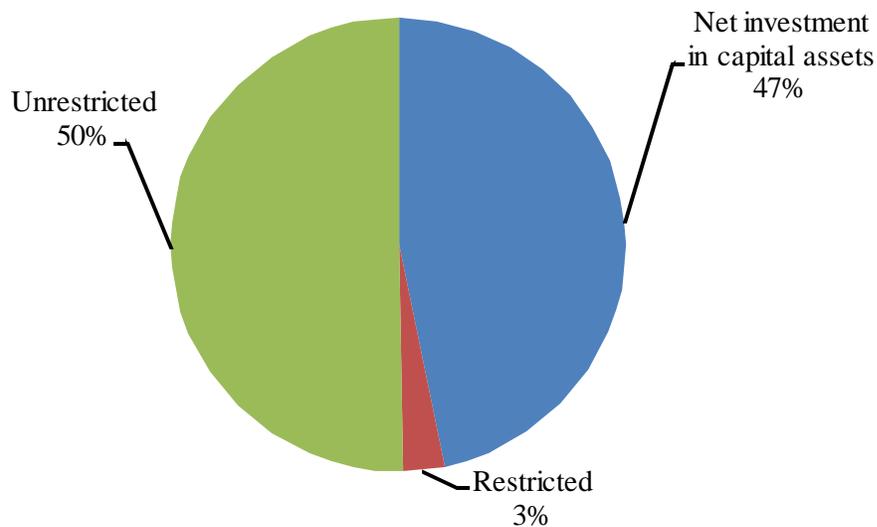
Government-Wide Financial Analysis

Town of Wrightsville Beach's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 7,685,311	\$ 6,636,775	\$ 7,026,325	\$ 6,849,282	\$ 14,711,636	\$ 13,486,057
Capital assets	11,809,788	11,751,377	3,692,522	3,941,075	15,502,310	15,692,452
Total assets	<u>19,495,099</u>	<u>18,388,152</u>	<u>10,718,847</u>	<u>10,790,357</u>	<u>30,213,946</u>	<u>29,178,509</u>
Long-term liabilities outstanding	5,437,589	5,500,182	158,852	135,150	5,596,441	5,635,332
Other liabilities	910,148	874,662	101,801	95,571	1,011,949	970,233
Total liabilities	<u>6,347,737</u>	<u>6,374,844</u>	<u>260,653</u>	<u>230,721</u>	<u>6,608,390</u>	<u>6,605,565</u>
Net Position:						
Net investment in capital assets	7,349,074	7,037,091	3,692,522	3,941,075	11,041,596	10,978,166
Restricted	666,267	590,404	-	-	666,267	590,404
Unrestricted	<u>5,132,021</u>	<u>4,385,813</u>	<u>6,765,672</u>	<u>6,618,561</u>	<u>11,897,693</u>	<u>11,004,374</u>
Total net position	<u>\$ 13,147,362</u>	<u>\$ 12,013,308</u>	<u>\$ 10,458,194</u>	<u>\$ 10,559,636</u>	<u>\$ 23,605,556</u>	<u>\$ 22,572,944</u>

Net Position by Type



As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Wrightsville Beach exceeded liabilities and deferred inflows by \$23,605,556 as of June 30, 2014. The Town's net position increased by \$1,032,612 for the fiscal year ended June 30, 2014.

A significant portion of the Town of Wrightsville Beach's net position (50.40%) reflects unrestricted net position and may be used to meet the Town's ongoing obligations to citizens and creditors.

An additional portion of the Town of Wrightsville Beach's net position (2.82%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of \$11,041,596 (46.78%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Wrightsville Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net 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.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.47%, which is higher than the State-wide average of 97.34%.
- Increase in revenues from parking by 24.00% over the prior year.
- Increase in franchise tax revenues by 18.37% over the prior year.
- Continued growth in building permit revenues.

Town of Wrightsville Beach's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 4,110,066	\$ 3,640,112	\$ 2,146,659	\$ 2,247,823	\$ 6,256,725	\$ 5,887,935
Operating grants and contributions	48,975	112,801	-	-	48,975	112,801
Capital grants and contributions	69,731	68,892	-	-	69,731	68,892
General Revenues:						
Property taxes	3,297,851	3,280,207	-	-	3,297,851	3,280,207
Other taxes	582,532	1,666,730	-	-	582,532	1,666,730
Grants and contributions not restricted to specific programs	1,836,884	574,647	-	-	1,836,884	574,647
Other	45,563	121,227	25,065	10,151	70,628	131,378
Total revenues	9,991,602	9,464,616	2,171,724	2,257,974	12,163,326	11,722,590
Expenses:						
General government	1,714,743	1,818,687	-	-	1,714,743	1,818,687
Public safety	5,031,655	5,180,198	-	-	5,031,655	5,180,198
Transportation	605,019	588,542	-	-	605,019	588,542
Environmental protection	863,174	860,722	-	-	863,174	860,722
Culture and recreation	606,801	596,394	-	-	606,801	596,394
Interest on long-term debt	36,156	288,693	-	-	36,156	288,693
Water and sewer	-	-	2,273,166	1,904,121	2,273,166	1,904,121
Total expenses	8,857,548	9,333,236	2,273,166	1,904,121	11,130,714	11,237,357
Increase (decrease) in net position before transfers	1,134,054	131,380	(101,442)	353,853	1,032,612	485,233
Transfers from (to) other funds	-	180,000	-	(180,000)	-	-
Increase (decrease) in net position	1,134,054	311,380	(101,442)	173,853	1,032,612	485,233
Net Position:						
Beginning of year - July 1	12,013,308	11,701,928	10,559,636	10,385,783	22,572,944	22,087,711
End of year - June 30	\$13,147,362	\$12,013,308	\$10,458,194	\$10,559,636	\$23,605,556	\$22,572,944

Governmental Activities. Governmental activities increased the Town's net position by \$1,134,054, thereby accounting for 109.8% of the total growth in the net position of the Town of Wrightsville Beach. Key elements of this increase are as follows:

- Continued growth in sales tax revenue
- Increase in parking fees due to price increase

Business-Type Activities. Business-type activities decreased the Town of Wrightsville Beach's net position by \$101,442, accounting for -9% of the total growth in the government's net position. This decrease was primarily due to lower operating revenues than in the prior year.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Wrightsville Beach's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Wrightsville Beach's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Wrightsville Beach. At the end of the current fiscal year, fund balance available in the General Fund was \$5,542,594, while total fund balance reached \$6,264,421. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Available fund balance represents 59.98% of total General Fund expenditures, while total fund balance represents 67.80% of that same amount.

At June 30, 2014, the governmental funds of the Town of Wrightsville Beach reported a combined fund balance of \$7,459,800, a 16% increase over last year. Included in this change in fund balance is an increase in fund balance in the General Fund and a decrease in fund balance in the Capital Reserve Fund and the nonmajor fund. The increase in the fund balance for the General Fund was due primarily to an increase in parking revenues. The decrease in fund balance for the Capital Reserve Fund was due to transfers from the General Fund for future capital purchases. The increase in the fund balance for the nonmajor fund is due to the loan proceeds from the purchase of the fire pumper.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Amendments to General Fund revenues included donations received by the Town for the purchase of holiday decorations. Amendments to General Fund expenditures included funding for the purchase of additional parking meters and transfers to create a Fire Pumper Capital Project Fund as well as an IT Capital Project Fund.

Revenues were more than budgeted amounts primarily due to continued increases in sales tax and room occupancy tax revenues and increases in parking revenues. Expenditures were less than budgeted amounts due to postponement of projects and careful management of funds by each department.

Proprietary Funds. The Town of Wrightsville Beach’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$6,765,672. The total decrease in net position was \$101,442.

Capital Asset and Debt Administration

Capital Assets. The Town of Wrightsville Beach’s investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$15,502,310 (net of accumulated depreciation). These assets include building renovations, land, machinery and equipment, vehicles, and water and sewer lines.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

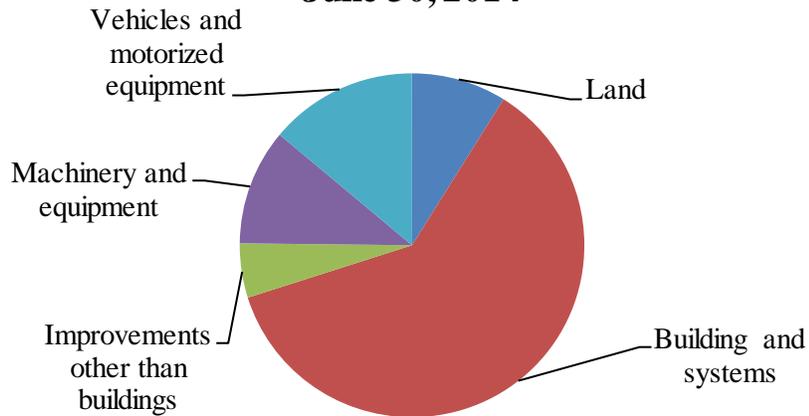
- Video surveillance cameras for the police department, miscellaneous vehicles for public works and the police, equipment for parks and recreation maintenance.

**Town of Wrightsville Beach’s Capital Assets
(net of depreciation)**

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 2,343,012	\$ 2,343,012	\$ -	\$ -	\$ 2,343,012	\$ 2,343,012
Construction in progress	421,977	-	-	-	421,977	-
Total non-depreciable assets	<u>2,764,989</u>	<u>2,343,012</u>	<u>-</u>	<u>-</u>	<u>2,764,989</u>	<u>2,343,012</u>
Building and systems	7,453,879	7,453,879	8,645,683	8,645,683	16,099,562	16,099,562
Improvements other than buildings	1,344,631	1,344,631	-	-	1,344,631	1,344,631
Machinery and equipment	2,180,824	2,127,285	692,305	692,305	2,873,129	2,819,590
Vehicles and motorized equipment	3,388,213	3,222,425	273,713	326,955	3,661,926	3,549,380
Total assets being depreciated	<u>14,367,547</u>	<u>14,148,220</u>	<u>9,611,701</u>	<u>9,664,943</u>	<u>23,979,248</u>	<u>23,813,163</u>
Less: accumulated depreciation	<u>5,322,748</u>	<u>4,739,855</u>	<u>5,919,179</u>	<u>5,723,868</u>	<u>11,241,927</u>	<u>10,463,723</u>
Total capital assets being depreciated, net	<u>9,044,799</u>	<u>9,408,365</u>	<u>3,692,522</u>	<u>3,941,075</u>	<u>12,737,321</u>	<u>13,349,440</u>
Total capital assets, net	<u>\$ 11,809,788</u>	<u>\$ 11,751,377</u>	<u>\$ 3,692,522</u>	<u>\$ 3,941,075</u>	<u>\$ 15,502,310</u>	<u>\$ 15,692,452</u>

Government-Wide Capital Assets June 30, 2014



Additional information on the Town's capital assets can be found in note 2A on pages 37-38 of the basic financial statements.

Long-Term Debt. As of June 30, 2014, the Town of Wrightsville Beach had \$4,460,714 of outstanding loan obligations. On May 13, 2009, the Town entered into a 15-year loan agreement with BB&T to construct a public safety building. In October of 2013, the Town entered into a three year loan agreement for \$175,000 to purchase a fire engine. A detailed explanation regarding these obligations can be found in note 2B on pages 46-47 of this report.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Wrightsville Beach is approximately \$193,892,000.

Additional information regarding the Town of Wrightsville Beach's long-term liabilities can be found in note 1E on page 32 and in note 2B on pages 46-47 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The 2013 estimated unemployment rate for New Hanover County was 6.4% compared to the State's unemployment rate of 6.5%.
- The Town's parking revenue increased more than 23% over FY 2013.
- Room occupancy tax revenue increased more than 1.18% over FY 2013.
- Building permit revenues increased more than 39% over FY 2013.
- The University of North Carolina at Wilmington is located five miles west of Wrightsville Beach. For 15 consecutive years, *U.S. News and World Report* has ranked the University in the top ten public masters universities in the South.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities. The Town's tax rate will remain at 13.3 cents per \$100 for FY 2015. General Fund expenditures will decrease 3.1% from FY 2014, due primarily to the purchase of a fire truck in FY 2014.

Business-Type Activities. While sewer rates will remain constant for FY 2015, water rates will increase as well as essential water and sewer maintenance fees. The Town will continue to make contributions to a dedicated Sewer Reserve Fund for capital improvements to the Southside Wastewater Treatment Plant. The FY 2015 water and sewer budget will decrease by almost 1.76% due in part to the postponement of water and sewer projects.

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 Finance Officer, Town of Wrightsville Beach, P.O. Box 626, Wrightsville Beach, NC 28480.

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Basic Financial Statements

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TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,910,206	\$ 6,549,808	\$ 13,460,014
Taxes receivable, net	26,631	-	26,631
Accounts receivable, net	269,919	409,330	679,249
Due from other governments	396,348	16,449	412,797
Inventories	48,782	50,738	99,520
Prepays	6,778	-	6,778
Total current assets	<u>7,658,664</u>	<u>7,026,325</u>	<u>14,684,989</u>
Non-current assets:			
Net pension asset	<u>26,647</u>	<u>-</u>	<u>26,647</u>
Capital assets:			
Land, non-depreciable improvements, and construction in progress	2,764,989	-	2,764,989
Other capital assets, net of depreciation	9,044,799	3,692,522	12,737,321
Total capital assets	<u>11,809,788</u>	<u>3,692,522</u>	<u>15,502,310</u>
Total assets	<u>19,495,099</u>	<u>10,718,847</u>	<u>30,213,946</u>
Liabilities:			
Current liabilities:			
Accounts payable	74,645	89,377	164,022
Accrued liabilities	97,588	-	97,588
Accrued interest payable	43,315	-	43,315
Compensated absences, due in one year	208,539	12,424	220,963
Notes payable, due in one year	<u>486,061</u>	<u>-</u>	<u>486,061</u>
Total current liabilities	910,148	101,801	1,011,949
Long-term liabilities:			
Due in more than one year	<u>5,437,589</u>	<u>158,852</u>	<u>5,596,441</u>
Total liabilities	<u>6,347,737</u>	<u>260,653</u>	<u>6,608,390</u>
Net Position:			
Net investment in capital assets	7,349,074	3,692,522	11,041,596
Restricted for:			
Stabilization for State statute	666,267	-	666,267
Unrestricted	<u>5,132,021</u>	<u>6,765,672</u>	<u>11,897,693</u>
Total net position	<u>\$ 13,147,362</u>	<u>\$ 10,458,194</u>	<u>\$ 23,605,556</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,714,743	\$ 57,019	\$ 48,819	\$ -
Public safety	5,031,655	2,891,403	156	-
Transportation	605,019	-	-	69,731
Environmental protection	863,174	929,382	-	-
Culture and recreation	606,801	232,262	-	-
Interest and fees	36,156	-	-	-
Total governmental activities	<u>8,857,548</u>	<u>4,110,066</u>	<u>48,975</u>	<u>69,731</u>
Business-Type Activities:				
Water and sewer	<u>2,273,166</u>	<u>2,146,659</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 11,130,714</u>	<u>\$ 6,256,725</u>	<u>\$ 48,975</u>	<u>\$ 69,731</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Other taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net Position:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ (1,608,905)	\$ -	\$ (1,608,905)
(2,140,096)	-	(2,140,096)
(535,288)	-	(535,288)
66,208	-	66,208
(374,539)	-	(374,539)
(36,156)	-	(36,156)
<u>(4,628,776)</u>	<u>-</u>	<u>(4,628,776)</u>
<u>-</u>	<u>(126,507)</u>	<u>(126,507)</u>
<u>(4,628,776)</u>	<u>(126,507)</u>	<u>(4,755,283)</u>
3,297,851	-	3,297,851
582,532	-	582,532
1,836,884	-	1,836,884
3,092	3,751	6,843
42,471	21,314	63,785
<u>5,762,830</u>	<u>25,065</u>	<u>5,787,895</u>
1,134,054	(101,442)	1,032,612
<u>12,013,308</u>	<u>10,559,636</u>	<u>22,572,944</u>
<u>\$ 13,147,362</u>	<u>\$ 10,458,194</u>	<u>\$ 23,605,556</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	Major Funds			Total
	General Fund	Capital Reserve Fund	Nonmajor Funds	Governmental Funds
Assets:				
Cash and cash equivalents	\$ 5,714,827	\$ 1,005,854	\$ 189,525	\$ 6,910,206
Accounts receivable, net	269,919	-	-	269,919
Taxes receivable, net	26,631	-	-	26,631
Due from other governments	396,348	-	-	396,348
Prepays	6,778	-	-	6,778
Inventory	48,782	-	-	48,782
Total assets	<u>\$ 6,463,285</u>	<u>\$ 1,005,854</u>	<u>\$ 189,525</u>	<u>\$ 7,658,664</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 74,645	\$ -	\$ -	\$ 74,645
Accrued liabilities	97,588	-	-	97,588
Total liabilities	<u>172,233</u>	<u>-</u>	<u>-</u>	<u>172,233</u>
Deferred Inflows of Resources:				
Property taxes receivable	<u>26,631</u>	<u>-</u>	<u>-</u>	<u>26,631</u>
Fund Balances:				
Non-spendable:				
Inventory	48,782	-	-	48,782
Prepays	6,778	-	-	6,778
Restricted:				
Stabilization by State statute	666,267	-	-	666,267
Committed:				
General government	-	1,005,854	86,501	1,092,355
Public safety	-	-	103,024	103,024
Assigned:				
Subsequent year's expenditures	175,656	-	-	175,656
Unassigned	5,366,938	-	-	5,366,938
Total fund balances	<u>6,264,421</u>	<u>1,005,854</u>	<u>189,525</u>	<u>7,459,800</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,463,285</u>	<u>\$ 1,005,854</u>	<u>\$ 189,525</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	11,809,788
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	26,647
Liabilities for earned revenues considered deferred inflows of resources in the fund statements.	26,631
Some liabilities, including bonds payable, accrued interest payable, and other post-employment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,175,504)</u>
Net position of governmental activities	<u>\$ 13,147,362</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	Capital Reserve Fund	Nonmajor Funds	
Revenues:				
Ad valorem taxes	\$ 3,294,411	\$ -	\$ -	\$ 3,294,411
Other taxes and licenses	582,532	-	-	582,532
Unrestricted intergovernmental	1,836,884	-	-	1,836,884
Restricted intergovernmental	118,700	-	-	118,700
Permits and fees	339,157	-	-	339,157
Sales and services	3,770,915	-	-	3,770,915
Investment earnings	1,637	1,453	2	3,092
Miscellaneous	42,471	-	-	42,471
Total revenues	<u>9,986,707</u>	<u>1,453</u>	<u>2</u>	<u>9,988,162</u>
Expenditures:				
Current:				
General government	1,654,818	-	-	1,654,818
Public safety	4,519,481	-	421,977	4,941,458
Transportation	605,622	-	-	605,622
Environmental protection	790,577	-	-	790,577
Culture and recreation	598,728	-	-	598,728
Debt service:				
Principal	428,572	-	-	428,572
Interest	110,110	-	-	110,110
Total expenditures	<u>8,707,908</u>	<u>-</u>	<u>421,977</u>	<u>9,129,885</u>
Revenues over (under) expenditures	<u>1,278,799</u>	<u>1,453</u>	<u>(421,975)</u>	<u>858,277</u>
Other Financing Sources (Uses):				
Transfer from:				
General Fund	-	304,165	228,000	532,165
Capital Project Fund	242,845	-	208,500	451,345
Transfer to:				
General Fund	-	(242,845)	-	(242,845)
Capital Project Fund	(532,165)	(208,500)	-	(740,665)
Long-term debt issued	-	-	175,000	175,000
Total other financing sources (uses)	<u>(289,320)</u>	<u>(147,180)</u>	<u>611,500</u>	<u>175,000</u>
Net change in fund balances	989,479	(145,727)	189,525	1,033,277
Fund Balances:				
Beginning of year - July 1	<u>5,274,942</u>	<u>1,151,581</u>	<u>-</u>	<u>6,426,523</u>
End of year - June 30	<u>\$ 6,264,421</u>	<u>\$ 1,005,854</u>	<u>\$ 189,525</u>	<u>\$ 7,459,800</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 1,033,277
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	3,440
Expenses related to compensated absences, other post-employment benefits, and law enforcement officers' separation allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(288,600)
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.	651,081
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(592,670)
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.	428,572
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	73,954
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.	<u>(175,000)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 1,134,054</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund			Variance with Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,282,500	\$ 3,282,500	\$ 3,294,411	\$ 11,911
Other taxes and licenses	578,601	578,601	582,532	3,931
Unrestricted intergovernmental	1,691,000	1,691,000	1,836,884	145,884
Restricted intergovernmental	70,800	70,800	118,700	47,900
Permits and fees	298,100	298,100	339,157	41,057
Sales and services	3,379,950	3,379,950	3,770,915	390,965
Investment earnings	6,000	6,000	1,637	(4,363)
Miscellaneous	47,950	53,950	42,471	(11,479)
Total revenues	<u>9,354,901</u>	<u>9,360,901</u>	<u>9,986,707</u>	<u>625,806</u>
Expenditures:				
Current:				
General government	1,955,382	1,971,382	1,654,818	316,564
Public safety	5,297,585	4,795,585	4,519,481	276,104
Transportation	706,772	708,772	605,622	103,150
Environmental protection	891,905	891,905	790,577	101,328
Culture and recreation	668,774	668,774	598,728	70,046
Debt service:				
Principal	428,572	428,572	428,572	-
Interest	110,111	110,111	110,110	1
Total expenditures	<u>10,059,101</u>	<u>9,575,101</u>	<u>8,707,908</u>	<u>867,193</u>
Revenues over (under) expenditures	<u>(704,200)</u>	<u>(214,200)</u>	<u>1,278,799</u>	<u>1,492,999</u>
Other Financing Sources (Uses):				
Transfer from:				
Capital Project Fund	34,345	34,345	242,845	208,500
Transfer to:				
Capital Project Fund	(760,165)	(760,165)	(532,165)	228,000
Long-term debt issued	200,000	25,000	-	(25,000)
Fund balance appropriated	915,020	915,020	-	(915,020)
Total other financing sources (uses)	<u>389,200</u>	<u>214,200</u>	<u>(289,320)</u>	<u>(503,520)</u>
Net change in fund balance	<u>\$ (315,000)</u>	<u>\$ -</u>	<u>989,479</u>	<u>\$ 989,479</u>
Fund Balance:				
Beginning of year - July 1			<u>5,274,942</u>	
End of year - June 30			<u>\$ 6,264,421</u>	

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	<u>Major</u> <u>Water and</u> <u>Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 6,549,808
Accounts receivable, net	409,330
Due from other governments	16,449
Inventories	<u>50,738</u>
Total current assets	<u>7,026,325</u>
Non-current assets:	
Capital assets:	
Other capital assets, net of depreciation	<u>3,692,522</u>
Total assets	<u>10,718,847</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	89,377
Current portion of long term liabilities	<u>12,424</u>
Total current liabilities	<u>101,801</u>
Non-current liabilities:	
Due in more than one year	<u>158,852</u>
Total liabilities	<u>260,653</u>
Net Position:	
Net investment in capital assets	3,692,522
Unrestricted	<u>6,765,672</u>
Total net position	<u>\$ 10,458,194</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Major</u> <u>Water and</u> <u>Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 2,032,951
Taps and connection fees	5,300
Share fees	12,888
Other operating revenues	<u>95,520</u>
Total operating revenues	<u>2,146,659</u>
Operating Expenses:	
Administration	695,203
Water and sewer operations	1,329,410
Depreciation	<u>248,553</u>
Total operating expenses	<u>2,273,166</u>
Operating income (loss)	<u>(126,507)</u>
Non-Operating Revenues (Expenses):	
Investment earnings	3,751
Insurance recovery	<u>21,314</u>
Total non-operating revenues (expenses)	<u>25,065</u>
Change in net position	(101,442)
Net Position:	
Beginning of year - July 1	<u>10,559,636</u>
End of year - June 30	<u>\$ 10,458,194</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Major</u> <u>Water and</u> <u>Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,140,912
Cash paid for goods and services	(1,321,124)
Cash paid to employees	<u>(667,844)</u>
Net cash provided (used) by operating activities	<u>151,944</u>
Cash Flows from Non-Capital Financing Activities:	
Insurance recovery	<u>21,314</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>3,751</u>
Net increase (decrease) in cash, cash equivalents, and investments	177,009
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>6,372,799</u>
End of year - June 30	<u>\$ 6,549,808</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	<u>\$ (126,507)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	248,553
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(5,058)
(Increase) decrease in due from other governments	5,023
Increase (decrease) in accounts payable and accrued liabilities	26,276
Increase (decrease) in compensated absences payable	<u>3,657</u>
Total adjustments	<u>278,451</u>
Net cash provided (used) by operating activities	<u>\$ 151,944</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2014

	Pension Trust Fund	Employee Assistance Fund
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 85,921	\$ 14,683
Accounts receivable	<u> -</u>	<u> 250</u>
Total assets	<u>85,921</u>	<u>14,933</u>
Liabilities:		
Accounts payable and accrued liabilities	<u> 5,111</u>	<u> -</u>
Net Position:		
Assets held in trust for pension benefits	<u>\$ 80,810</u>	<u>\$ 14,933</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Pension Trust Fund	Employee Assistance Fund
	<u> </u>	<u> </u>
Additions:		
Employer contributions	\$ 40,000	\$ -
Employee contributions	-	972
Investment income	<u>9</u>	<u>-</u>
Total additions	<u>40,009</u>	<u>972</u>
Deductions:		
Benefits	<u>39,088</u>	<u>-</u>
Change in net position	921	972
Net Position:		
Beginning of year - July 1	<u>79,889</u>	<u>13,961</u>
End of year - June 30	<u>\$ 80,810</u>	<u>\$ 14,933</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Wrightsville Beach (the “Town”) 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 Wrightsville Beach, North Carolina, is a municipal corporation that is governed by an elected Mayor and a four-member Board of Aldermen. The Town maintains public safety via its own police and fire departments and, also, operates a water and sewer system for the incorporated area.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government (the Town). These statements include the financial activities of the overall government except for the fiduciary activities. 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, including fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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. Non-operating revenues, such as subsidies, result from non-exchange 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 primary 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, parking revenues, sales taxes, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

Capital Project Capital Reserve Fund. The Town maintains a Capital Reserve Fund for future capital purchases.

The Town reports the following nonmajor governmental fund:

Fire Engine Capital Project Fund. This fund is used to account for the purchase of a fire engine.

IT Capital Project Fund. This fund is used to account for the website redesign, server virtualization, and hosted exchange for the Town.

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.

The Town reports the following fiduciary fund types:

Pension Trust Fund. The Town's Pension Trust Fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, defined benefit, public safety employee retirement system.

Employee Assistance Fund. The Town's Employee Assistance Fund is a private-purpose trust fund used to account for the voluntary contributions by employees to the fund that is used to assist employees who are experiencing hardships due to catastrophic fire, flood, hurricanes, or other acts.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. 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 non-operating 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's 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 non-operating 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Capital Project Capital Reserve Fund, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the Fire Engine and IT Capital Project Fund. An annual budget is adopted for the Capital Project Capital Reserve Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized to transfer appropriations within a department; however, the governing board must approve any revisions that alter the total expenditures of any department. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

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

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, 2013.

Allowances for Doubtful Accounts

All receivables that historically experience uncollectible account 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.

Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors may reflect costs applicable to future accounting periods, in which case said costs are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

Capital Assets

The Town defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. 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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

capitalized. General infrastructure assets acquired prior to implementation of GASB Statement 34 on July 1, 2003, have not been reported.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 years
Buildings	50 years
Improvements	25 years
Vehicles	5-10 years
Furniture and equipment	5-10 years
Computer equipment	3-5 years

Deferred Outflows and Inflows of Resources

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

Long-Term Obligations

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

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Compensated Absences

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

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

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Prepaid Items – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, 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)].

Committed Fund Balance: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

General Government – portion of fund balance that has been budgeted by the Board for future debt payments and future capital outlay in conjunction with projects of the Town.

Public Safety – portion of fund balance that has been budgeted by the Board for future capital outlay in conjunction with a project with the Town.

Assigned Fund Balance: The portion of fund balance that the Town of Wrightsville 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 5% of expenditures.

Unassigned Fund Balance: The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Only the General Fund may report a positive unassigned fund balance.

The Town 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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 34.5% of budgeted expenditures. Any portion of the General Fund balance in excess of 34.5% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

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	\$ 6,264,421
Less:	
Prepays	6,778
Inventory	48,782
Stabilization by State statute	<u>666,267</u>
Total available fund balance	<u>\$ 5,542,594</u>

2. Detail Notes on All Funds

A. Assets

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 agent in its name. 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 undercollateralization, 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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

At June 30, 2014, the Town's deposits had a carrying amount of \$9,735,471 and a bank balance of \$9,947,021. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2014, the Town's petty cash fund totaled \$5,539.

Investments

At June 30, 2014, the Town had \$3,819,608 invested with the North Carolina Capital Management Trust's Cash Portfolio.

Interest Rate Risk. The Town has no formal policy regarding interest rate risk.

Credit Risk. The Town has no formal policy regarding credit risk. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2014.

Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2014, are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 18,000
Enterprise Fund:	
Accounts receivable	<u>6,500</u>
Total	<u>\$ 24,500</u>

Due from other governments owed to the Town consists of:

Local option sales tax	\$ 67,311
Room occupancy tax	<u>345,486</u>
Total	<u>\$ 412,797</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 2,343,012	\$ -	\$ -	\$ 2,343,012
Construction in progress	-	421,977	-	421,977
Total non-depreciable capital assets	<u>2,343,012</u>	<u>421,977</u>	<u>-</u>	<u>2,764,989</u>
Depreciable Capital Assets:				
Buildings	7,453,879	-	-	7,453,879
Other improvements	1,344,631	-	-	1,344,631
Equipment	2,127,285	63,316	(9,777)	2,180,824
Vehicles and motorized equipment	3,222,425	165,788	-	3,388,213
Total depreciable capital assets	<u>14,148,220</u>	<u>229,104</u>	<u>(9,777)</u>	<u>14,367,547</u>
Less Accumulated Depreciation:				
Buildings	840,236	187,161	-	1,027,397
Other improvements	722,340	40,097	-	762,437
Equipment	1,334,585	138,760	(9,777)	1,463,568
Vehicles and motorized equipment	1,842,694	226,652	-	2,069,346
Total accumulated depreciation	<u>4,739,855</u>	<u>\$ 592,670</u>	<u>\$ (9,777)</u>	<u>5,322,748</u>
Total depreciable capital assets, net	<u>9,408,365</u>			<u>9,044,799</u>
Governmental activity capital assets, net	<u>\$ 11,751,377</u>			<u>\$ 11,809,788</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

General government	\$	76,089
Public safety		380,050
Transportation		39,619
Environmental protection		53,233
Culture and recreation		43,679
Total	\$	<u>592,670</u>

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Business-Type Activities:				
Depreciable Capital Assets:				
Water distribution system	\$ 5,096,654	\$ -	\$ -	\$ 5,096,654
Sewer disposal system	3,549,029	-	-	3,549,029
Equipment	692,305	-	-	692,305
Vehicles	<u>326,955</u>	-	<u>(53,242)</u>	<u>273,713</u>
Total depreciable capital assets	<u>9,664,943</u>	<u>-</u>	<u>(53,242)</u>	<u>9,611,701</u>
Less Accumulated Depreciation:				
Water distribution system	2,616,875	102,230	-	2,719,105
Sewer disposal system	2,407,220	90,021	-	2,497,241
Equipment	457,647	41,325	-	498,972
Vehicles	<u>242,126</u>	<u>14,977</u>	<u>(53,242)</u>	<u>203,861</u>
Total accumulated depreciation	<u>5,723,868</u>	<u>\$ 248,553</u>	<u>\$ (53,242)</u>	<u>5,919,179</u>
Total depreciable capital assets, net	<u>3,941,075</u>			<u>3,692,522</u>
Business-type capital assets, net	<u>\$ 3,941,075</u>			<u>\$ 3,692,522</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The Town contributes to the State-wide 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 6% of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77 %, respectively, of annual covered payroll. The contribution requirements of members and of the Town are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012, were \$270,409, \$260,169, and \$266,619, respectively. The contributions made by the Town equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>25</u>
Total	<u><u>27</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the Town has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the Town contributed \$36,310, or 3.08%, of annual covered payroll. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are paid by the General Fund.

The annual required contribution for the current year was determined as part of the December 31, 2012, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012, was 18 years.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Annual Pension Cost and Net Pension Obligation. The Town’s annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 49,283
Interest on net pension obligation	(2,045)
Adjustment to annual required contribution	<u>3,333</u>
Annual pension cost	50,571
Contributions made	<u>36,310</u>
Increase (decrease) in net pension obligation	14,261
Net pension obligation (asset) beginning of year	<u>(40,908)</u>
Net pension obligation (asset) end of year	<u><u>\$ (26,647)</u></u>

Three-Year Trend Information

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
2014	\$ 50,571	71.80%	\$ (26,647)
2013	43,841	79.04%	(40,908)
2012	37,905	55.93%	(50,099)

The negative amounts shown above as the net pension obligations represent asset amounts or prepaid expenses. At these year-ends, there were no net pension obligations.

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$482,315. The covered payroll (annual payroll of active employees covered by the plan) was \$1,178,029, and the ratio of the UAAL to the covered payroll was 40.94%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan

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 permanent employees who wish to participate and 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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the Pension Trust Fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan. That report may be obtained by writing to the Office of the 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 5% of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement employees may make voluntary contributions to the plan. The Town makes a contribution of 4% of the salary of other employees who wish to participate in the plan. Contributions for law enforcement officers for the year ended June 30, 2014, were \$73,597, which consisted of \$56,746 from the Town and \$16,851 voluntary contributions from the law enforcement officers. Contributions for all other employees were \$163,323, which consisted of \$64,285 from the Town and \$99,038 voluntary contributions from other employees.

Other Post-Employment Benefit

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the “HCB Plan”). This plan provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (System) and have at least 20 years of creditable service with the Town. The Town pays the full cost of coverage for these benefits through private insurers. Also, the Town’s retirees can purchase coverage for their dependents at the Town’s group rates. The Board of Aldermen passed a resolution ending this benefit for any new employees hired after June 30, 2010. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	14	4
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	45	19
Total	59	23

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Funding Policy. The Town pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by the Board of Aldermen. The Town's members pay \$588 per month for dependent coverage under the PPO plan and \$279 per month for dependent coverage if they elected HDHP-HSA. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 12.91% of annual covered payroll. For the current year, the Town contributed \$96,182, or 3.01%, of annual covered payroll. The Town obtains healthcare coverage through private insurers. There were no contributions made by employees, except for dependent coverage in the amount of \$3,349. The Town's obligation to contribute to the HCB Plan is established and has been amended by the Board of Aldermen.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund which is maintained on the modified accrual basis of accounting and the Water and Sewer Fund which is maintained on the full accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 412,519
Interest on net OPEB obligation	51,461
Adjustment to annual required contribution	<u>(71,539)</u>
Annual OPEB cost (expense)	392,441
Contributions made	<u>(96,182)</u>
Increase (decrease) in net OPEB obligation	296,259
Net OPEB obligation, beginning of year	<u>1,286,536</u>
Net OPEB obligation, end of year	<u>\$ 1,582,795</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014, were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 392,441	24.5%	\$ 1,582,795
2013	397,297	21.7%	1,286,536
2012	401,813	28.0%	344,155

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$4,145,914. The covered payroll (annual payroll of active employees covered by the plan) was \$3,194,495, and the ratio of the UAAL to the covered payroll was 129.8%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual medical cost trend increase of 9.5%-5.0% pre-Medicare trend rate and 7.0%-5.0% post-Medicare trend rate annually. The investment rate included a 3.0% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level dollar amount of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the system or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in an row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The Town's contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

The Town also provides an additional group-term life insurance benefit at a rate of one and one-half times each employee's annual salary. US Able Life Insurance currently underwrites this fringe benefit.

Deferred Outflows and Inflows of Resources

The balance in deferred inflows at year-end is composed of the following elements:

	<u>Unavailable Revenues</u>
Taxes receivable (General Fund)	\$ 26,631
Total	<u>\$ 26,631</u>

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 \$3 million per occurrence and \$1 million per occurrence respectively, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Aldermen each year. Stop loss insurance is purchased by the Board of Aldermen to protect against large medical claims that exceed certain dollar cost

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Aldermen can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to water) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance to cover its buildings and structures in the event of flood damage.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time are performance bonded through a commercial surety bond. The Town's Finance Officer is bonded for \$85,000. Ad valorem tax collections are managed by New Hanover County on behalf of the Town.

Long-Term Obligations

General Obligation Indebtedness. At June 30, 2014, the Town had no general obligation bonds outstanding, no unissued bonds, and a legal debt margin of \$193,891,957.

Installment Loans

On May 13, 2009, the Town entered into an installment loan contract with a bank to pay for the construction of the public safety building. The \$6,000,000 loan, payable in annual installments of \$428,571, is financed at a fixed rate of interest of 3.09% for a period of 15 years. On January 31, 2013, the Town modified the original agreement with the bank and reduced the fixed rate of interest to 2.39%. The balance due at June 30, 2014, was \$4,285,714.

On October 25, 2013, the Town entered into an installment loan contract with a bank to purchase a fire engine. The \$175,000 loan, payable for a period of 3 years in annual installments of \$60,045, is financed at a fixed rate of interest of 1.46%.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Annual debt service requirements to maturity for the Town's governmental funds installment loans payable are as follows:

Year Ended				
June 30	Principal	Interest	Total	
2015	\$ 486,061	\$ 102,423	\$ 588,484	
2016	486,900	91,341	578,241	
2017	487,752	80,246	567,998	
2018	428,571	69,139	497,710	
2019	428,571	58,896	487,467	
2020-2024	2,142,859	140,840	2,283,699	
Total	<u>\$ 4,460,714</u>	<u>\$ 542,885</u>	<u>\$ 5,003,599</u>	

Changes in Long-Term Liabilities

The following is a summary of the changes in the Town's long-term obligations for the fiscal year ended June 30, 2014:

	Balance			Balance	Current
	July 1, 2013	Increases	Decreases	June 30, 2014	Portion
Governmental Activities:					
Installment loan	\$ 4,714,286	\$ 175,000	\$ 428,572	\$ 4,460,714	\$ 486,061
Compensated absences	243,559	207,503	205,722	245,340	208,539
Other post-employment benefits	1,153,577	361,045	88,487	1,426,135	-
Total	<u>\$ 6,111,422</u>	<u>\$ 743,548</u>	<u>\$ 722,781</u>	<u>\$ 6,132,189</u>	<u>\$ 694,600</u>

	Balance			Balance	Current
	July 1, 2013	Increases	Decreases	June 30, 2014	Portion
Business-Type Activities:					
Compensated absences	\$ 10,959	\$ 21,475	\$ 17,818	\$ 14,616	\$ 12,424
Other post-employment benefits	132,959	31,396	7,695	156,660	-
Total	<u>\$ 143,918</u>	<u>\$ 52,871</u>	<u>\$ 25,513</u>	<u>\$ 171,276</u>	<u>\$ 12,424</u>

Compensated absences and other post-employment benefit obligations typically have been liquidated in both the General Fund and in the Water and Sewer Fund. Net pension obligation typically has been liquidated in the General Fund.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2014, consist of the following:

From the General Fund to the Major Capital Reserve Fund for future capital purchases	\$ 304,165
From the General Fund to the Nonmajor Capital Project Fund for future capital purchases	228,000
From the Major Capital Reserve Fund to the General Fund for capital purchases	242,845
From the Major Capital Reserve Fund to the Capital Project Fund to fund projects	208,500
From the Water and Sewer Fund to the Water and Sewer Capital Reserve Fund for future expansion and infrastructure work	<u>346,500</u>
Total	<u>\$ 1,330,010</u>

3. 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.

Required Supplementary Information

This section contains additional information required by generally accepted accounting principles.

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TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS SPECIAL SEPERATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 345,267	\$ 345,267	0.00%	\$ 997,621	34.61%
12/31/2009	-	417,370	417,370	0.00%	993,574	42.01%
12/31/2010	-	323,059	323,059	0.00%	1,110,557	29.09%
12/31/2011	-	415,360	415,360	0.00%	1,140,576	36.42%
12/31/2012	-	492,594	492,594	0.00%	1,221,263	40.33%
12/31/2013	-	482,315	482,315	0.00%	1,178,029	40.94%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Asset
2014	\$ 49,283	73.68%	\$ (26,647)
2013	43,228	80.16%	(40,908)
2012	37,260	56.90%	(50,099)

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value of assets

Actuarial assumptions:

Investment rate of return*	5.00%
Projected salary increases*	4.25%-7.85%
Cost of living adjustment	N/A

* Includes inflation at 3.00%

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)			
12/31/2006	\$ -	\$ 4,002,310	\$ 4,002,310	0.00%	\$ 3,237,036	123.6%
12/31/2008	-	4,408,454	4,408,454	0.00%	3,257,747	135.3%
12/31/2011	-	4,145,914	4,145,914	0.00%	3,194,495	129.8%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2014	\$ 412,519	\$ 96,182	23.32%
2013	412,519	86,192	20.89%
2012	401,813	58,734	14.62%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets

Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate:	
Pre-Medicare trend rate	9.50%-5.00%
Post-Medicare trend rate	7.00% - 5.00%
Year of ultimate trend rate	2018

* Includes inflation at 3.00%

General Fund

The General Fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 3,263,000	\$ 3,283,541	\$ 20,541	\$ 3,262,577
Prior year	12,500	3,901	(8,599)	13,240
Penalties and interest	7,000	6,969	(31)	7,124
Total	<u>3,282,500</u>	<u>3,294,411</u>	<u>11,911</u>	<u>3,282,941</u>
Other Taxes and Licenses:				
Privilege licenses	16,500	18,160	1,660	17,579
Room occupancy tax	553,101	554,014	913	547,533
Other licenses	9,000	10,358	1,358	10,206
Total	<u>578,601</u>	<u>582,532</u>	<u>3,931</u>	<u>575,318</u>
Unrestricted Intergovernmental:				
Local option sales tax	960,000	1,077,387	117,387	1,091,412
Beer and wine tax	11,000	10,936	(64)	10,069
Franchise tax	235,000	256,609	21,609	216,792
Video program tax	95,000	83,622	(11,378)	63,499
ABC profit distribution	390,000	408,330	18,330	347,786
Total	<u>1,691,000</u>	<u>1,836,884</u>	<u>145,884</u>	<u>1,729,558</u>
Restricted Intergovernmental:				
State grants	69,000	117,139	48,139	74,892
Federal grants	-	-	-	98,229
State tax drug money	-	156	156	3,990
Solid waste disposal tax	1,800	1,405	(395)	1,567
Total	<u>70,800</u>	<u>118,700</u>	<u>47,900</u>	<u>178,678</u>
Permits and Fees:				
Permits and fees	186,600	277,460	90,860	198,235
Court fees and fines	111,500	61,697	(49,803)	147,041
Total	<u>298,100</u>	<u>339,157</u>	<u>41,057</u>	<u>345,276</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Parking meter collections	2,082,450	2,552,246	469,796	2,058,888
Rents	54,500	57,025	2,525	55,100
Refuse fees	1,013,000	929,382	(83,618)	954,223
Recreation fees	230,000	232,262	2,262	226,625
Total	<u>3,379,950</u>	<u>3,770,915</u>	<u>390,965</u>	<u>3,294,836</u>
Investment Earnings	<u>6,000</u>	<u>1,637</u>	<u>(4,363)</u>	<u>7,508</u>
Miscellaneous Revenues	<u>53,950</u>	<u>42,471</u>	<u>(11,479)</u>	<u>52,811</u>
Total revenues	<u>9,360,901</u>	<u>9,986,707</u>	<u>625,806</u>	<u>9,466,926</u>
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	36,817	38,700	(1,883)	36,817
Operating expenditures	<u>223,032</u>	<u>159,780</u>	<u>63,252</u>	<u>127,949</u>
Total	<u>259,849</u>	<u>198,480</u>	<u>61,369</u>	<u>164,766</u>
General Management:				
Salaries and employee benefits	265,723	247,951	17,772	444,073
Operating expenditures	<u>103,978</u>	<u>109,291</u>	<u>(5,313)</u>	<u>116,663</u>
Total	<u>369,701</u>	<u>357,242</u>	<u>12,459</u>	<u>560,736</u>
Information Technology:				
Salaries and employee benefits	71,383	70,588	795	70,115
Operating expenditures	154,882	148,591	6,291	148,359
Capital outlay	<u>73,300</u>	<u>63,316</u>	<u>9,984</u>	<u>7,602</u>
Total	<u>299,565</u>	<u>282,495</u>	<u>17,070</u>	<u>226,076</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Public Works Administration:				
Salaries and employee benefits	190,808	161,481	29,327	183,107
Operating expenditures	71,965	32,854	39,111	42,644
Total	262,773	194,335	68,438	225,751
Public Works Maintenance:				
Salaries and employee benefits	248,687	246,326	2,361	231,147
Operating expenditures	510,797	355,325	155,472	364,291
Capital outlay	20,010	20,615	(605)	2,977
Total	779,494	622,266	157,228	598,415
Total general government	1,971,382	1,654,818	316,564	1,775,744
Public Safety:				
Police:				
Salaries and employee benefits	1,753,217	1,735,844	17,373	1,700,836
Operating expenditures	582,658	445,998	136,660	625,127
Capital outlay	30,000	6,908	23,092	156,927
Total	2,365,875	2,188,750	177,125	2,482,890
Parking:				
Operating expenditures	484,048	524,995	(40,947)	520,794
Capital outlay	8,500	6,595	1,905	16,068
Total	492,548	531,590	(39,042)	536,862
Ocean Rescue:				
Salaries and employee benefits	258,899	249,537	9,362	247,185
Operating expenditures	81,536	73,263	8,273	88,979
Capital outlay	20,000	20,222	(222)	-
Total	360,435	343,022	17,413	336,164

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Fire:				
Salaries and employee benefits	1,011,374	979,205	32,169	987,029
Operating expenditures	167,749	139,356	28,393	147,923
Capital outlay	-	-	-	-
Total	<u>1,179,123</u>	<u>1,118,561</u>	<u>60,562</u>	<u>1,134,952</u>
Planning and Inspections:				
Salaries and employee benefits	309,861	271,158	38,703	295,086
Operating expenditures	<u>87,743</u>	<u>66,400</u>	<u>21,343</u>	<u>60,563</u>
Total	<u>397,604</u>	<u>337,558</u>	<u>60,046</u>	<u>355,649</u>
Total public safety	<u>4,795,585</u>	<u>4,519,481</u>	<u>276,104</u>	<u>4,846,517</u>
Transportation:				
Streets:				
Salaries and employee benefits	262,479	211,799	50,680	243,282
Operating expenditures	396,293	342,427	53,866	293,650
Capital outlay	<u>50,000</u>	<u>51,396</u>	<u>(1,396)</u>	<u>-</u>
Total	<u>708,772</u>	<u>605,622</u>	<u>103,150</u>	<u>536,932</u>
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	385,169	367,031	18,138	348,490
Operating expenditures	<u>506,736</u>	<u>423,546</u>	<u>83,190</u>	<u>434,062</u>
Total	<u>891,905</u>	<u>790,577</u>	<u>101,328</u>	<u>782,552</u>
Culture and Recreation:				
Parks and Recreation Programs:				
Salaries and employee benefits	236,619	211,975	24,644	203,736
Operating expenditures	106,715	88,370	18,345	113,040
Capital outlay	<u>20,233</u>	<u>20,280</u>	<u>(47)</u>	<u>-</u>
Total	<u>363,567</u>	<u>320,625</u>	<u>42,942</u>	<u>316,776</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Parks and Recreation Maintenance:				
Salaries and employee benefits	166,776	154,700	12,076	147,967
Operating expenditures	103,431	88,732	14,699	71,140
Capital outlay	35,000	34,671	329	11,196
Total	<u>305,207</u>	<u>278,103</u>	<u>27,104</u>	<u>230,303</u>
Total culture and recreation	<u>668,774</u>	<u>598,728</u>	<u>70,046</u>	<u>547,079</u>
Debt Service:				
Principal	428,572	428,572	-	587,737
Interest	110,111	110,110	1	171,424
Total debt service	<u>538,683</u>	<u>538,682</u>	<u>1</u>	<u>759,161</u>
Total expenditures	<u>9,575,101</u>	<u>8,707,908</u>	<u>867,193</u>	<u>9,247,985</u>
Revenues over (under) expenditures	<u>(214,200)</u>	<u>1,278,799</u>	<u>1,492,999</u>	<u>218,941</u>
Other Financing Sources (Uses):				
Transfer from:				
Capital Project Fund	34,345	242,845	208,500	135,125
Enterprise Fund	-	-	-	180,000
Transfer to:				
Capital Project Fund	(760,165)	(532,165)	228,000	(428,845)
Long-term debt issued	25,000	-	(25,000)	-
Appropriated fund balance	915,020	-	(915,020)	-
Total other financing sources (uses)	<u>214,200</u>	<u>(289,320)</u>	<u>(503,520)</u>	<u>(113,720)</u>
Net change in fund balance	<u>\$ -</u>	<u>989,479</u>	<u>\$ 989,479</u>	<u>105,221</u>
Fund Balance:				
Beginning of year - July 1		<u>5,274,942</u>		<u>5,169,721</u>
End of year - June 30		<u>\$ 6,264,421</u>		<u>\$ 5,274,942</u>

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Capital Project Fund

Capital project funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary and trust funds.

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TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2014

	Capital Project Funds		
	Fire Engine Fund	IT Fund	Total
Assets:			
Cash and cash equivalents	\$ 103,024	\$ 86,501	\$ 189,525
Total assets	<u>\$ 103,024</u>	<u>\$ 86,501</u>	<u>\$ 189,525</u>
Fund Balances:			
Committed:			
Committed for general government	\$ -	\$ 86,501	\$ 86,501
Committed for public safety	<u>103,024</u>	<u>-</u>	<u>103,024</u>
Total fund balances	<u>\$ 103,024</u>	<u>\$ 86,501</u>	<u>\$ 189,525</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2014**

	Capital Project Funds		Total
	Nonmajor Fire Engine Fund	Nonmajor IT Fund	
Revenues:			
Interest on investments	\$ 1	\$ 1	\$ 2
Expenditures:			
Current:			
Public safety	421,977	-	421,977
Revenues over (under) expenditures	(421,976)	1	(421,975)
Other Financing Sources (Uses):			
Transfers in:			
General Fund	228,000	-	228,000
Transfers out:			
Intrafund transfers	122,000	86,500	208,500
Issuance of debt	175,000	-	175,000
Total other financing sources (uses)	525,000	86,500	611,500
Net change in fund balances	103,024	86,501	189,525
Fund Balances:			
Beginning of year - July 1	-	-	-
End of year - June 30	\$ 103,024	\$ 86,501	\$ 189,525

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND - CAPITAL RESERVE
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ 450	\$ 1,453	\$ 1,003	\$ 424
Other Financing Sources (Uses):				
Transfer to the General Fund	(242,845)	(242,845)	-	(48,550)
Transfer from the General Fund	912,495	304,165	(608,330)	428,845
Transfer to Capital Project Fund	(208,500)	(208,500)	-	-
Contingency	(461,600)	-	461,600	-
Total other financing sources (uses)	(450)	(147,180)	(146,730)	380,295
Net change in fund balance	\$ -	(145,727)	\$ (145,727)	380,719
Fund Balance:				
Beginning of year - July 1		1,151,581		770,862
End of year - June 30		\$ 1,005,854		\$ 1,151,581

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

FIRE ENGINE CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Over/Under</u>
Revenues:					
Investment earnings	\$ -	\$ -	\$ 1	\$ 1	\$ 1
Expenditures:					
Capital outlay	525,000	-	421,977	421,977	103,023
Revenues over (under) expenditures	(525,000)	-	(421,976)	(421,976)	103,024
Other Financing Sources (Uses):					
Transfer from the General Fund	228,000	-	228,000	228,000	-
Transfer from Capital Reserve Fund	122,000	-	122,000	122,000	-
Issuance of debt	175,000	-	175,000	175,000	-
Total other financing sources (uses)	525,000	-	525,000	525,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,024</u>	<u>\$ 103,024</u>	<u>\$ 103,024</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

IT CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Over/Under</u>
Revenues:					
Investment earnings	\$ -	\$ -	\$ 1	\$ 1	\$ 1
Expenditures:					
Capital outlay	86,500	-	-	-	86,500
Revenues over (under) expenditures	(86,500)	-	1	1	86,501
Other Financing Sources (Uses):					
Transfer from Capital Reserve Fund	86,500	-	86,500	86,500	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,501</u>	<u>\$ 86,501</u>	<u>\$ 86,501</u>

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Enterprise Fund

Enterprise funds account for operations that are financed and operated in a manner similar to business enterprises – where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

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TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Revenues:				
Operating Revenues:				
Water and sewer charges	\$ 2,222,000	\$ 2,010,211	\$ (211,789)	\$ 2,103,691
Water and sewer taps	8,800	5,300	(3,500)	9,300
Reconnection fees	8,000	12,888	4,888	11,106
Other operating revenues	94,900	95,520	620	109,940
Total operating revenues	<u>2,333,700</u>	<u>2,123,919</u>	<u>(209,781)</u>	<u>2,234,037</u>
Non-Operating Revenues:				
Interest earnings	5,000	590	(4,410)	2,931
Insurance recovery	20,930	21,314	384	13,786
Total non-operating revenues	<u>25,930</u>	<u>21,904</u>	<u>(4,026)</u>	<u>16,717</u>
Total revenues	<u>2,359,630</u>	<u>2,145,823</u>	<u>(213,807)</u>	<u>2,250,754</u>
Expenditures:				
Operations:				
Salaries and employee benefits	720,332	667,845	52,487	475,505
Operating expenses	773,515	654,476	119,039	482,270
Maintenance and repairs	91,703	73,814	17,889	27,043
Transmission and treatment	950,015	601,120	348,895	651,765
Capital outlay	-	-	-	98,782
Total expenditures	<u>2,535,565</u>	<u>1,997,255</u>	<u>538,310</u>	<u>1,735,365</u>
Revenues over (under) expenditures	<u>(175,935)</u>	<u>148,568</u>	<u>324,503</u>	<u>515,389</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Other Financing Sources (Uses):				
Transfer to General Fund	-	-	-	(180,000)
Transfer to Water and Sewer Capital Reserve Fund	(346,500)	(346,500)	-	(397,000)
Transfer from Water and Sewer Capital Reserve Fund	257,500	-	(257,500)	34,000
Appropriated fund balance	264,935	-	(264,935)	-
Total other financing sources (uses)	<u>175,935</u>	<u>(346,500)</u>	<u>(522,435)</u>	<u>(543,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(197,932)</u>	<u>\$ (197,932)</u>	<u>(27,611)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Reconciling items:				
Transfer to Water and Sewer Capital Reserve Fund		346,500		397,000
Transfer from Water and Sewer Capital Reserve Fund		-		(34,000)
Capital outlay		-		98,782
Increase in OPEB liability		(23,701)		(22,792)
Increase in compensated absences		(3,657)		-
Capital Reserve Fund investment earnings		3,161		7,220
Capital Reserve Fund use fee		22,740		-
Depreciation		<u>(248,553)</u>		<u>(244,746)</u>
Change in net position		<u>\$ (101,442)</u>		<u>\$ 173,853</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**WATER AND SEWER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Unit use fees	\$ 2,400	\$ 22,740	\$ 20,340	\$ -
Investment earnings	6,900	3,161	(3,739)	7,220
Total revenues	<u>9,300</u>	<u>25,901</u>	<u>16,601</u>	<u>7,220</u>
Expenditures:				
Future construction	<u>399,300</u>	<u>-</u>	<u>399,300</u>	<u>-</u>
Revenues over (under) expenditures	<u>(390,000)</u>	<u>25,901</u>	<u>415,901</u>	<u>7,220</u>
Other Financing Sources (Uses):				
Transfer to Water and Sewer Fund	(510,000)	-	510,000	(34,000)
Transfer from Water and Sewer Fund	89,000	346,500	257,500	397,000
Appropriated fund balance	<u>811,000</u>	<u>-</u>	<u>(811,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>390,000</u>	<u>346,500</u>	<u>(43,500)</u>	<u>363,000</u>
Net change in fund balance	<u>\$ -</u>	<u>372,401</u>	<u>\$ 372,401</u>	<u>370,220</u>
Fund Balance:				
Beginning of year - July 1		<u>4,427,025</u>		<u>4,056,805</u>
End of year - June 30		<u>\$ 4,799,426</u>		<u>\$ 4,427,025</u>

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Other Schedules

This section contains additional information on property taxes

- **Schedule of Ad Valorem Taxes Receivable**
- **Analysis of Current Year Levy**

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TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 3,296,577	\$ 3,278,954	\$ 17,623
2012-2013	13,536	-	6,805	6,731
2011-2012	8,469	-	1,308	7,161
2010-2011	2,933	-	102	2,831
2009-2010	3,089	-	110	2,979
2008-2009	837	-	56	781
2007-2008	528	-	14	514
2006-2007	1,046	-	1	1,045
2005-2006	903	-	-	903
2004-2005	786	-	-	786
2003-2004	1,421	-	1,421	-
Total	<u>\$ 33,548</u>	<u>\$ 3,296,577</u>	<u>\$ 3,288,771</u>	41,354
Prior year motor vehicle taxes				3,277
Less: allowance for uncollectible ad valorem taxes receivable				<u>(18,000)</u>
Ad valorem taxes receivable, net				<u>\$ 26,631</u>
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 3,294,411
Reconciling items:				
Interest collected				(6,969)
Miscellaneous adjustments				<u>1,329</u>
Total collections and credits				<u>\$ 3,288,771</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Town-Wide</u>		<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 2,484,512,782	0.1330	\$ 3,304,402	\$ 3,250,382	\$ 54,020
Penalties	-		2,006	2,006	-
Total	<u>2,484,512,782</u>		<u>3,306,408</u>	<u>3,252,388</u>	<u>54,020</u>
Discoveries:					
Current year's taxes	-	0.1330	143	143	-
Abatements	<u>(5,104,389)</u>		<u>(9,974)</u>	<u>(9,974)</u>	<u>-</u>
Total property valuation	<u>\$ 2,479,408,393</u>				
Net Levy			3,296,577	3,242,557	54,020
Uncollected taxes at June 30, 2014			<u>17,623</u>	<u>16,082</u>	<u>1,541</u>
Current Year's Taxes Collected			<u>\$ 3,278,954</u>	<u>\$ 3,226,475</u>	<u>\$ 52,479</u>
Current Levy Collection Percentage			<u>99.47%</u>	<u>99.50%</u>	<u>97.15%</u>

Statistical Section

(unaudited)

This part of the Town of Wrightsville Beach's Comprehensive Annual Financial Report presents detailed information as a context for understanding how the information in the financial statements, note disclosures, and required supplementary information depicts the government's overall financial health.

Contents

	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	66-70
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.	71-73
Debt Capacity These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	74-78
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.	79-80
Operating Information These schedules contain service and infrastructure data to help the reader understand how the Town's financial information relates to the services provided and the activities it performs.	81-83

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Table 1
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 4,479,347	\$ 4,535,006	\$ 4,510,975	\$ 4,644,740	\$ 4,482,592	\$ 4,634,813	\$ 5,955,052	\$ 6,773,579	\$ 7,037,091	\$ 7,349,074
Restricted	484,063	265,942	248,168	233,132	227,582	162,041	603,605	661,068	590,404	582,645
Unrestricted	3,783,344	4,865,129	5,165,098	5,009,664	5,384,557	5,244,935	4,276,035	4,267,281	4,385,813	5,215,643
Total governmental activities net position	\$ 8,746,754	\$ 9,666,077	\$ 9,924,241	\$ 9,887,536	\$ 10,094,731	\$ 10,041,769	\$ 10,834,692	\$ 11,701,928	\$ 12,013,308	\$ 13,147,362
Business-type activities										
Net investment in capital assets	\$ 2,974,077	\$ 2,856,220	\$ 3,190,728	\$ 3,608,877	\$ 3,676,886	\$ 3,804,315	\$ 4,124,633	\$ 4,087,039	\$ 3,941,075	\$ 3,692,522
Unrestricted	4,581,044	4,960,014	5,079,897	5,226,566	5,735,232	5,869,011	6,000,387	6,298,744	6,618,561	6,765,672
Total business-type activities	\$ 7,555,121	\$ 7,816,234	\$ 8,270,625	\$ 8,835,443	\$ 9,412,118	\$ 9,673,326	\$ 10,125,020	\$ 10,385,783	\$ 10,559,636	\$ 10,458,194
Primary government										
Net investment in capital assets	\$ 7,453,424	\$ 7,391,226	\$ 7,701,703	\$ 8,253,617	\$ 8,159,478	\$ 8,439,128	\$ 10,079,685	\$ 10,860,618	\$ 10,978,166	\$ 11,041,596
Restricted	484,063	265,942	248,168	233,132	227,582	162,041	603,605	661,068	590,404	666,267
Unrestricted	8,364,388	9,825,143	10,244,995	10,236,230	11,119,769	11,113,946	10,276,422	10,566,025	11,004,374	11,897,693
Total primary government net position	\$ 16,301,875	\$ 17,482,311	\$ 18,194,866	\$ 18,722,979	\$ 19,506,849	\$ 19,715,115	\$ 20,959,712	\$ 22,087,711	\$ 22,572,944	\$ 23,605,556

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2005.

Table 2
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 1,300,880	\$ 1,453,676	\$ 1,597,249	\$ 1,574,056	\$ 1,712,123	\$ 1,748,845	\$ 1,771,512	\$ 1,844,143	\$ 1,818,687	\$ 1,714,743
Public safety	3,503,790	3,800,068	4,022,928	4,176,748	4,151,319	4,348,752	4,580,006	4,945,196	5,180,198	5,031,655
Transportation	350,757	389,114	391,684	438,584	437,896	496,241	611,126	524,519	588,542	605,019
Environmental protection	769,310	826,140	799,727	860,598	817,788	837,466	847,668	902,200	860,722	863,174
Cultural and recreation	415,739	399,894	477,708	500,620	529,261	504,868	516,097	533,929	596,394	606,801
Interest on long-term debt	-	4,988	12,530	20,762	56,271	250,496	229,612	110,909	288,693	36,156
Total governmental activities expenses	6,340,476	6,873,880	7,301,826	7,571,368	7,704,658	8,186,668	8,556,021	8,860,896	9,333,236	8,857,548
Business-type activities:										
Water and sewer	1,248,982	1,491,906	1,470,178	1,553,754	1,560,351	1,841,451	1,771,385	1,870,045	1,904,121	2,273,166
Total business-type activities expenses	1,248,982	1,491,906	1,470,178	1,553,754	1,560,351	1,841,451	1,771,385	1,870,045	1,904,121	2,273,166
Total primary government expenses	\$ 7,589,458	\$ 8,365,786	\$ 8,772,004	\$ 9,125,122	\$ 9,265,009	\$ 10,028,119	\$ 10,327,406	\$ 10,730,941	\$ 11,237,357	\$ 11,130,714
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ -	\$ -	\$ -	\$ -	\$ 101	\$ 42,501	\$ 42,501	\$ 45,500	\$ 55,100	\$ 57,019
Public safety	1,597,915	2,057,094	1,821,591	1,841,621	1,844,122	2,032,052	2,338,725	2,488,867	2,404,164	2,891,403
Environmental protection	794,843	799,029	786,684	922,784	877,078	983,687	979,014	1,011,431	954,223	929,382
Cultural and recreation	144,315	152,815	180,727	221,907	229,492	203,666	187,063	196,016	226,625	232,262
Operating grants and contributions	636,460	203,088	153,302	147,205	103,484	80,634	87,520	118,597	112,801	48,975
Capital grants and contributions	21,242	66,378	33,845	-	-	48,895	213,528	40,160	68,892	69,731
Total governmental activities program revenues	3,194,775	3,278,404	2,976,149	3,133,517	3,054,277	3,391,435	3,848,351	3,902,571	3,821,805	4,228,772
Business-type activities:										
Charges for services:										
Water and sewer	1,701,498	1,750,427	1,872,051	2,068,746	2,213,528	2,199,945	2,289,573	2,283,931	2,247,823	2,146,659
Operating grants and contributions	-	6,533	12,800	-	-	-	-	14,083	-	-
Total business-type activities program revenues	1,701,498	1,756,960	1,884,851	2,068,746	2,213,528	2,199,945	2,289,573	2,298,014	2,247,823	2,146,659
Total program revenues	\$ 4,896,273	\$ 5,035,364	\$ 4,861,000	\$ 5,202,263	\$ 5,267,805	\$ 5,591,380	\$ 6,137,924	\$ 6,200,585	\$ 6,069,628	\$ 6,375,431

Continued

Table 2
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Changes in Net Assets Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental activities	\$ (3,145,701)	\$ (3,595,476)	\$ (4,325,677)	\$ (4,437,851)	\$ (4,650,391)	\$ (4,795,233)	\$ (4,707,670)	\$ (4,958,325)	\$ (5,511,431)	\$ (4,628,776)
Business-type activities	452,516	265,054	414,673	514,992	653,177	358,494	518,188	427,969	343,702	126,507
Total net expense	<u>\$ (2,693,185)</u>	<u>\$ (3,330,422)</u>	<u>\$ (3,911,004)</u>	<u>\$ (3,922,859)</u>	<u>\$ (3,997,204)</u>	<u>\$ (4,436,739)</u>	<u>\$ (4,189,482)</u>	<u>\$ (4,530,356)</u>	<u>\$ (5,167,729)</u>	<u>\$ (4,755,283)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes	\$ 2,048,929	\$ 2,072,510	\$ 2,089,742	\$ 2,089,366	\$ 2,642,897	\$ 2,654,132	\$ 3,279,781	\$ 3,277,486	\$ 3,280,207	\$ 3,297,851
Local option sales tax	834,580	840,810	777,518	819,852	732,807	770,931	808,149	1,013,314	1,091,412	1,077,387
Other taxes and licenses	614,610	538,323	727,443	646,763	728,142	717,732	715,305	539,210	575,318	582,532
Unrestricted grants and contributions	293,878	465,308	334,159	347,705	298,080	281,282	327,479	643,373	574,647	759,497
Investment earnings	74,390	170,672	274,666	208,116	81,250	41,596	14,197	9,071	7,932	3,092
Miscellaneous	72,614	143,843	96,980	109,344	194,400	96,618	155,662	157,807	113,295	42,471
Transfers	283,333	283,333	283,333	180,000	180,000	180,000	200,000	180,000	180,000	-
Total governmental activities	<u>4,222,334</u>	<u>4,514,799</u>	<u>4,583,841</u>	<u>4,401,146</u>	<u>4,857,576</u>	<u>4,742,291</u>	<u>5,500,573</u>	<u>5,820,261</u>	<u>5,822,811</u>	<u>5,762,830</u>
Business-type activities:										
Investment earnings	77,129	183,060	252,937	210,044	89,275	79,373	16,596	12,794	10,151	3,751
Special item - gain on sale of well site	403,550	-	-	-	-	-	-	-	-	-
Impact fees	60,725	76,750	67,385	12,000	7,200	3,000	-	-	-	-
Miscellaneous	1,622	17,582	2,729	7,782	7,023	341	116,910	-	-	21,314
Transfers	(283,333)	(283,333)	(283,333)	(180,000)	(180,000)	(180,000)	(200,000)	(180,000)	(180,000)	-
Total business-type activities	<u>259,693</u>	<u>(3,941)</u>	<u>39,718</u>	<u>49,826</u>	<u>(76,502)</u>	<u>(97,286)</u>	<u>(66,494)</u>	<u>(167,206)</u>	<u>(169,849)</u>	<u>25,065</u>
Total primary government	<u>\$ 4,482,027</u>	<u>\$ 4,510,858</u>	<u>\$ 4,623,559</u>	<u>\$ 4,450,972</u>	<u>\$ 4,781,074</u>	<u>\$ 4,645,005</u>	<u>\$ 5,434,079</u>	<u>\$ 5,653,055</u>	<u>\$ 5,652,962</u>	<u>\$ 5,787,895</u>
Change in Net Position										
Governmental activities	\$ 1,076,633	\$ 919,323	\$ 258,164	\$ (36,705)	\$ 207,195	\$ (52,942)	\$ 792,903	\$ 861,936	\$ 311,380	\$ 1,134,054
Business-type activities	712,209	261,113	454,391	564,818	576,675	261,208	451,694	260,763	173,853	(101,442)
Total change in net position	<u>\$ 1,788,842</u>	<u>\$ 1,180,436</u>	<u>\$ 712,555</u>	<u>\$ 528,113</u>	<u>\$ 783,870</u>	<u>\$ 208,266</u>	<u>\$ 1,244,597</u>	<u>\$ 1,122,699</u>	<u>\$ 485,233</u>	<u>\$ 1,032,612</u>

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2005.

Table 3
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved for:										
State statute	\$ 421,626	\$ 515,695	\$ 426,707	\$ 426,096	\$ 353,509	\$ 420,535	\$ -	\$ -	\$ -	\$ -
Inventories	28,889	21,267	24,919	31,292	38,592	27,529	-	-	-	-
Prepaid items	22,169	20,108	16,241	13,898	15,817	47,502	-	-	-	-
Reserved for Powell Bill	11,934	23,678	65,589	94,511	101,997	61,427	-	-	-	-
Reserved for police federal and State forfeited property	472,129	242,264	182,579	138,621	125,585	100,614	-	-	-	-
Total reserved	956,747	823,012	716,035	704,418	635,500	657,607	-	-	-	-
Unreserved:										
Designated for subsequent year's expenditures	126,966	282,535	652,282	770,455	368,501	678,790	-	-	-	-
Undesignated	3,204,773	3,989,029	3,800,735	3,467,409	3,790,106	3,771,682	-	-	-	-
Non-spendable prepaid items	-	-	-	-	-	-	78,588	\$ 43,347	\$ 52,101	\$ 55,560
Restricted for stabilization by State statute	-	-	-	-	-	-	488,358	629,251	590,404	666,267
Restricted	-	-	-	-	-	-	115,247	29,319	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	655,563	336,160	357,020	175,656
Unassigned	-	-	-	-	-	-	3,743,771	4,131,644	4,275,417	5,366,938
Total General Fund	\$ 4,288,486	\$ 5,094,576	\$ 5,169,052	\$ 4,942,282	\$ 4,784,107	\$ 5,108,079	\$ 5,081,527	\$ 5,169,721	\$ 5,274,942	\$ 6,264,421
All Other Governmental Funds										
Reserved by State statute	\$ -	\$ -	\$ -	\$ -	\$ 312	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital Reserve Fund	136,084	198,566	229,016	259,494	339,304	337,936	529,171	-	-	-
Capital Project Fund	-	-	178,167	225,662	6,132,681	683,933	156,764	-	-	-
Non-spendable prepaid items:										
Restricted for stabilization by State statute	-	-	-	-	-	-	-	2,498	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed:										
Assigned	-	-	-	-	-	-	-	770,862	700,236	1,195,379
Unassigned	-	-	-	-	-	-	-	86,574	451,345	-
Total all other governmental funds	\$ 136,084	\$ 198,566	\$ 407,183	\$ 485,156	\$ 6,472,297	\$ 1,021,869	\$ 685,935	\$ 859,934	\$ 1,151,581	\$ 1,195,379

Table 4
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 3,497,112	\$ 3,459,898	\$ 3,595,479	\$ 3,554,832	\$ 4,105,295	\$ 4,131,215	\$ 4,806,193	\$ 4,837,060	\$ 4,949,671	\$ 4,954,330
Intergovernmental revenue	933,070	724,500	476,633	486,987	400,959	361,813	628,359	800,300	753,325	878,197
Licenses, fees, and permits	364,464	692,114	356,991	299,488	207,097	129,519	157,899	285,706	348,291	339,157
Charges for services	2,172,610	2,316,824	2,432,011	2,686,824	2,743,696	3,132,387	3,389,404	3,459,938	3,294,836	3,770,915
Investment earnings	74,390	177,452	282,438	211,744	81,855	41,699	14,366	9,071	7,932	3,092
Miscellaneous	91,123	153,096	148,453	134,725	194,400	192,542	164,084	157,807	113,295	42,471
Total revenues	7,132,769	7,523,884	7,292,005	7,374,600	7,733,302	7,989,175	9,160,305	9,549,882	9,467,350	9,988,162
Expenditures										
General government	1,262,237	1,392,588	1,536,128	1,525,314	1,661,523	1,633,166	1,672,192	1,740,578	1,765,165	1,584,906
Public safety	3,340,490	3,666,029	3,883,236	4,019,389	4,001,879	3,969,867	4,174,346	4,473,831	4,676,019	4,466,636
Transportation	323,296	361,904	364,289	407,129	416,958	451,758	588,089	479,846	536,932	554,226
Environmental protection	700,527	762,649	730,993	778,658	762,142	759,828	767,984	830,360	782,552	790,577
Cultural and recreation	391,046	379,338	447,651	469,382	501,388	456,365	471,541	478,150	535,883	543,777
Capital outlay	123,632	592,515	570,000	844,214	637,439	5,899,426	1,007,139	591,922	194,770	651,081
Debt service:										
Principal	-	-	72,227	176,431	296,607	295,440	685,563	656,428	587,737	428,572
Interest	-	-	8,623	17,252	25,700	22,018	395,232	216,574	171,424	110,110
Total expenditures	6,141,228	7,155,023	7,613,147	8,237,769	8,303,636	13,487,868	9,732,086	9,467,689	9,250,482	9,129,885
Revenues over (under) expenditures	991,541	368,861	(321,142)	(863,169)	(570,334)	(5,498,693)	(571,781)	82,193	216,868	858,277
Other Financing Sources (Uses)										
Installment purchase proceeds	-	224,000	317,250	528,000	6,212,000	203,300	-	-	-	175,000
Transfers in	338,333	338,333	748,333	617,500	571,415	418,000	473,925	544,575	743,970	775,010
Transfers out	(77,135)	(55,000)	(465,000)	(437,500)	(391,415)	(238,000)	(273,925)	(364,575)	(563,970)	(775,010)
Total other financing sources (uses)	261,198	507,333	600,583	708,000	6,392,000	383,300	200,000	180,000	180,000	175,000
Net change in fund balances	\$ 1,252,739	\$ 876,194	\$ 279,441	\$ (155,169)	\$ 5,821,666	\$ (5,115,393)	\$ (371,781)	\$ 262,193	\$ 396,868	\$ 1,033,277
Debt service as a percentage of non-capital expenditures	0.0%	0.0%	1.1%	2.6%	4.2%	4.2%	12.4%	9.8%	8.4%	6.4%

Table 5
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ended June 30	Room				Total Taxes
	Ad valorem Taxes ¹	Sales Taxes	Occupancy Tax	Franchise Tax	
2005	\$ 2,047,922	\$ 834,580	\$ 405,478	\$ 209,132	\$ 3,497,112
2006	2,080,765	840,810	328,200	210,123	3,459,898
2007	2,090,518	777,518	461,508	265,935	3,595,479
2008	2,088,217	819,852	416,326	230,437	3,554,832
2009	2,644,346	732,807	487,866	240,276	4,105,295
2010	2,642,552	770,931	468,022	249,710	4,131,215
2011	3,282,739	808,149	463,389	251,916	4,806,193
2012	3,284,536	1,013,314	505,306	212,454	5,015,610
2013	3,282,941	1,091,412	547,533	216,792	5,138,678
2014	3,294,411	1,077,387	554,014	256,609	5,182,421
% Change 2005-2014	<u>60.87%</u>	<u>29.09%</u>	<u>36.63%</u>	<u>22.70%</u>	<u>48.19%</u>

¹Property tax rates have remained fairly constant over the past ten years. The most recent property re-evaluation was in 2013.

Source: Town records.

Table 6
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate
2005	\$ 1,349,723,097	\$ 77,654,860	\$ 3,558,866	\$ 1,430,936,823	\$ 0
2006	1,360,039,706	81,843,736	3,998,777	1,445,882,219	0.1430
2007	1,375,321,258	83,345,547	783,619	1,459,450,424	0.1430
2008	3,181,778,959	96,106,911	3,146,642	3,281,032,512	0.0634
2009	3,220,791,881	77,821,853	3,042,611	3,301,656,345	0.0800
2010	3,226,175,000	69,600,000	2,450,000	3,298,225,000	0.0800
2011	3,232,053,329	71,654,784	3,255,511	3,306,963,624	0.0990
2012	3,237,762,182	74,467,912	2,980,221	3,315,210,315	0.0990
2013	2,387,932,680	74,706,007	2,921,125	2,465,559,812	0.1330
2014	2,391,341,930	85,664,304	2,731,799	2,479,738,033	0.1330

Notes: The State mandates that property must be reassessed at least once every eight years. The last re-evaluation was in 2013. Property is assessed at actual value; therefore, the assessed values are equal to actual values. Tax rates are per \$100 of assessed value.

Source: New Hanover County Tax Department.

Table 7
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Principal Property Taxpayers
Current Year and Nine Years Ago
Fiscal Year Ended June 30

Taxpayer	2014				2005			
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	
Moore's Inlet Partnership	\$ 32,108,190	1	1.3%		\$ -	-	-	
Four Seasons Management	18,376,100	2	0.7%		10,565,601	2	0.7%	
Seapath Yacht Club	17,315,799	3	0.7%		-	-	-	
Surf Club	13,396,249	4	0.5%		6,411,799	7	0.4%	
Carolina Yacht Club	9,309,535	5	0.4%		7,445,372	4	0.5%	
Hanover Seaside Club	9,233,939	6	0.4%		5,817,057	8	0.4%	
Peterson Annie Bryant Hrs	8,885,300	7	0.4%		6,414,749	6	0.4%	
Wrightsville Yacht Club	8,711,386	8	0.3%		3,806,216	10	0.3%	
Sea Oats Management Company	8,485,600	9	0.3%		10,523,077	3	0.7%	
Crystal Pier LLC	8,101,700	10	0.3%		-	-	-	
IRT Property	-	-	-		6,851,097	5	0.5%	
PVC, Inc.	-	-	-		24,823,442	1	1.7%	
Mercer's Enterprises	-	-	-		4,007,358	9	0.3%	
Total	<u>\$ 133,923,798</u>		<u>5.4%</u>		<u>\$ 86,665,768</u>		<u>6.1%</u>	
Total taxable assessed value	<u>\$ 2,479,738,033</u>				<u>\$ 1,430,936,823</u>			

Source: New Hanover County Tax Office.

Table 8
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year Ended June 30	Direct Rate		Overlapping Rate
	Town of Wrightsville Beach	New Hanover County	
2005	\$ 0.1430	\$ 0.6800	
2006	0.1430	0.6800	
2007	0.1430	0.6800	
2008	0.0634	0.6850	
2009	0.0800	0.4200	
2010	0.0800	0.4525	
2011	0.0990	0.4655	
2012	0.0990	0.4655	
2013	0.1330	0.5540	
2014	0.1330	0.5540	

Note: Overlapping rates are rates of local governments that apply to the property owners within the Town of Wrightsville Beach.

Source: New Hanover County Tax Department.

Table 9
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Property Taxes Levied for the Fiscal Year	Property Taxes				Property Tax Collections Subsequent Years	Property Tax Total Collections to Date	Percentage of Levy
		Collected within the Fiscal Year of the Levy		Total Collections to Date				
		Amount	Percentage of Levy	Amount	Percentage of Levy			
2005	\$ 2,047,911	\$ 2,032,054	99.23%	\$ 14,954	\$ 2,047,008	99.96%		
2006	2,070,083	2,062,895	99.65	6,143	2,069,038	99.95		
2007	2,089,386	2,081,931	99.64	6,941	2,088,872	99.98		
2008	2,082,981	2,074,639	99.60	7,561	2,082,200	99.96		
2009	2,640,731	2,634,734	99.77	3,018	2,637,752	99.89		
2010	2,653,765	2,632,361	99.19	18,573	2,650,934	99.89		
2011	3,273,438	3,259,786	99.58	6,491	3,266,277	99.78		
2012	3,284,804	3,266,029	99.43	12,044	3,278,073	99.80		
2013	3,276,560	3,263,024	99.59	(4,087)	3,258,937	99.46		
2014	3,296,577	3,278,954	99.47	-	3,278,954	99.47		

Source: New Hanover County Tax Department.

Table 10
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities		Total Government		Percentage of Personal Income ¹	Per Capita ¹
	Governmental Activities Installment Debt	Governmental Activities Debt	Primary Government	Government		
2005	\$ -	\$ -	\$ -	\$ -	-	\$ -
2006	224,000	224,000	224,000	224,000	0.003%	84.12
2007	469,023	469,023	469,023	469,023	0.007%	173.07
2008	820,592	820,592	820,592	820,592	0.011%	304.15
2009	6,735,986	6,735,986	6,735,986	6,735,986	0.097%	2,498.51
2010	6,643,845	6,643,845	6,643,845	6,643,845	0.093%	2,671.43
2011	5,958,277	5,958,277	5,958,277	5,958,277	0.080%	2,389.04
2012	5,302,023	5,302,023	5,302,023	5,302,023	0.067%	2,123.36
2013	4,714,286	4,714,286	4,714,286	4,714,286	N/A	1,885.71
2014	4,460,714	4,460,714	4,460,714	4,460,714	N/A	1,776.47

¹See Schedule 13 for personal income and population data.

Note: Details regarding the Town's outstanding debt can be found in the Notes to the Financial Statements.

Personal income statistics are not available for the Town of Wrightsville Beach. Percentages are calculated using data for New Hanover County.

Source: Town of Wrightsville Beach and New Hanover County.

Table 11
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
New Hanover County	<u>\$ 395,244,017</u>	8.35%	\$ 32,983,802
Town of Wrightsville Beach debt	<u>\$ 4,460,714</u>	100.00%	<u>4,460,714</u>
Total direct and overlapping debt			<u><u>\$ 37,444,516</u></u>

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Wrightsville Beach. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

¹The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages are estimated by determining the portion of the County's taxable assessed value that is within the Town's boundaries and dividing it by the County's total assessed value.

Source: Town of Wrightsville Beach and New Hanover County.

Table 12
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
 Legal Debt Margin Information
 Last Ten Fiscal Years

		Legal Debt Margin Calculation for June 30, 2014									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit		\$ 114,474,946	\$ 115,670,578	\$ 116,756,034	\$ 262,482,601	\$ 264,132,508	\$ 263,858,000	\$ 264,557,090	\$ 265,216,825	\$ 197,244,785	\$ 198,352,671
Total net debt applicable to limit		-	224,000	469,023	820,592	6,735,985	6,643,845	5,958,277	5,302,023	4,714,286	4,460,714
Legal debt margin		\$ 114,474,946	\$ 115,446,578	\$ 116,287,011	\$ 261,662,009	\$ 257,396,523	\$ 257,214,155	\$ 258,598,813	\$ 259,914,802	\$ 192,530,499	\$ 193,891,957
Total net debt applicable to the limit as a percentage of debt limit		0.00%	0.19%	0.40%	0.31%	2.55%	2.52%	2.25%	2.00%	2.39%	2.25%
Total assessed value		\$ 2,479,408,393									
Debt limit (8% of assessed value)		\$ 198,352,671									
Debt applicable to limit:											
Installment Purchase Agreement		4,460,714									
Total net applicable to limit		4,460,714									
Legal debt margin		\$ 193,891,957									

Note: NC General Statute 159 states that the net debt of the unit should not exceed eight percent (8%) of the assessed value of property subject to taxation.

Table 13
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30	Town of Wrightsville Beach		New Hanover County		Unemployment Rate ³
	Population ¹	Personal Income (000's) ²	Personal Income	Per Capita Personal Income ²	
2005	2,648	\$ 6,061,165	\$ 32,690		4.1%
2006	2,663	6,569,345	34,432		3.7%
2007	2,710	6,949,636	35,760		3.8%
2008	2,698	7,296,052	36,903		5.3%
2009	2,696	6,921,691	34,578		9.2%
2010	2,487	7,051,558	34,692		9.7%
2011	2,494	7,445,150	36,108		9.9%
2012	2,497	7,858,545	37,559		9.2%
2013	2,500	n/a	n/a		9.1%
2014	2,511	n/a	n/a		6.4%

Note: Personal income and unemployment statistics are not available for the Town of Wrightsville Beach.

¹ **Source:** North Carolina State Demographer and Town.

² **Source:** Bureau of Economic Analysis.

³ **Source:** North Carolina Department of Commerce.
The 2014 rate is for the period January through June.

Table 14
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Principal Employers in New Hanover County
Current Fiscal Year and Nine Years Ago

Employer (Top Ten)	2014					2005				
	Employees		Rank		Percentage	Employees		Rank		Percentage
	Count	Rank	Count	Rank	of Total County	Count	Rank	Count	Rank	of Total County
New Hanover Health Network	4,738	1	4,600	1	4.5	4,600	1	4,600	1	4.9
New Hanover County Schools	3,666	2	3,130	2	3.5	3,130	2	3,130	2	3.3
Wal-Mart Stores, Inc.	2,592	3	1,050	7	2.5	1,050	7	1,050	7	1.1
General Electric	2,100	4	1,850	3	2.0	1,850	3	1,850	3	2.0
University of NC - Wilmington	1,898	5	1,630	4	1.8	1,630	4	1,630	4	1.7
PPD, Inc	1,500	6	900	10	1.4	900	10	900	10	1.0
New Hanover County (Government)	1,480	7	1,370	5	1.4	1,370	5	1,370	5	1.4
Verizon Wireless	1,346	8	900	9	1.3	900	9	900	9	1.0
Duke Energy	1,070	9	-	-	1.0	-	-	-	-	-
Corning, Inc.	1,000	10	-	-	1.0	-	-	-	-	-
City of Wilmington	-	-	1,130	6	-	1,130	6	1,130	6	1.2
United States Government	-	-	940	8	-	940	8	940	8	1.0
Total	21,390		17,500		20.5	17,500		17,500		18.5
Total New Hanover County Employment	104,387		94,616			94,616		94,616		

Note: Employment data for the Town of Wrightsville Beach is not available.

Source: New Hanover County; Greater Wilmington Business Journal, Fall 2012; NC Employment Security Commission.

Table 15
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Full-Time Equivalent Government Employees by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year Ended June 30										
	2005	2006	2007	2008	2008	2009	2010	2011	2012	2013	2014
General government	11	11	11	12	12	12	12	12	12	12	12
Public safety	44	44	46	43	43	43	43	43	44	44	45
Transportation	4	4	4	5	5	5	5	5	5	5	5
Environmental protection	8	8	8	8	8	8	8	8	8	8	8
Cultural and recreation	4	4	5	5	5	5	5	5	5	5	5
Water and sewer	8	8	9	9	9	9	9	9	9	9	9
Total	<u>79</u>	<u>79</u>	<u>83</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>83</u>	<u>83</u>	<u>84</u>

Source: Town records

Table 16
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Operating Indicators by Function
Last Ten Fiscal Years
(Calendar Years Where Indicated)

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety:										
Police Department:										
Criminal charges (calendar years)	2,203	3,244	3,064	2,429	2,658	3,164	3,164	3,226		
Reported serious offenses (calendar years)	521	405	459	350	419	399	405	419	158	193
* Incident and Invest (Total Offenses), Part 1 Crimes									499	430
* Incident and Invest (Total Offenses), Part 2 Crimes									935	1,108
* Total Ordinance Tickets Issued									815	697
* Total Criminal Citations Issued										
* Represents a change in Police Department reporting as of 1/1/13										
Fire Department:										
Fire alarms (calendar years)	168	135	141	136	115	113	170	146	73	126
EMS calls (calendar years)	362	405	373	304	348	433	402	360	241	295
Planning and Inspections:										
Building permits issued	305	502	182	473	521	417	400	527	481	285
Value (\$000)	\$ 26,778	\$ 51,632	\$ 21,556	\$ 26,717	\$ 17,666	\$ 8,256	\$ 12,803	\$ 25,832	\$ 13,482	\$ 7,373
Cultural and recreation										
Softball field reservations (calendar years)	6	12	8	4	3	14	4	60	37	34
Recreation center reservations (calendar years)	57	39	147	92	141	126	115	119	55	49
Recreation programs (calendar years)	18	22	22	24	24	23	23	23	23	23
Water and Sewer										
Customers	2,528	2,569	2,635	2,667	2,671	2,679	2,690	2,678	2,678	2,686
Water - average daily consumption in gallons	916,871	948,627	909,860	947,154	861,570	757,533	910,074	876,332	795,291	811,718
Sewer - average daily inflow (in gallons)	654,381	610,972	585,737	579,867	588,336	636,266	587,641	565,217	557,938	624,000

Note: 2014 calendar year is for the period January-August.

Source: Town records

Table 17
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year Ended June 30										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Public Safety:											
Police stations	1	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1	1
Cultural and Recreation:											
Parks	7	7	7	7	7	7	7	7	7	7	7
Park acreage	30	30	30	30	30	30	30	30	30	30	30
Recreation centers	1	1	1	1	1	1	1	1	1	1	1
Water and Sewer											
Pump stations	7	7	7	7	7	7	7	7	7	7	7
Water treatment centers	2	2	2	2	2	2	2	2	2	2	2
Wells	8	8	8	8	8	8	8	8	8	8	8
Ground storage water tanks	2	2	2	2	2	2	2	2	2	2	2
Elevated water storage tanks	2	2	2	2	2	2	2	2	2	2	2

Source: Town records.

Compliance Section

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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

Independent Auditor's Report

To the Honorable Mayor and
Board of Aldermen
Town of Wrightsville Beach, North Carolina

We have audited, 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, 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 Wrightsville Beach, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated September 26, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Responses* as 2014-001, 2014-002, and 2014-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Wrightsville Beach's financial statements are free of material misstatement, we performed tests of its compliance and other matters with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance and other matters 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Wrightsville Beach's Responses to Findings

The Town of Wrightsville Beach's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Responses*. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements; and accordingly, we express no opinion on them.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
September 26, 2014

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

2. Financial Statements Findings

Finding 2014-001 – Preparation of the Financial Statements

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

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by Town personnel.

Context: While conducting our audit, it was noted that Town personnel cannot prepare full disclosure financial statements in accordance with generally accepted accounting principles.

Effect: The Town requires assistance from the external auditor to prepare the financial statements.

Cause: The cost versus benefit of hiring additional staff to comply with the financial reporting requirements discussed above is cost prohibitive.

Recommendation: The cost of acquiring sufficient staff to comply with the financial reporting requirements discussed above appears prohibitive. Therefore, the Town should exercise due care in reviewing the financial statements drafted by the external auditor as the Town is responsible for the accuracy of the audited financial statements.

Name of Contact Person: Erica Walters, Finance Officer

Corrective Action/Management Response: Management concurs with the finding. Management, will continue to exercise due care in reviewing the financial statements drafted by the external auditor, as the Town is responsible for the accuracy of the audited financial statements.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

2. Financial Statements Findings (continued)

Finding 2014-002 – Material Audit Adjustments

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

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the Town's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Context: While performing our audit procedures, significant audit adjustments were required to report the Town's financial statements in accordance with Generally Accepted Accounting Principles.

Effect: Material misstatements of the financial statements could result.

Cause: Year-end adjustments include adjustments required for drafting full-accrual, full-disclosure GAAP financial statements, which requires a level of technical expertise not possessed by the Town's personnel with regards to drafting full-accrual, full-disclosure GAAP financial statements.

Recommendation: Management should examine the adjustments required as a result of our audit and assess the cost versus benefit of improving the internal control system to prevent the adjustments in the future, given the available financial and intellectual resources. Management should acknowledge inherent limitations in the internal control system caused by limited resources and modify their oversight function accordingly.

Name of Contact Person: Erica Walters, Finance Officer

Corrective Action/Management Response: Management is aware that year-end audit adjustments are typically required. Management will examine controls in place to see if they can be strengthened, given available resources, thus reducing the number of audit adjustments required at year-end. In the areas where the cost versus benefit does not justify improving the control system, management will exercise due caution in performing their oversight function.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2014

2. Financial Statements Findings (continued)

Finding 2014-003 – Inadequate Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Context: While performing our audit procedures, we noted certain staff had access to and performed several processes without adequate segregation.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Name of Contact Person: Erica Walters, Finance Officer

Corrective Action/Management Response: Management agrees with this finding and will examine the controls in place to see if they can be strengthened.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Finding 2013-001

Status: Repeated as 2014-001

Finding 2013-002

Status: Repeated as 2014-002

Finding 2013-003

Status: Repeated as 2014-003

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