

**TOWN OF WRIGHTSVILLE BEACH
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

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, 2013*

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**TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2013**

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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

August 30, 2013

The Honorable Mayor David Cignotti,
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, 2013, 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, 2013, 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, 2013, 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 southeastern corner 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/defibrillator 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 2,497 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 has been over 9% for the last four years. 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 only 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, and room occupancy tax. Conservative revenue projections and expenditure policies resulted in a healthy fund balance at the end of FY 2012-2013. The Town began the fiscal year with a fund balance of \$5.170 million and ended the year with a fund balance of \$5.275 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 2012-2013, the TDA approved more than \$546,000 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.
- Automated License Plate Recognition System Grant – In March 2009, the Wrightsville Beach Police Department applied for a federal grant through the Homeland Security Port Security Grant Program that would support the acquisition of an Automated License Plate Recognition (ALPR) system. This system has the ability to identify vehicles that are registered to known felons or individuals with outstanding traffic violations. In late June 2011, the Town was notified that the Police Department had received a federal grant in the amount of \$214,400 to be used for the purchase of an ALPR system. Under terms of the grant, the federal government would provide \$160,800 with a local share of \$53,600. The equipment which included one mobile camera and one camera installed on a trailer unit was purchased at the end of FY 11-12. The equipment was received and setup in the first quarter of FY 2012-2013. Also during FY 2012-13, the Town was able to purchase a second mobile ALPR unit due to additional monies in the original grant.
- Beach Ambassador Program - In 2011, as a result of recommendations made by the Cleaner, Greener Advisory Committee, the Board of Aldermen directed the creation of two seasonal part-time positions to function as Beach Ambassadors. Project oversight was provided by the Planning and Parks Department with the Ambassadors being supervised by the Town's Park Ranger. The intended role of the Ambassadors was to greet beach visitors and respond to any questions. The first year's program was marginally successful due to personnel issues; however, the Beach Ambassador Program for FY 2012-13 has been very successful. Funding for the two seasonal positions is provided through use of the Room Occupancy Taxes (ROT). The annual cost for the program is approximately \$6,800.
- Smoking Prohibition on the Beach Strand - For the past several years, the Board of Aldermen has discussed and held public hearings regarding the prohibition of smoking on the beach strand. When the issue came up for a vote, the Board consistently voted 3-2 against establishing a smoking ban for town beaches. Due to a citizen's initiative requesting the Board to adopt the original ordinance prohibiting smoking on the beach or have the question placed on the November 2012 general election ballot, the Board directed that the item be placed on the November ballot. The vote was overwhelmingly in favor of establishing a smoking ban on the Town beaches. The Board directed staff to enforce through education first and then through citations. They agreed to the following educational opportunities:
 - Include information on the Town's website

- Work with UNCW to produce a video for New Hanover County TV that welcomes people to the beach and highlights our beach strand rules. This video would also be placed on the Town's website.
 - Place additional cigarette receptacles at beach accesses.
 - Have beach ambassadors educate beach visitors by making them aware of the smoking ban on the beach strand and asking visitors not to smoke.
 - Arrange a competition at the Wrightsville Beach Elementary School for children to submit signs about no smoking. The winning pictures would be made into signs which would be placed at all the beach accesses.
 - Use some of the Cleaner Greener Committee's money to purchase refrigerator magnets that would be distributed to motels and rental units.
- Public Works projects – During FY 2012-2013, the Public Works Department completed several major projects including the following:
 - Replaced concrete storm drain pipe on Jasmine Street with PVC pipe in order to resolve infiltration issues at the concrete pipe joints which were causing erosion under the road and potholes.
 - Continued upgrading water meters from manually read mechanical meters to automated magnetic meters. This project began during the last fiscal year and will continue for the next several years until all mechanical meters have been replaced with touch read meters. This will lead to more efficient meter reading and less misread meters.
 - Contracted cleaning and videoing of 10,000 feet of sanitary sewer pipe at the south end of the beach.
 - Replaced aging pump at lift station one.

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 2012-2013 including:

- Contributions to a dedicated reserve fund for beaches and inlet maintenance.

- Contributions to a dedicated reserve fund for future Land Use Plan update.
- Contributions to a dedicated reserve fund for IT server virtualization project.
- Contributions to a dedicated reserve fund for future purchase of a fire truck.
- Contributions to a dedicated reserve fund for future upgrades to the Southside Wastewater Treatment Plant in Wilmington where the Town's wastewater is treated.
- Purchase of three vehicles for the Police Department, a service truck for the Parking Department, a copier and server for the Public Works Department, and a personal watercraft and trailer for the Ocean Rescue program.

GFOA CERTIFICATE OF ACHIEVEMENT PROGRAM

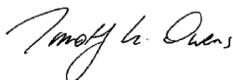
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Wrightsville Beach for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This is the eighteenth 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,



Peggy Jones
Finance Officer

TOWN OF WRIGHTSVILLE BEACH NORTH CAROLINA

Board of Aldermen

David Cignotti, Mayor

William Sisson, Mayor Pro Tem

Elizabeth King

Darryl Mills

Susan Collins

Town Manager

Timothy Owens

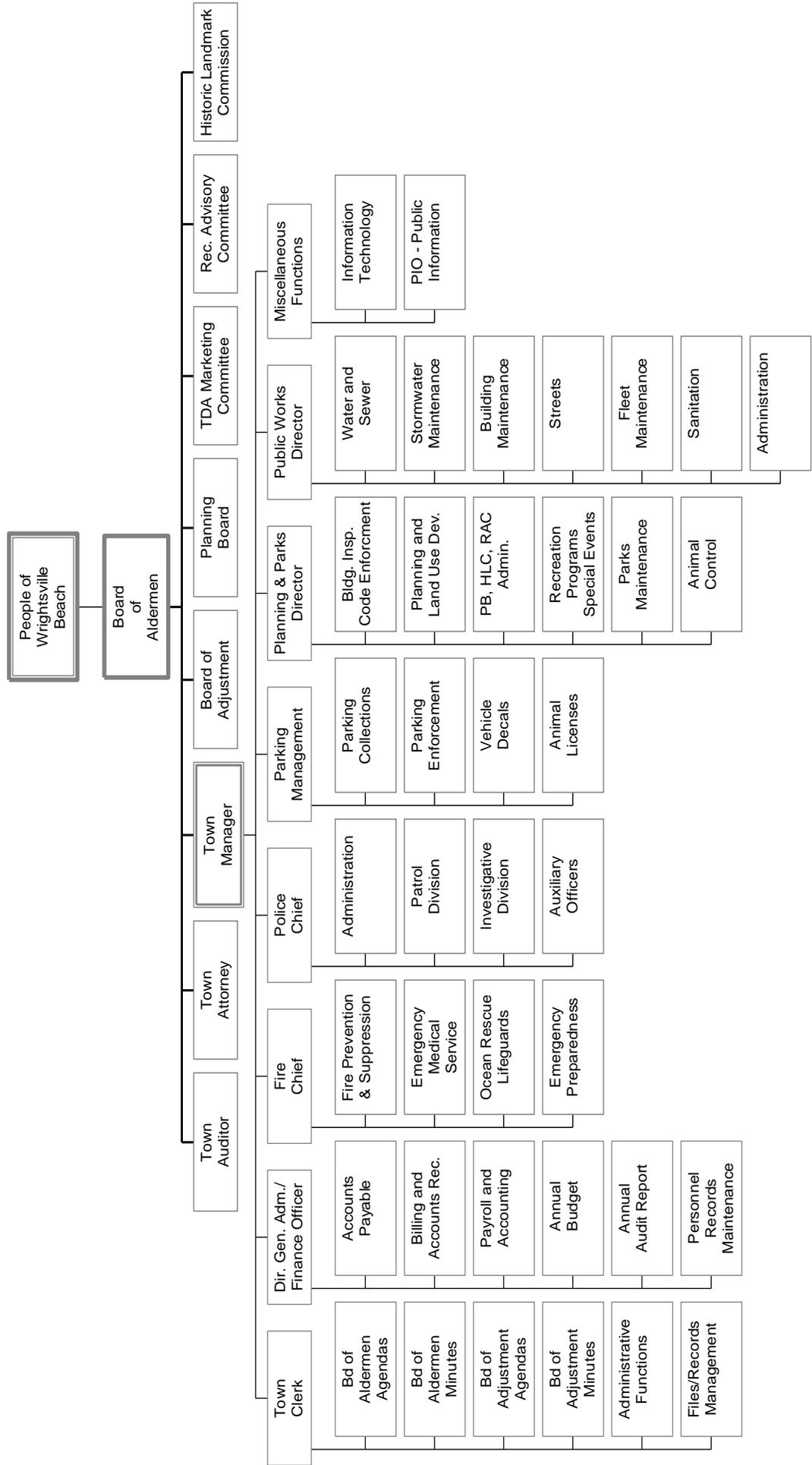
Finance Officer

Peggy Jones

TOWN OF WRIGHTSVILLE BEACH
LIST OF TOWN OFFICIALS
JUNE 30, 2013

<u>TITLE</u>	<u>NAME</u>
Mayor	David Cignotti
Mayor Pro Tem	William Sisson
Alderman	Elizabeth King
Alderman	Darryl Mills
Alderman	Susan Collins
Town Attorney	John Wessell, III
Town Manager	Timothy Owens
Town Clerk	Sylvia Holleman
Finance Officer	Peggy Jones
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, 2012

Executive Director/CEO

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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
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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 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, 2013, 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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

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 procedures performed as described above, the combining and individual fund statements, budgetary 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 August 30, 2013 on our consideration of 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 grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of 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
August 30, 2013

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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, 2013. 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

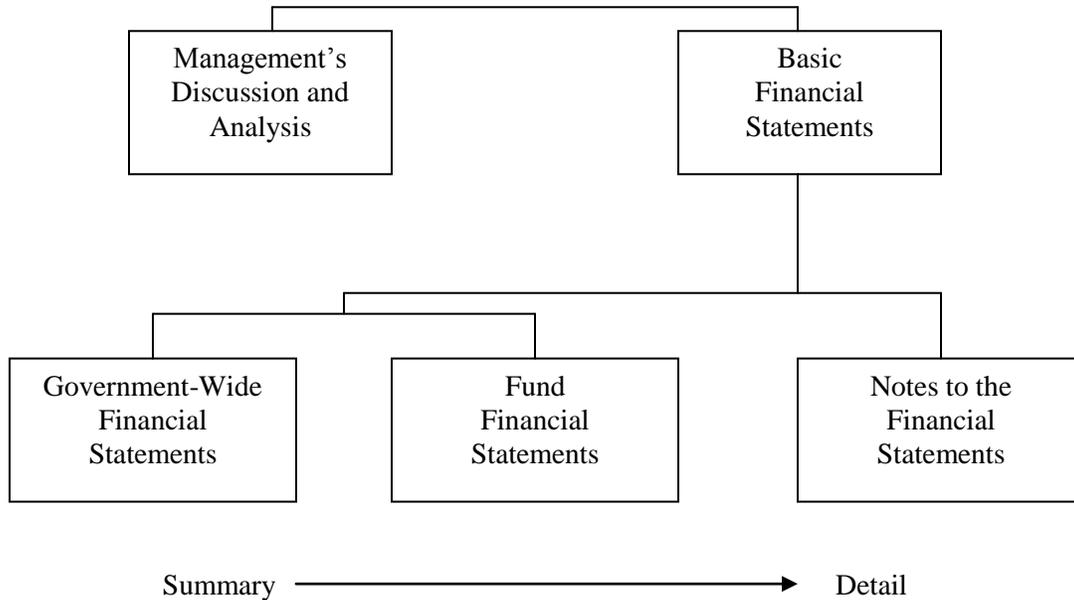
- The assets and the deferred outflows of resources of the Town of Wrightsville Beach exceeded its liabilities and deferred inflows at the close of the fiscal year by \$22,572,944 (*net position*).
- The government's total net position increased by \$485,233 primarily due to increases in the governmental activities net position. Key factors in the increase were growth in sales tax and room occupancy tax revenues.
- As of the close of the current fiscal year, the Town of Wrightsville Beach's governmental funds reported combined ending fund balances of \$6,426,523, an increase of approximately \$396,868 in comparison with the prior year.
- 10.00% of this total amount, or \$642,505, is unspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,275,417, or 46.23% of total General Fund expenditures for the fiscal year.
- The Town's total debt decreased by \$587,737 (11.09%) during the current fiscal year. The key factor in the decrease was that all but one installment loan was paid off and each year the interest on the 15-year loan for the Public Safety Facility will decrease and; also, no new debt was issued in FY 2012-2013.

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 has increased steadily since fiscal year 2005 when net position was \$16,301,875.

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.

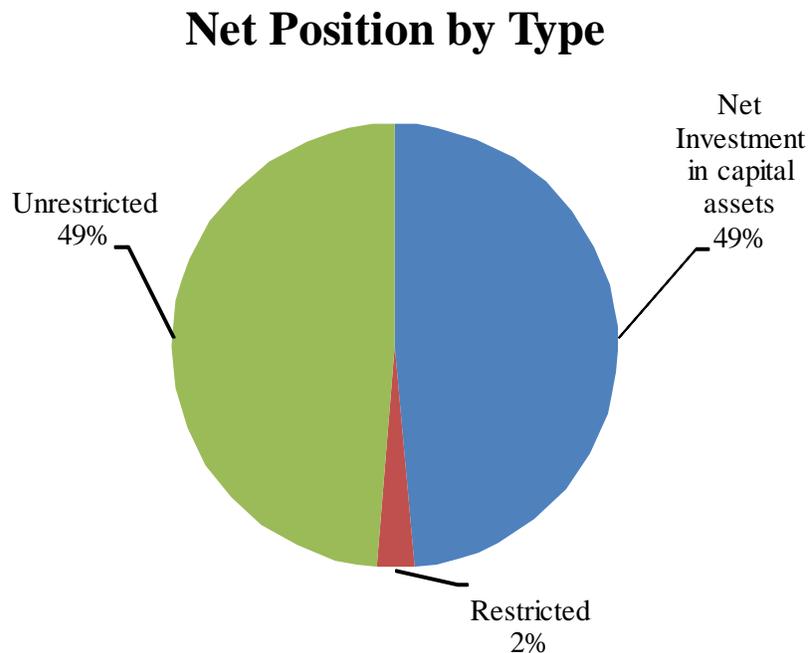
Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27-49 of this report.

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 50 of this report.

Government-Wide Financial Analysis

Town of Wrightsville Beach's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 6,636,775	\$ 6,362,794	\$ 6,849,282	\$ 6,466,635	\$ 13,486,057	\$ 12,829,429
Capital assets	<u>11,751,377</u>	<u>12,075,598</u>	<u>3,941,075</u>	<u>4,087,039</u>	<u>15,692,452</u>	<u>16,162,637</u>
Total assets	<u>18,388,152</u>	<u>18,438,392</u>	<u>10,790,357</u>	<u>10,553,674</u>	<u>29,178,509</u>	<u>28,992,066</u>
Long-term liabilities outstanding	5,500,182	5,659,117	135,150	108,068	5,635,332	5,767,185
Other liabilities	<u>874,662</u>	<u>1,077,347</u>	<u>95,571</u>	<u>59,823</u>	<u>970,233</u>	<u>1,137,170</u>
Total liabilities	<u>6,374,844</u>	<u>6,736,464</u>	<u>230,721</u>	<u>167,891</u>	<u>6,605,565</u>	<u>6,904,355</u>
Net Position:						
Net Investment in capital assets	7,037,091	6,773,579	3,941,075	4,087,039	10,978,166	10,860,618
Restricted	590,404	661,068	-	-	590,404	661,068
Unrestricted	<u>4,385,813</u>	<u>4,267,281</u>	<u>6,618,561</u>	<u>6,298,744</u>	<u>11,004,374</u>	<u>10,566,025</u>
Total net position	<u>\$ 12,013,308</u>	<u>\$ 11,701,928</u>	<u>\$ 10,559,636</u>	<u>\$ 10,385,783</u>	<u>\$ 22,572,944</u>	<u>\$ 22,087,711</u>



As noted earlier, net position may serve, over time, as one useful indicator of government's financial condition. The assets and deferred outflows of the Town of Wrightsville Beach exceeded liabilities and deferred inflows by \$22,572,944 as of June 30, 2013. The Town's net position increased by \$485,233 for the fiscal year ended June 30, 2013.

A significant portion of the Town of Wrightsville Beach's net position (48.75%) 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 (2.62%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of \$10,978,166 (48.63%) 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 99.59%, which is higher than the State-wide average of 97.48%
- Increase in revenues from room occupancy tax by 8.4% over the prior year
- Increase in sales tax revenues by 7.7% 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	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 3,640,112	\$ 3,743,814	\$ 2,247,823	\$ 2,283,931	\$ 5,887,935	\$ 6,027,745
Operating grants and contributions	112,801	118,597	-	14,083	112,801	132,680
Capital grants and contributions	68,892	40,160	-	-	68,892	40,160
General revenues:						
Property taxes	3,280,207	3,277,486	-	-	3,280,207	3,277,486
Other taxes	1,666,730	1,552,524	-	-	1,666,730	1,552,524
Grants and contributions not restricted to specific programs	574,647	643,373	-	-	574,647	643,373
Other	121,227	166,878	10,151	12,794	131,378	179,672
Total revenues	<u>9,464,616</u>	<u>9,542,832</u>	<u>2,257,974</u>	<u>2,310,808</u>	<u>11,722,590</u>	<u>11,853,640</u>
Expenses:						
General government	1,818,687	1,844,143	-	-	1,818,687	1,844,143
Public safety	5,180,198	4,945,196	-	-	5,180,198	4,945,196
Transportation	588,542	524,519	-	-	588,542	524,519
Environmental protection	860,722	902,200	-	-	860,722	902,200
Culture and recreation	596,394	533,929	-	-	596,394	533,929
Interest on long-term debt	288,693	110,909	-	-	288,693	110,909
Water and sewer	-	-	1,904,121	1,870,045	1,904,121	1,870,045
Total expenses	<u>9,333,236</u>	<u>8,860,896</u>	<u>1,904,121</u>	<u>1,870,045</u>	<u>11,237,357</u>	<u>10,730,941</u>
Increase in net position before transfers	131,380	681,936	353,853	440,763	485,233	1,122,699
Transfers from (to) other funds	<u>180,000</u>	<u>180,000</u>	<u>(180,000)</u>	<u>(180,000)</u>	<u>-</u>	<u>-</u>
Increase in net position	311,380	861,936	173,853	260,763	485,233	1,122,699
Net Position:						
Beginning of Year - July 1	<u>11,701,928</u>	<u>10,839,992</u>	<u>10,385,783</u>	<u>10,125,020</u>	<u>22,087,711</u>	<u>20,965,012</u>
End of Year - June 30	<u>\$ 12,013,308</u>	<u>\$ 11,701,928</u>	<u>\$ 10,559,636</u>	<u>\$ 10,385,783</u>	<u>\$ 22,572,944</u>	<u>\$ 22,087,711</u>

Governmental Activities. Governmental activities increased the Town's net position by \$311,380, thereby accounting for 64.2% 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
- Decrease in debt service payments by 13.0% from FY 2011-2012 due to payoff of loans as well as reduced interest payments on Public Safety building installment loan

Business-Type Activities. Business-type activities increased the Town of Wrightsville Beach's net position by \$173,853, accounting for 35.8% of the total growth in the government's net position. This increase was primarily due to the postponement of a waterline project.

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 \$4,632,437, while total fund balance reached \$5,274,942. 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 50.1% of total General Fund expenditures, while total fund balance represents 57.0% of that same amount.

At June 30, 2013, the governmental funds of the Town of Wrightsville Beach reported a combined fund balance of \$6,426,523, a 6.6% increase over last year. Included in this change in fund balance is an increase in fund balance in both the General Fund and the Capital Reserve Fund and a decrease in fund balance in the nonmajor fund. The increase in the fund balance for the General Fund was due primarily to an increase in local option sales tax and tourism dollars. The increase in fund balance for the Capital Reserve Fund was due to transfers from the General Fund for future capital purchases. The nonmajor fund was closed due to the completion of the project.

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 recognition of unexpected contributions or donations from residents and civic groups, recognition of funds from the County ABC Board to help pay for a School Resources Officer for the local elementary school, and recognition of additional revenues collected by the Parks and Recreation Department for local recreation programs. Amendments to General Fund expenditures included funding for the purchase of personal body cameras for the Police Department, an additional mobile automated license plate recognition system and security lighting for Mercer's Pier. There were also amendments to cover the FY 2012-2013 street resurfacing project and to cover refinancing costs for the Public Safety building loan.

Revenues were more than budgeted amounts primarily due to continued increases in sales tax and room occupancy tax revenues and increases in recreation revenues. Expenditures were less than budgeted amounts due to unfilled positions and postponement of projects.

Proprietary Funds. The Town of Wrightsville Beach's proprietary fund provides the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$6,618,561. The total growth in net position was \$173,853.

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, 2013 totals \$15,692,452 (net of accumulated depreciation). These assets include building renovations, land, machinery and equipment, vehicles, and water and sewer lines.

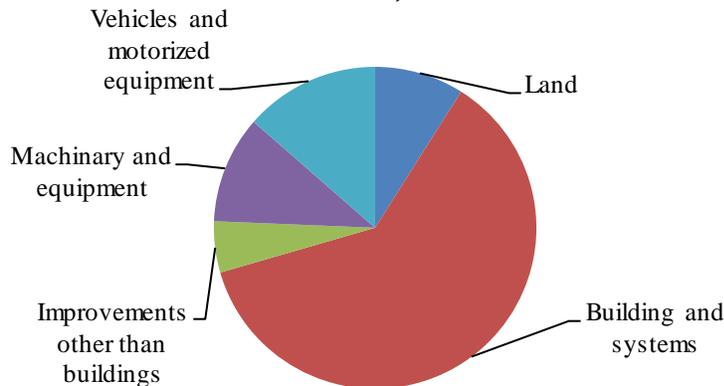
Major capital asset transactions during the year include the following additions (There were no significant demolitions or disposals.):

- Service truck for the Parking Department, Public Works server, police cars, fingerprint system, Ocean Rescue jet ski and trailer, sewer pump, copier, and sewer camera

Town of Wrightsville Beach's Capital Assets
Figure 4
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,343,012	\$ 2,343,012	\$ -	\$ -	\$ 2,343,012	\$ 2,343,012
Total non-depreciable assets	<u>2,343,012</u>	<u>2,343,012</u>	<u>-</u>	<u>-</u>	<u>2,343,012</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	2,127,285	1,989,277	692,305	593,523	2,819,590	2,582,800
Vehicles and motorized equipment	<u>3,222,425</u>	<u>3,101,518</u>	<u>326,955</u>	<u>326,955</u>	<u>3,549,380</u>	<u>3,428,473</u>
Total assets being depreciated	<u>14,148,220</u>	<u>13,889,305</u>	<u>9,664,943</u>	<u>9,566,161</u>	<u>23,813,163</u>	<u>23,455,466</u>
Less: accumulated depreciaiton	<u>4,739,855</u>	<u>4,156,719</u>	<u>5,723,868</u>	<u>5,479,122</u>	<u>10,463,723</u>	<u>9,635,841</u>
Total capital assets being depreciated, net	<u>9,408,365</u>	<u>9,732,586</u>	<u>3,941,075</u>	<u>4,087,039</u>	<u>13,349,440</u>	<u>13,819,625</u>
Total capital assets, net	<u>\$ 11,751,377</u>	<u>\$ 12,075,598</u>	<u>\$ 3,941,075</u>	<u>\$ 4,087,039</u>	<u>\$ 15,692,452</u>	<u>\$ 16,162,637</u>

Government-Wide Capital Assets June 30, 2013



Additional information on the Town's capital assets can be found in the note 2-A on pages 37-38 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2013, the Town of Wrightsville Beach had \$4,714,286 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. A detailed explanation regarding these obligations can be found in note 2-B 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 \$192,530,499.

Additional information regarding the Town of Wrightsville Beach's long-term liabilities can be found in note 1-E page 32 and in note 2-B 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 2012 estimated unemployment rate for New Hanover County was 9.2% compared to the State's unemployment rate of 9.5%.
- The Town's sales tax revenue increased more than 7.0% over FY 2012-2013.
- Room occupancy tax revenue increased more than 8.0% in FY 2012-2013.
- Building permit revenues remained stable for the third consecutive year. We are hopeful that these revenues will continue to grow and that commercial projects which have been on hold for several years will come to fruition in the near future.
- 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, 2014

Governmental Activities. The Town's tax rate will remain at 13.3 cents per \$100 for FY 2013-2014. General Fund expenditures will increase 6.2% over FY 2012-2013, due primarily to the purchase of a fire truck and a 2.0% cost of living increase.

Business-Type Activities. Water and sewer rates will remain constant for FY 2013-2014. The Town will continue to make contributions to a dedicated Sewer Reserve Fund for capital improvements to the Southside Wastewater Treatment Plant. The FY 2013-2014 Water and Sewer Budget will decrease by almost 6.0% due in part to the postponement of the installation of new waterlines.

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, PO 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, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5,930,171	\$ 6,372,799	\$ 12,302,970
Taxes receivable, net	23,191	-	23,191
Accounts receivable, net	273,676	404,273	677,949
Due from other governments	316,728	21,472	338,200
Inventories	49,525	50,738	100,263
Prepays	2,576	-	2,576
Total current assets	<u>6,595,867</u>	<u>6,849,282</u>	<u>13,445,149</u>
Non-current assets:			
Net pension asset	<u>40,908</u>	<u>-</u>	<u>40,908</u>
Capital assets:			
Land, non-depreciable improvements, and construction in progress	2,343,012	-	2,343,012
Other capital assets, net of depreciation	<u>9,408,365</u>	<u>3,941,075</u>	<u>13,349,440</u>
Total capital assets	<u>11,751,377</u>	<u>3,941,075</u>	<u>15,692,452</u>
Total assets	<u>18,388,152</u>	<u>10,790,357</u>	<u>29,178,509</u>
Liabilities:			
Current liabilities:			
Accounts payable	37,300	86,803	124,103
Accrued liabilities	108,853	-	108,853
Accrued interest payable	117,269	-	117,269
Compensated absences, due in one year	182,669	8,768	191,437
Notes payable, due in one year	428,571	-	428,571
Total current liabilities	<u>874,662</u>	<u>95,571</u>	<u>970,233</u>
Long-term liabilities:			
Due in more than one year	<u>5,500,182</u>	<u>135,150</u>	<u>5,635,332</u>
Total long-term liabilities	<u>5,500,182</u>	<u>135,150</u>	<u>5,635,332</u>
Total liabilities	<u>6,374,844</u>	<u>230,721</u>	<u>6,605,565</u>
Net Position:			
Net investment in capital assets	7,037,091	3,941,075	10,978,166
Restricted for:			
Stabilization for State statute	590,404	-	590,404
Unrestricted	<u>4,385,813</u>	<u>6,618,561</u>	<u>11,004,374</u>
Total net position	<u>\$ 12,013,308</u>	<u>\$ 10,559,636</u>	<u>\$ 22,572,944</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, 2013

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,818,687	\$ 55,100	\$ 108,811	\$ -
Public safety	5,180,198	2,404,164	3,990	-
Transportation	588,542	-	-	68,892
Environmental protection	860,722	954,223	-	-
Culture and recreation	596,394	226,625	-	-
Interest and fees	288,693	-	-	-
Total governmental activities	<u>9,333,236</u>	<u>3,640,112</u>	<u>112,801</u>	<u>68,892</u>
Business-Type Activities:				
Water and sewer	<u>1,904,121</u>	<u>2,247,823</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 11,237,357</u>	<u>\$ 5,887,935</u>	<u>\$ 112,801</u>	<u>\$ 68,892</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Local option sales tax

Other taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues, excluding transfers

Transfers

Total general revenues and transfers

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,654,776)	\$ -	\$ (1,654,776)
(2,772,044)	-	(2,772,044)
(519,650)	-	(519,650)
93,501	-	93,501
(369,769)	-	(369,769)
(288,693)	-	(288,693)
(5,511,431)	-	(5,511,431)
-	343,702	343,702
(5,511,431)	343,702	(5,167,729)
3,280,207	-	3,280,207
1,091,412	-	1,091,412
575,318	-	575,318
574,647	-	574,647
7,932	10,151	18,083
113,295	-	113,295
5,642,811	10,151	5,652,962
180,000	(180,000)	-
5,822,811	(169,849)	5,652,962
311,380	173,853	485,233
11,701,928	10,385,783	22,087,711
\$ 12,013,308	\$ 10,559,636	\$ 22,572,944

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Funds</u>	
Assets:				
Cash and cash equivalents	\$ 4,778,590	\$ 1,151,581	\$ -	\$ 5,930,171
Accounts receivable, net	273,676	-	-	273,676
Taxes receivable, net	23,191	-	-	23,191
Due from other governments	316,728	-	-	316,728
Prepays	2,576	-	-	2,576
Inventory	49,525	-	-	49,525
Total assets	<u>\$ 5,444,286</u>	<u>\$ 1,151,581</u>	<u>\$ -</u>	<u>\$ 6,595,867</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 37,300	\$ -	\$ -	\$ 37,300
Accrued liabilities	108,853	-	-	108,853
Total liabilities	<u>146,153</u>	<u>-</u>	<u>-</u>	<u>146,153</u>
Deferred Inflows of Resources:				
Property taxes receivable	<u>23,191</u>	<u>-</u>	<u>-</u>	<u>23,191</u>
Fund Balances:				
Non-spendable:				
Inventory	49,525	-	-	49,525
Prepays	2,576	-	-	2,576
Restricted:				
Stabilization by State statute	590,404	-	-	590,404
Committed:				
General government	-	700,236	-	700,236
Assigned:				
Subsequent year's expenditures	357,020	451,345	-	808,365
Unassigned	<u>4,275,417</u>	<u>-</u>	<u>-</u>	<u>4,275,417</u>
Total fund balances	<u>5,274,942</u>	<u>1,151,581</u>	<u>-</u>	<u>6,426,523</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,444,286</u>	<u>\$ 1,151,581</u>	<u>\$ -</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.	11,751,377
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	40,908
Liabilities for earned revenues considered deferred inflows of resources in the fund statements	23,191
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>(6,228,691)</u>
Net Position of governmental activities	<u>\$ 12,013,308</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, 2013

	Major Funds			Total Governmental Funds
	General Fund	Capital Reserve Fund	Nonmajor Funds	
Revenues:				
Ad valorem taxes	\$ 3,282,941	\$ -	\$ -	\$ 3,282,941
Other taxes and licenses	1,666,730	-	-	1,666,730
Unrestricted intergovernmental	574,647	-	-	574,647
Restricted intergovernmental	178,678	-	-	178,678
Permits and fees	348,291	-	-	348,291
Sales and services	3,294,836	-	-	3,294,836
Investment earnings	7,508	424	-	7,932
Miscellaneous	113,295	-	-	113,295
Total revenues	<u>9,466,926</u>	<u>424</u>	<u>-</u>	<u>9,467,350</u>
Expenditures:				
Current:				
General government	1,775,744	-	-	1,775,744
Public safety	4,846,517	-	2,497	4,849,014
Transportation	536,932	-	-	536,932
Environmental protection	782,552	-	-	782,552
Culture and recreation	547,079	-	-	547,079
Debt service:				
Principal	587,737	-	-	587,737
Interest	171,424	-	-	171,424
Total expenditures	<u>9,247,985</u>	<u>-</u>	<u>2,497</u>	<u>9,250,482</u>
Revenues over (under) expenditures	<u>218,941</u>	<u>424</u>	<u>(2,497)</u>	<u>216,868</u>
Other Financing Sources (Uses):				
Transfer From:				
General Fund	-	428,845	-	428,845
Capital Project Fund	135,125	-	-	135,125
Enterprise Fund	180,000	-	-	180,000
Transfer To:				
General Fund	-	(48,550)	(86,575)	(135,125)
Capital Project Fund	(428,845)	-	-	(428,845)
Total other financing sources (uses)	<u>(113,720)</u>	<u>380,295</u>	<u>(86,575)</u>	<u>180,000</u>
Net change in fund balances	105,221	380,719	(89,072)	396,868
Fund Balances:				
Beginning of year - July 1	<u>5,169,721</u>	<u>770,862</u>	<u>89,072</u>	<u>6,029,655</u>
End of year - June 30	<u>\$ 5,274,942</u>	<u>\$ 1,151,581</u>	<u>\$ -</u>	<u>\$ 6,426,523</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, 2013**

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)	\$ 396,868
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(2,734)
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	(229,001)
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.	188,915
Donated assets are not reported in the governmental funds statement. However, in the Statement of Activities, it is an increase in capital assets.	70,000
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(583,136)
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.	587,737
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.	<u>(117,269)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 311,380</u>

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

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,322,811	\$ 3,322,811	\$ 3,282,941	\$ (39,870)
Other taxes and licenses	1,491,683	1,491,683	1,666,730	175,047
Unrestricted intergovernmental	564,000	575,583	574,647	(936)
Restricted intergovernmental	149,282	207,819	178,678	(29,141)
Permits and fees	220,150	220,150	348,291	128,141
Sales and services	3,327,345	3,346,752	3,294,836	(51,916)
Investment earnings	6,000	6,000	7,508	1,508
Miscellaneous	132,000	212,708	113,295	(99,413)
Total revenues	<u>9,213,271</u>	<u>9,383,506</u>	<u>9,466,926</u>	<u>83,420</u>
Expenditures:				
Current:				
General government	2,017,861	1,908,936	1,775,744	133,192
Public safety	4,779,184	5,067,275	4,846,517	220,758
Transportation	564,702	594,552	536,932	57,620
Environmental protection	881,165	881,165	782,552	98,613
Culture and recreation	541,770	577,885	547,079	30,806
Debt service:				
Principal	587,741	587,741	587,737	4
Interest	159,927	171,713	171,424	289
Total expenditures	<u>9,532,350</u>	<u>9,789,267</u>	<u>9,247,985</u>	<u>541,282</u>
Revenues over (under) expenditures	<u>(319,079)</u>	<u>(405,761)</u>	<u>218,941</u>	<u>624,702</u>
Other Financing Sources (Uses):				
Transfer From:				
Capital Project Fund	231,764	121,714	135,125	13,411
Enterprise Fund	180,000	180,000	180,000	-
Transfer To:				
Capital Project Fund	(428,845)	(428,845)	(428,845)	-
Fund balance appropriated	336,160	532,892	-	(532,892)
Total other financing sources (uses)	<u>319,079</u>	<u>405,761</u>	<u>(113,720)</u>	<u>(519,481)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	105,221	<u>\$ 105,221</u>
Fund Balance:				
Beginning of year - July 1			<u>5,169,721</u>	
End of year - June 30			<u>\$ 5,274,942</u>	

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

STATEMENT OF NET FUND POSITION
PROPRIETARY FUND
JUNE 30, 2013

	<u>Major</u> <u>Water and</u> <u>Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 6,372,799
Accounts receivable, net	404,273
Due from other governments	21,472
Inventories	50,738
Total current assets	<u>6,849,282</u>
Non-current assets:	
Capital assets:	
Other capital assets, net of depreciation	<u>3,941,075</u>
Total non-current assets	<u>3,941,075</u>
Total assets	<u>10,790,357</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	86,803
Compensated absences	8,768
Total current liabilities	<u>95,571</u>
Non-current liabilities:	
Compensated absences	<u>135,150</u>
Total non-current liabilities	<u>135,150</u>
Total liabilities	<u>230,721</u>
Net Position:	
Net investment in capital assets	3,941,075
Unrestricted	<u>6,618,561</u>
Total net position	<u>\$ 10,559,636</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, 2013

	<u>Major</u> <u>Water and</u> <u>Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 2,103,691
Taps and connection fees	9,300
Share fees	11,106
Other operating revenues	<u>123,726</u>
Total operating revenues	<u>2,247,823</u>
Operating Expenses:	
Administration	498,297
Water and sewer operations	1,161,078
Depreciation	<u>244,746</u>
Total operating expenses	<u>1,904,121</u>
Operating income (loss)	<u>343,702</u>
Non-Operating Revenues (Expenses):	
Investment earnings	<u>10,151</u>
Total non-operating revenues (expenses)	<u>10,151</u>
Income (loss) before transfers	353,853
Transfers in (out)	<u>(180,000)</u>
Change in net position	173,853
Net Position:	
Beginning of year - July 1	<u>10,385,783</u>
End of year - June 30	<u>\$ 10,559,636</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, 2013**

	<u>Major</u> <u>Water and</u> <u>Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,276,281
Cash paid for goods and services	(1,124,886)
Cash paid to employees	(476,888)
Net cash provided (used) by operating activities	<u>674,507</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers to other funds	<u>(180,000)</u>
Net cash used by non-capital financing activities	<u>(180,000)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	<u>(98,782)</u>
Net cash provided (used) by capital and related financing activities	<u>(98,782)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>10,151</u>
Net increase (decrease) in cash and cash equivalents	405,876
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>5,966,923</u>
End of year - June 30	<u>\$ 6,372,799</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	<u>\$ 343,702</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	244,746
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	30,113
(Increase) decrease in due from other governments	(2,638)
(Increase) decrease in inventory	(4,246)
Increase (decrease) in accounts payable and accrued liabilities	67,966
Increase (decrease) in customer deposits	(1,655)
Increase (decrease) in compensated absences payable	<u>(3,481)</u>
Total adjustments	<u>330,805</u>
Net cash provided (used) by operating activities	<u>\$ 674,507</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, 2013

	Pension Trust Fund	Employee Assistance Fund
Assets:		
Cash and cash equivalents	\$ 80,912	\$ 13,586
Accounts receivable	-	375
Total assets	<u>80,912</u>	<u>13,961</u>
Liabilities:		
Accounts payable and accrued liabilities	<u>1,023</u>	-
Total liabilities	<u>1,023</u>	<u>-</u>
Net Position:		
Assets held in trust for pension benefits	<u>\$ 79,889</u>	<u>\$ 13,961</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, 2013**

	Pension Trust Fund	Employee Assistance Fund
Additions:		
Employer contributions	\$ 34,650	\$ -
Employee contributions	-	898
Investment income	31	-
Total additions	<u>34,681</u>	<u>898</u>
Deductions:		
Benefits	<u>34,586</u>	<u>500</u>
Total deductions	<u>34,586</u>	<u>500</u>
Change in net position	95	398
Net Position:		
Beginning of year - July 1	<u>79,794</u>	<u>13,563</u>
End of year - June 30	<u>\$ 79,889</u>	<u>\$ 13,961</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, 2013

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, 2013

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

The Town reports the following nonmajor governmental fund:

Public Safety Capital Project Fund. This fund is used to account for the construction of a new public safety building.

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.

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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 Fund 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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, New Hanover County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Wrightsville Beach. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in New Hanover County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, 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 Public Safety Capital Project Fund. 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 government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The 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, 2012.

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 in tact.

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.

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 in conjunction with a project with the County.

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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Unassigned Fund Balance

The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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.

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	\$ 5,274,942
Less:	
Prepays	2,576
Inventory	49,525
Stabilization by State statute	<u>590,404</u>
Total available fund balance	<u>\$ 4,632,437</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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

At June 30, 2013, the Town's deposits had a carrying amount of \$9,321,486 and a bank balance of \$9,654,961. 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, 2013, the Town's petty cash fund totaled \$4,930.

Investments

At June 30, 2013, the Town had \$3,071,052 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no formal policy regarding credit or interest rate risk.

Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2012 are net of the following allowances for doubtful accounts:

General Fund:

Taxes receivable	\$ 14,000
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Enterprise Fund:

Accounts receivable	<u>2,500</u>
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Total	<u>\$ 16,500</u>
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Due from other governments owed to the Town consists of:

Local option sales tax	\$ 72,078
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Room occupancy tax	<u>266,122</u>
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Total	<u>\$ 338,200</u>
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TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2013, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Governmental Activities:				
Non-Depreciable Capital Assets :				
Land	\$ 2,343,012	\$ -	\$ -	\$ 2,343,012
 Depreciable Capital Assets :				
Buildings	7,453,879	-	-	7,453,879
Other improvements	1,344,631	-	-	1,344,631
Equipment	1,989,277	138,008	-	2,127,285
Vehicles and motorized equipment	3,101,518	120,907	-	3,222,425
Total depreciable capital assets	<u>13,889,305</u>	<u>258,915</u>	<u>-</u>	<u>14,148,220</u>
 Less Accumulated Depreciation:				
Buildings	653,075	187,161	-	840,236
Other improvements	681,475	40,865	-	722,340
Equipment	1,171,836	162,749	-	1,334,585
Vehicles and motorized equipment	1,650,333	192,361	-	1,842,694
Total accumulated depreciation	<u>4,156,719</u>	<u>\$ 583,136</u>	<u>\$ -</u>	<u>4,739,855</u>
 Total depreciable capital assets, net	 <u>9,732,586</u>			 <u>9,408,365</u>
 Governmental activity				
capital assets, net	<u>\$ 12,075,598</u>			<u>\$ 11,751,377</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

General government	\$ 69,186
Public safety	376,433
Transportation	38,059
Environmental protection	58,758
Cultural and recreational	<u>40,700</u>
Total	<u>\$ 583,136</u>

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</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	593,523	98,782	-	692,305
Vehicles	<u>326,955</u>	<u>-</u>	<u>-</u>	<u>326,955</u>
Total depreciable capital assets	<u>9,566,161</u>	<u>98,782</u>	<u>-</u>	<u>9,664,943</u>
Less Accumulated Depreciation :				
Water distribution system	2,514,643	102,232	-	2,616,875
Sewer disposal system	2,313,101	94,119	-	2,407,220
Equipment	424,229	33,418	-	457,647
Vehicles	<u>227,149</u>	<u>14,977</u>	<u>-</u>	<u>242,126</u>
Total accumulated depreciation	<u>5,479,122</u>	<u>\$ 244,746</u>	<u>\$ -</u>	<u>5,723,868</u>
Total depreciable capital assets, net	<u>4,087,039</u>			<u>3,941,075</u>
Business-type capital assets, net	<u>\$ 4,087,039</u>			<u>\$ 3,941,075</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77 %, respectively, of annual covered payroll. The contribution requirements of members and of 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, 2013, 2012, and 2011 were \$260,169, \$266,619, and \$249,310, 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 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2012, 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>26</u>
Total	<u>28</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 \$34,650, or 1.9% 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, 2011, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% 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, 2011 was 19 years.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 43,228
Interest on net pension obligation	(2,505)
Adjustment to annual required contribution	<u>3,118</u>
Annual pension cost	43,841
Contributions made	<u>34,650</u>
Increase (decrease) in net pension obligation	9,191
Net pension obligation (asset) beginning of year	<u>(50,099)</u>
Net pension obligation (asset) end of year	<u>\$ (40,908)</u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 43,841	79.04%	\$ (40,908)
2012	37,905	55.93%	(50,099)
2011	40,243	17.39%	(66,804)

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, 2012, the most recent actuarial valuation date, the plan was 20.31 percent funded. The actuarial accrued liability for benefits was \$492,594, and the actuarial value of assets was \$100,027, resulting in an unfunded actuarial accrued liability (UAAL) of \$392,567. The covered payroll (annual payroll of active employees covered by the plan) was \$1,221,263, and the ratio of the UAAL to the covered payroll was 32.14 percent.

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, 2013

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 five percent 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, 2013 were \$75,079, which consisted of \$57,212 from the Town and \$17,867 voluntary contributions from the law enforcement officers. Contributions for all other employees were \$156,176, which consisted of \$65,373 from the Town and \$90,803 voluntary contributions from other employees.

Firemen and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town to the Firemen and Rescue Squad Workers' Pension Fund (Fund), a cost sharing, multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen and Rescue Squad Workers' Pension Fund 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 the Firemen's and Rescue Workers' Pension Fund. 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 \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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. A separate report was not issued for the plan.

Membership of the HCS 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

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 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 \$86,162 or 2.7% 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 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 and the Water and Sewer Fund. 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:

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Annual required contribution	\$	412,519
Interest on net OPEB obligation		39,016
Adjustment to annual required contribution		<u>(54,238)</u>
Annual OPEB cost (expense)		397,297
Contribution made		<u>(86,162)</u>
Increase (decrease) in net OPEB obligation		311,135
Net OPEB obligation, beginning of year		<u>975,401</u>
Net OPEB obligation, end of year	\$	<u>1,286,536</u>

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, 2013 were as follows:

<u>For Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 397,297	21.7%	\$ 1,286,536
2012	401,813	28.0%	975,401
2011	400,562	14.7%	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 percent. 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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent 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 9.50 - 5.00 percent pre-medicare trend rate and 7.00 - 5.00 percent post-medicare trend rate annually. The investment rate included a 3.00 percent 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.

Other Employment Benefit

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

	Unavailable Revenues
Taxes receivable (General Fund)	\$ 23,191
Total	<u>\$ 23,191</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

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

The Town carries flood insurance through 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. Tax collections are managed by New Hanover County on behalf of the Town.

Long-Term Obligations

General Obligation Indebtedness. At June 30, 2013, the Town had no general obligation bonds outstanding, no unissued bonds and a legal debt margin of \$192,530,499.

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%.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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
2014	\$ 428,571	\$ 110,111	\$ 538,682
2015	428,571	99,868	528,439
2016	428,571	89,625	518,196
2017	428,571	79,382	507,953
2018	428,571	69,139	497,710
2019-2023	2,142,855	192,053	2,334,908
2024	428,576	7,683	436,259
Total	<u>\$ 4,714,286</u>	<u>\$ 647,861</u>	<u>\$ 5,362,147</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, 2013:

	Balance			Balance	Current
	July 1, 2012	Increases	Decreases	June 30, 2013	Portion
Governmental Activities:					
Installment loan	\$ 5,302,023	\$ -	\$ 587,737	\$ 4,714,286	\$ 428,571
Compensated absences	309,993	182,669	249,103	243,559	182,669
Other post-employment benefits	<u>867,333</u>	<u>286,244</u>	<u>-</u>	<u>1,153,577</u>	<u>-</u>
Total	<u>\$ 6,479,349</u>	<u>\$ 468,913</u>	<u>\$ 836,840</u>	<u>\$ 6,111,422</u>	<u>\$ 611,240</u>
	Balance			Balance	Current
	July 1, 2012	Increases	Decreases	June 30, 2013	Portion
Business-Type Activities:					
Compensated absences	\$ 14,441	\$ 9,864	\$ 13,346	\$ 10,959	\$ 8,768
Other post-employment benefits	<u>108,068</u>	<u>24,891</u>	<u>-</u>	<u>132,959</u>	<u>-</u>
Total	<u>\$ 122,509</u>	<u>\$ 34,755</u>	<u>\$ 13,346</u>	<u>\$ 143,918</u>	<u>\$ 8,768</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, 2013

C. Interfund Balances and Activity

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

From the General Fund to the Capital Project Fund for future capital purchases	\$ 428,845
From the Capital Project Fund to the General Fund for capital purchases	48,550
From the Capital Project Fund to the General Fund to close project	86,575
From the Water and Sewer Fund to the General Fund for administrative and operating costs	180,000
From the Water and Sewer Capital Reserve fund to the Water and Sewer Fund for infrastructure work	34,000
From the Water and Sewer Fund to the Water and Sewer Capital Reserve Fund for future expansion and infrastructure work	<u>397,000</u>
Total	<u>\$1,174,970</u>

Transfers are used to move unrestricted revenues to finance various programs for which the government must account in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

D. On-Behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, the Town has recognized on-behalf-of payments for pension contributions made by the State as a revenue and an expenditure of \$4,797 for 13 firemen who perform firefighting duties for the Town's Fire Department. The firemen elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

4. Change in Accounting Principles/Restatement

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

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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, 2013

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)
12/31/2006	\$ 85,263	\$ 357,427	\$ 272,164	23.85%	\$ 972,289	27.99%
12/31/2007	90,476	365,537	275,061	24.75%	1,084,781	25.36%
12/31/2008	94,904	345,267	250,363	27.49%	997,621	25.10%
12/31/2009	92,264	417,370	325,106	22.11%	993,574	32.72%
12/31/2010	80,760	323,059	242,299	25.00%	1,110,557	21.82%
12/31/2011	90,389	415,360	324,971	21.76%	1,140,576	28.49%
12/31/2012	100,027	492,594	392,567	20.31%	1,221,263	32.14%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
2012	37,260	56.90%	(50,099)
2011	37,260	34.90%	(72,104)

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 percent of pay, closed
Remaining amortization period	19 years
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, 2013**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Liability (AAL) Projected Unit Credit (b)					
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		Percentage of ARC Contributed
	Required Contribution (ARC)	Amount Contributed By Employer	
2013	\$ 412,519	\$ 86,162	20.89%
2012	401,813	58,734	14.62%
2011	400,562	56,524	14.11%

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 3,305,511	\$ 3,262,577	\$ (42,934)	\$ 3,263,401
Prior year	10,300	13,240	2,940	14,277
Penalties and interest	7,000	7,124	124	6,858
Total	<u>3,322,811</u>	<u>3,282,941</u>	<u>(39,870)</u>	<u>3,284,536</u>
Other Taxes and Licenses:				
Privilege licenses	16,000	17,579	1,579	16,495
Local option sales tax	895,000	1,091,412	196,412	1,013,314
Room occupancy tax	570,183	547,533	(22,650)	505,306
Other licenses	10,500	10,206	(294)	17,409
Total	<u>1,491,683</u>	<u>1,666,730</u>	<u>175,047</u>	<u>1,552,524</u>
Unrestricted Intergovernmental:				
Beer and wine tax	12,000	10,069	(1,931)	10,775
Franchise tax	242,000	216,792	(25,208)	212,454
ABC profit distribution	321,583	347,786	26,203	420,144
Total	<u>575,583</u>	<u>574,647</u>	<u>(936)</u>	<u>643,373</u>
Restricted Intergovernmental:				
County grants	-	-	-	23,181
State grants	113,400	74,892	(38,508)	92,256
Federal grants	92,537	98,229	5,692	25,587
Federal forfeited property	-	-	-	8,472
State tax drug money	-	3,990	3,990	727
On behalf payments - fire and rescue	-	-	-	4,968
Solid waste disposal tax	1,882	1,567	(315)	1,736
Total	<u>207,819</u>	<u>178,678</u>	<u>(29,141)</u>	<u>156,927</u>
Permits and Fees:				
Permits and fees	190,100	201,250	11,150	202,919
Court fees and fines	30,050	147,041	116,991	82,787
Total	<u>220,150</u>	<u>348,291</u>	<u>128,141</u>	<u>285,706</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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Parking meter collections	2,100,345	2,058,888	(41,457)	2,204,991
Rents	54,500	55,100	600	45,500
Refuse fees	979,500	954,223	(25,277)	1,011,431
Recreation fees	212,407	226,625	14,218	198,016
Total	3,346,752	3,294,836	(51,916)	3,459,938
Investment Earnings	6,000	7,508	1,508	8,617
Miscellaneous Revenues	212,708	113,295	(99,413)	157,807
Total revenues	9,383,506	9,466,926	83,420	9,549,428
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	36,817	36,817	-	38,001
Operating expenditures	154,265	127,949	26,316	149,857
Total	191,082	164,766	26,316	187,858
General Management:				
Salaries and employee benefits	437,751	444,073	(6,322)	418,290
Operating expenditures	126,072	116,663	9,409	123,995
Total	563,823	560,736	3,087	542,285
Information Technology:				
Salaries and employee benefits	69,394	70,115	(721)	66,673
Operating expenditures	156,774	148,359	8,415	148,780
Capital outlay	8,000	7,602	398	20,542
Total	234,168	226,076	8,092	235,995
Public Works Administration:				
Salaries and employee benefits	184,334	183,107	1,227	156,718
Operating expenditures	56,661	42,644	14,017	70,689
Total	240,995	225,751	15,244	227,407

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, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Public Works Maintenance:				
Salaries and employee benefits	236,532	231,147	5,385	228,606
Operating expenditures	435,336	364,291	71,045	338,969
Capital outlay	7,000	2,977	4,023	-
Total	678,868	598,415	80,453	567,575
Total general government	1,908,936	1,775,744	133,192	1,761,120
Public Safety:				
Police:				
Salaries and employee benefits	1,698,134	1,700,836	(2,702)	1,704,785
Operating expenditures	727,009	625,127	101,882	432,909
Capital outlay	157,288	156,927	361	98,284
Total	2,582,431	2,482,890	99,541	2,235,978
Parking:				
Operating expenditures	531,159	520,794	10,365	459,922
Capital outlay	16,000	16,068	(68)	7,600
Total	547,159	536,862	10,297	467,522
Ocean Rescue:				
Salaries and employee benefits	251,901	247,185	4,716	245,159
Operating expenditures	156,681	88,979	67,702	100,113
Total	408,582	336,164	72,418	345,272
Fire:				
Salaries and employee benefits	986,011	987,029	(1,018)	968,554
Operating expenditures	169,651	147,923	21,728	154,652
Total	1,155,662	1,134,952	20,710	1,123,206
Planning and Inspections:				
Salaries and employee benefits	289,777	295,086	(5,309)	275,679
Operating expenditures	83,664	60,563	23,101	64,348
Total	373,441	355,649	17,792	340,027
Total public safety	5,067,275	4,846,517	220,758	4,512,005

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Transportation:				
Streets:				
Salaries and employee benefits	258,923	243,282	15,641	230,466
Operating expenditures	335,629	293,650	41,979	249,380
Capital outlay	-	-	-	103,753
Total	594,552	536,932	57,620	583,599
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	375,755	348,490	27,265	388,945
Operating expenditures	505,410	434,062	-	441,415
Capital outlay	-	-	-	327,008
Total	881,165	782,552	27,265	1,157,368
Culture and Recreation:				
Parks and Recreation Programs:				
Salaries and employee benefits	193,120	203,736	(10,616)	194,734
Operating expenditures	131,124	113,040	18,084	93,416
Capital outlay	-	-	-	17,435
Total	324,244	316,776	7,468	305,585
Parks and Recreation Maintenance:				
Salaries and employee benefits	160,715	147,967	12,748	130,548
Operating expenditures	82,926	71,140	11,786	59,452
Capital outlay	10,000	11,196	(1,196)	17,300
Total	253,641	230,303	23,338	207,300
Total culture and recreation	577,885	547,079	30,806	512,885
Debt Service:				
Principal	587,741	587,737	4	656,254
Interest	171,713	171,424	289	216,748
Total debt service	759,454	759,161	293	873,002
Total expenditures	9,789,267	9,247,985	469,934	9,399,979

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, 2013

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues over (under) expenditures	<u>(405,761)</u>	<u>218,941</u>	<u>624,702</u>	<u>149,449</u>
Other Financing Sources (Uses):				
Transfer From:				
Capital Project Fund	121,714	135,125	13,411	61,660
Enterprise Fund	180,000	180,000	-	180,000
Transfer To:				
Capital Project Fund	(428,845)	(428,845)	-	(302,915)
Appropriated fund balance	<u>532,892</u>	<u>-</u>	<u>(532,892)</u>	<u>-</u>
Total other financing sources (uses)	<u>405,761</u>	<u>(113,720)</u>	<u>(519,481)</u>	<u>(61,255)</u>
Net change in fund balance	<u>\$ -</u>	<u>105,221</u>	<u>\$ 105,221</u>	<u>88,194</u>
Fund Balance:				
Beginning of year - July 1		<u>5,169,721</u>		<u>5,081,527</u>
End of year - June 30		<u>\$ 5,274,942</u>		<u>\$ 5,169,721</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

**MAJOR CAPITAL PROJECT FUND - CAPITAL RESERVE
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2013
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ 400	\$ 424	\$ 24	\$ 436
Other Financing Sources (Uses):				
Transfer to the General Fund	(158,550)	(48,550)	110,000	(61,660)
Transfer from the General Fund	428,845	428,845	-	-
Transfer from Water and Sewer Fund	-	-	-	302,915
Contingency	(270,695)	-	270,695	-
Total other financing sources (uses)	<u>(400)</u>	<u>380,295</u>	<u>380,695</u>	<u>241,255</u>
Net change in fund balance	\$ -	380,719	\$ 380,719	241,691
Fund Balance:				
Beginning of year - July 1		<u>770,862</u>		<u>529,171</u>
End of year - June 30		<u>\$ 1,151,581</u>		<u>\$ 770,862</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**CAPITAL PROJECT FUND - PUBLIC SAFETY BUILDING
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013**

	<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	\$ -	\$ 23,714	\$ -	\$ 23,714	\$ 23,714
Expenditures:					
Capital outlay	6,300,000	6,557,142	2,497	6,559,639	(259,639)
Revenues over (under) expenditures	(6,300,000)	(6,533,428)	(2,497)	(6,535,925)	(235,925)
Other Financing Sources (Uses):					
Transfer from the General Fund	300,000	622,500	-	622,500	322,500
Transfer to General Fund	-	-	(86,575)	(86,575)	(86,575)
Issuance of debt	6,000,000	6,000,000	-	6,000,000	-
Total other financing sources (uses)	6,300,000	6,622,500	(86,575)	6,535,925	235,925
Net change in fund balance	<u>\$ -</u>	<u>\$ 89,072</u>	<u>\$ (89,072)</u>	<u>\$ -</u>	<u>\$ -</u>

Enterprise Fund

Enterprise funds account for operations that are financed and operated in a manner similar to provide 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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Water and sewer charges	\$ 2,343,000	\$ 2,103,691	\$ (239,309)	\$ 2,133,241
Water and sewer taps	8,800	9,300	500	12,195
Reconnection fees	8,000	11,106	3,106	7,840
Other operating revenues	96,880	123,726	26,846	128,255
Total operating revenues	2,456,680	2,247,823	(208,857)	2,281,531
Non-Operating Revenues:				
Interest earnings	4,500	2,931	(1,569)	4,256
Federal and State grants	-	-	-	14,083
Total non-operating revenues	4,500	2,931	(1,569)	18,339
Total revenues	2,461,180	2,250,754	(210,426)	2,299,870
Operations:				
Salaries and employee benefits	503,508	475,505	28,003	478,797
Operating expenses	853,886	482,270	371,616	483,026
Maintenance and repairs	88,600	27,043	61,557	72,224
Transmission and treatment	996,600	651,765	344,835	602,056
Capital outlay	98,885	98,782	103	170,299
Total expenditures	2,541,479	1,735,365	461,176	1,806,402
Revenues over (under) expenditures	(80,299)	515,389	595,688	493,468

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfer (to) from General Fund	(180,000)	(180,000)	-	(180,000)
Transfer (to) from Water & Sewer Capital Reserve	(363,000)	(397,000)	(34,000)	(417,000)
Transfer from Water & Sewer Capital Reserve	-	34,000	34,000	-
Appropriated fund balance	623,299	-	(623,299)	-
Total other financing sources (uses)	80,299	(543,000)	(623,299)	(597,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(27,611)	\$ (27,611)	(103,532)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Revenues and other financing sources over				
Reconciling items:				
Transfer from Water and Sewer Capital Reserve		397,000		417,000
Transfer to Water and Sewer Capital Reserve		(34,000)		
Capital outlay		98,782		166,730
Increase in OPEB liability		(22,792)		(26,048)
Capital Reserve Fund investment earnings		7,220		8,538
Capital Reserve Fund fee		-		2,400
Depreciation		(244,746)		(204,325)
Change in net position		\$ 173,853		\$ 260,763

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, 2013
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Unit use fees	\$ 2,400	\$ -	\$ (2,400)	\$ 2,400
Investment earnings	6,500	7,220	720	8,538
Total revenues	<u>8,900</u>	<u>7,220</u>	<u>(1,680)</u>	<u>10,938</u>
Expenditures:				
Future construction	<u>405,900</u>	<u>-</u>	<u>(405,900)</u>	<u>-</u>
Revenues over (under) expenditures	<u>(397,000)</u>	<u>7,220</u>	<u>404,220</u>	<u>10,938</u>
Other Financing Sources (Uses):				
Transfer to Water and Sewer Fund	-	(34,000)	(34,000)	(5,000)
Transfer from Water and Sewer Fund	<u>397,000</u>	<u>397,000</u>	<u>-</u>	<u>422,000</u>
Total other financing sources (uses)	<u>397,000</u>	<u>363,000</u>	<u>(34,000)</u>	<u>417,000</u>
Net change in fund balance	<u>\$ -</u>	<u>370,220</u>	<u>\$ 370,220</u>	<u>427,938</u>
Fund Balance:				
Beginning of year - July 1		<u>4,056,805</u>		<u>3,628,867</u>
End of year - June 30		<u>\$ 4,427,025</u>		<u>\$ 4,056,805</u>

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Other Schedules

This section contains additional information on property taxes

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

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TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections and Credits	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 3,276,560	\$ 3,263,024	\$ 13,536
2011-2012	18,775	-	10,306	8,469
2010-2011	3,220	-	287	2,933
2009-2010	5,100	-	2,011	3,089
2008-2009	843	-	6	837
2007-2008	560	-	32	528
2006-2007	1,050	-	4	1,046
2005-2006	908	-	5	903
2004-2005	787	-	1	786
2003-2004	1,422	-	1	1,421
2002-2003	140	-	140	-
Total	\$ 32,805	\$ 3,276,560	\$ 3,275,817	33,548
Prior year motor vehicle taxes				3,643
Less: allowance for uncollectible ad valorem taxes receivable				(14,000)
Ad valorem taxes receivable, net				\$ 23,191
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 3,282,941
Reconciling items:				
Interest collected				(7,124)
Total collections and credits				\$ 3,275,817

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2013

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 2,493,204,642	0.1330	\$ 3,313,748	\$ 3,274,496	\$ 39,252
Penalties	-		2,282	2,282	-
Total	<u>2,493,204,642</u>		<u>3,316,030</u>	<u>3,276,778</u>	<u>39,252</u>
Discoveries:					
Current year's taxes	-	0.1330	6	6	-
Abatements	<u>(27,644,830)</u>		<u>(39,476)</u>	<u>(39,102)</u>	<u>(374)</u>
Total property valuation	<u>\$ 2,465,559,812</u>				
Net Levy			3,276,560	3,237,682	38,878
Uncollected taxes at June 30, 2013			<u>13,536</u>	<u>10,016</u>	<u>3,520</u>
Current Year's Taxes Collected			<u>\$ 3,263,024</u>	<u>\$ 3,227,666</u>	<u>\$ 35,358</u>
Current Levy Collection Percentage			<u>99.59%</u>	<u>99.69%</u>	<u>90.95%</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.	64-68
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.	69-71
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.	72-76
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.	77-78
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.	79-81

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

	Fiscal Year Ended June 30								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
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
Restricted	484,063	265,942	248,168	233,132	227,582	162,041	603,605	661,068	590,404
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
Total governmental activities net position	\$ 8,746,754	\$ 9,666,077	\$ 9,924,241	\$ 9,887,536	\$ 10,094,731	\$ 10,041,789	\$ 10,834,692	\$ 11,701,928	\$ 12,013,308
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
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
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
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
Restricted	484,063	265,942	248,168	233,132	227,582	162,041	603,605	661,068	590,404
Unrestricted	8,364,388	9,825,143	10,244,995	10,236,230	11,119,789	11,113,946	10,276,422	10,566,025	11,004,374
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

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

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

	Fiscal Year Ended June 30								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
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
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
Transportation	350,757	389,114	391,684	438,584	437,896	496,241	611,126	524,519	588,542
Environmental protection	769,310	826,140	799,727	860,598	817,788	837,466	847,668	902,200	860,722
Cultural and recreation	415,739	399,894	477,708	500,620	529,261	504,868	516,097	533,929	596,394
Interest on long-term debt	-	4,988	12,530	20,762	56,271	250,496	229,612	110,909	288,693
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
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
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
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
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ -	\$ -	\$ -	\$ -	\$ 101	\$ 42,501	\$ 42,501	\$ 45,500	\$ 55,100
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
Environmental protection	794,843	799,029	786,684	922,784	877,078	983,687	979,014	1,011,431	954,223
Cultural and recreation	144,315	152,815	180,727	221,907	229,492	203,666	187,063	198,016	226,625
Operating grants and contributions	636,460	203,088	153,302	147,205	103,484	80,634	87,520	118,597	112,801
Capital grants and contributions	21,242	66,378	33,845	-	-	48,895	213,528	40,160	68,892
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
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
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
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

Continued

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

	Fiscal Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue									
Governmental activities	\$ (3,145,701)	\$ (3,595,476)	\$ (4,325,677)	\$ (4,437,851)	\$ (4,650,361)	\$ (4,795,233)	\$ (4,707,670)	\$ (4,958,325)	\$ (5,511,431)
Business-type activities	452,516	265,054	414,673	514,992	653,177	358,494	518,188	427,969	343,702
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>
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
Local option sales tax	834,580	840,810	777,518	819,852	732,807	770,931	808,149	1,013,314	1,091,412
Other taxes and licenses	614,610	536,323	727,443	646,763	728,142	717,732	715,305	539,210	575,318
Unrestricted grants and contributions	293,878	465,308	334,159	347,705	298,080	281,282	327,479	643,373	574,647
Investment earnings	74,390	170,672	274,666	208,116	81,250	41,596	14,197	9,071	7,932
Miscellaneous	72,614	143,843	96,980	109,344	194,400	96,618	155,662	157,807	113,295
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>
Business-type activities:									
Investment earnings	77,129	183,060	252,937	210,044	89,275	79,373	16,596	12,794	10,151
Special item - gain on sale of well site	403,550	-	-	-	-	-	-	-	-
Impact fees	60,725	78,750	67,385	12,000	7,200	3,000	-	-	-
Miscellaneous	1,622	17,582	2,729	7,782	7,023	341	116,910	-	-
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>
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>
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
Business-type activities	712,209	261,113	454,391	564,818	576,675	261,208	451,694	260,763	173,853
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>

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

Schedule 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved for:										
State statute	\$ 267,041	\$ 421,626	\$ 515,695	\$ 426,707	\$ 426,096	\$ 353,509	\$ 420,535	\$ -	\$ -	\$ -
Inventories	22,705	28,889	21,267	24,919	31,292	38,592	27,529	-	-	-
Prepaid items	44,418	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	19,022	472,129	242,264	182,579	138,621	125,585	100,614	-	-	-
Total reserved	353,186	956,747	823,012	716,035	704,418	635,500	657,607	-	-	-
Unreserved:										
Designated for subsequent year's expenditures	50,220	126,966	282,535	652,282	770,455	358,501	678,790	-	-	-
Undesignated	2,683,966	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
Restricted for Stabilization by State Statute	-	-	-	-	-	-	-	488,358	629,251	590,404
Restricted	-	-	-	-	-	-	-	115,247	29,319	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	655,563	336,160	357,020
Unassigned	-	-	-	-	-	-	-	3,743,771	4,131,644	4,275,417
Total General Fund	\$3,087,372	\$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
All Other Governmental Funds										
Reserved by State statute	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital Reserve Fund	78,275	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
Unassigned	-	-	-	-	-	-	-	-	86,574	451,345
Total all other governmental funds	\$ 78,275	\$ 136,084	\$ 198,566	\$ 407,183	\$ 485,156	\$ 6,472,297	\$ 1,021,869	\$ 685,935	\$ 859,934	\$ 1,151,581

Schedule 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 3,217,635	\$ 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
Intergovernmental revenue	428,542	933,070	724,500	476,633	486,987	400,959	361,813	628,359	800,300	753,325
Licenses, fees, and permits	221,245	364,464	692,114	356,991	299,488	207,097	129,519	157,899	285,706	348,291
Charges for services	2,058,123	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
Investment earnings	29,850	74,390	177,452	282,438	211,744	81,855	41,699	14,366	9,071	7,932
Miscellaneous	61,614	91,123	153,096	148,453	134,725	194,400	192,542	164,084	157,807	113,295
Total revenues	6,017,009	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
Expenditures										
General government	1,122,196	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
Public safety	3,249,921	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
Transportation	327,435	323,296	361,904	364,289	407,129	416,958	451,758	558,089	479,846	536,932
Environmental protection	694,681	700,527	762,649	730,993	778,658	762,142	759,828	767,984	830,360	782,552
Cultural and recreation	385,705	391,046	379,338	447,651	469,382	501,388	456,365	471,541	478,150	535,883
Capital outlay	330,985	123,632	592,515	570,000	844,214	637,439	5,899,426	1,007,139	591,922	194,770
Debt service:										
Principal	59,425	-	-	72,227	176,431	296,607	295,440	685,563	656,428	587,737
Interest	2,276	-	-	8,623	17,252	25,700	22,018	395,232	216,574	171,424
Total expenditures	6,172,624	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
Revenues over (under) expenditures	(155,615)	991,541	368,861	(321,142)	(863,169)	(570,334)	(5,498,693)	(571,781)	82,193	216,868
Other Financing Sources (Uses)										
Installment purchase proceeds	-	-	224,000	317,250	528,000	6,212,000	203,300	-	-	-
Transfers in	283,333	338,333	338,333	748,333	617,500	571,415	418,000	473,925	544,575	743,970
Transfers out	-	(77,135)	(55,000)	(465,000)	(437,500)	(391,415)	(238,000)	(273,925)	(364,575)	(563,970)
Total other financing sources (uses)	283,333	261,198	507,333	600,583	708,000	6,392,000	383,300	200,000	180,000	180,000
Net change in fund balances	\$ 127,718	\$ 1,252,739	\$ 876,194	\$ 279,441	\$ (155,169)	\$ 5,821,666	\$ (5,115,393)	\$ (371,781)	\$ 262,193	\$ 396,868
Debt service as a percentage of non-capital expenditures	1.1%	0.0%	0.0%	1.1%	2.6%	4.2%	4.2%	12.4%	9.8%	8.4%

Schedule 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	Ad valorem		Sales		Room		Franchise		Total Taxes
	Taxes ¹		Taxes		Occupancy Tax		Tax		
2004	\$ 2,043,547	\$ 662,037	\$ 308,000	\$ 204,051	\$ 3,217,635				
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	3,280,207	1,091,412	547,533	216,792	5,135,944				
% Change 2004-2013	<u>60.52%</u>	<u>64.86%</u>	<u>77.77%</u>	<u>6.24%</u>	<u>59.62%</u>				

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

Source: Town records.

Schedule 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
2004	\$ 1,342,941,047	\$ 80,393,766	\$ 3,461,803	\$ 1,426,796,616	\$ 0.1430
2005	1,349,723,097	77,654,860	3,558,866	1,430,936,823	0.1430
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

Notes: The State mandates that property must be reassessed at least once every eight years. The last re-evaluation was in 2012. 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.

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

Taxpayer	2013				2004			
	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	\$ 32,218,621	1	1.3%		\$ -	-	-	
Four Seasons Management	18,376,100	2	0.7%		10,560,211	2	0.7%	
Seapath Yacht Club	17,343,466	3	0.7%		-	-	-	
Surf Club	13,379,624	4	0.5%		6,388,012	6	0.4%	
Annie Bryant Peterson	10,343,400	5	0.4%		6,361,527	7	0.4%	
Hanover Seaside Club	9,376,305	6	0.4%		-	-	-	
Carolina Yacht Club	9,305,920	7	0.4%		7,463,976	4	0.5%	
Wrightsville Yacht Club	8,785,010	8	0.3%		3,804,742	10	0.3%	
Sea Oats Management Company	8,485,600	9	0.3%		5,643,498	8	0.4%	
Crystal Pier LLC	8,101,700	10	0.3%		-	-	-	
IRT Property	-	-	-		6,811,906	5	0.5%	
PVC, Inc.	-	-	-		24,970,277	1	1.8%	
Mercer's Enterprises	-	-	-		4,007,358	9	0.3%	
Total	\$ 135,715,746		5.5%		\$ 76,011,507		5.3%	
Total taxable assessed value	\$ 2,465,559,812				\$ 1,426,796,616			

Source: New Hanover County Tax Office.

Schedule 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	
2004	\$ 0.1430	\$ 0.6900	
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	

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.

Schedule 9

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

Fiscal Year Ended June 30	Property Taxes						
	Property Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Property Tax Collections Subsequent Years		Property Tax Total Collections to Date	
		Fiscal Year	Amount	Percentage of Levy	Years	Amount	Percentage of Levy
2004	\$ 2,043,103	\$ 2,031,234	99.42%	10,448	\$ 2,041,682	99.93%	
2005	2,047,911	2,032,054	99.23	15,071	2,047,125	99.96	
2006	2,070,083	2,062,895	99.65	6,285	2,069,180	99.96	
2007	2,089,386	2,081,931	99.64	6,409	2,088,340	99.95	
2008	2,082,981	2,074,639	99.60	7,814	2,082,453	99.97	
2009	2,640,731	2,634,734	99.77	5,160	2,639,894	99.97	
2010	2,653,765	2,632,361	99.19	18,315	2,650,676	99.88	
2011	3,273,438	3,259,786	99.58	10,719	3,270,505	99.91	
2012	3,284,804	3,266,029	99.43	10,306	3,276,335	99.74	
2013	3,276,560	3,263,024	99.59	-	3,263,024	99.59	

Source: New Hanover County Tax Department.

Schedule 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
	Installment Debt		Primary Government			
2004	\$ -	\$ -	\$ -	\$ -	-	\$ -
2005	-	-	-	-	-	-
2006	224,000		224,000		0.003%	84.12
2007	469,023		469,023		0.007%	173.07
2008	820,592		820,592		0.011%	304.15
2009	6,735,986		6,735,986		0.097%	2,498.51
2010	6,643,845		6,643,845		0.093%	2,671.43
2011	5,958,277		5,958,277		0.080%	2,389.04
2012	5,302,023		5,302,023		N/A	2,123.36
2013	4,714,286		4,714,286		N/A	1,885.71

¹ See 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.

Schedule 11
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
New Hanover County	\$ 410,308,166	9.70%	\$ 39,784,642
Town of Wrightsville Beach debt	<u>\$ 4,714,286</u>	100.00%	<u>4,714,286</u>
Total direct and overlapping debt			<u>\$ 44,498,928</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.

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

Legal Debt Margin Calculation for June 30, 2013

Total assessed value	\$ 2,465,559,812
Debt limit (8% of assessed value)	\$ 197,244,785
Debt applicable to limit:	
Installment Purchase Agreement	4,714,286
Total net applicable to limit	4,714,286
Legal debt margin	\$ 192,530,499

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 114,143,729	\$ 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
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
Legal debt margin	\$ 114,143,729	\$ 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
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.19%	0.40%	0.31%	2.55%	2.52%	2.25%	2.00%	2.39%

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.

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

Fiscal Year Ended	Town of Wrightsville Beach		New Hanover County			
	June 30	Population ¹	Personal	Per Capita		Unemployment Rate ³
			Income (000's) ²	Personal Income ²	Unemployment Rate ³	
2004	2,612	\$	5,567,369	\$	31,214	4.4%
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		n/a		n/a	9.2%
2013	2,500		n/a		n/a	9.1%

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 2013 rate is for the period January through June.

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

Employer (Top Ten)	2013					2004				
	Employees		Rank		Percentage	Employees		Rank		Percentage
	2013	2004	2013	2004	of Total County	2013	2004	2013	2004	of Total County
New Hanover Health Network	4,920	1	4.5	4,000	1	4.7				
New Hanover County Schools	3,900	2	3.6	3,087	2	3.7				
Wal-Mart Stores, Inc.	2,592	3	2.4	-	-	-				
General Electric	2,250	4	2.0	2,100	3	2.5				
University of NC - Wilmington	1,898	5	1.7	1,493	5	1.8				
New Hanover County	1,571	6	1.4	1,356	6	1.6				
PPD, Inc	1,500	7	1.4	600	10	0.7				
Verizon Wireless	1,346	8	1.2	-	-	-				
Corning, Inc.	1,000	9	0.9	1,700	4	2.0				
City of Wilmington	981	10	0.9	927	7	1.1				
NC Department of Transportation	-	-	-	694	8	0.8				
Liberty Home Health Care	-	-	-	650	9	0.8				
Total	<u>21,958</u>		<u>20.0</u>	<u>16,607</u>		<u>19.7</u>				
Total New Hanover County Employment	<u>109,787</u>			<u>84,318</u>						

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.

Schedule 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	11	11	11	11	12	12	12	12	12	12
Public safety	44	44	44	46	43	43	43	43	44	44
Transportation	4	4	4	4	5	5	5	5	5	5
Environmental protection	8	8	8	8	8	8	8	8	8	8
Cultural and recreation	5	4	4	5	5	5	5	5	5	5
Water and sewer	8	8	8	9	9	9	9	9	9	9
Total	<u>80</u>	<u>79</u>	<u>79</u>	<u>83</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>83</u>	<u>83</u>

Source: Town records

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

Function	Fiscal Year Ended June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety:										
Police Department:										
Criminal charges (calendar years)	2,516	2,203	3,244	3,064	2,429	2,658	3,164	3,164	3,226	
Reported serious offenses (calendar years)	387	521	405	459	350	419	399	405	419	158
* Incident and Invest (Total Offenses), Part 1 Crimes										499
* Incident and Invest (Total Offenses), Part 2 Crimes										935
* Total Ordinance Tickets Issued										815
* Total Criminal Citations Issued										
* Represents a change in Police Department reporting as of 1/1/13										
Fire Department:										
Fire alarms (calendar years)	186	168	135	141	136	115	113	170	146	73
EMS calls (calendar years)	299	362	405	373	304	348	433	402	360	241
Planning and Inspections:										
Building permits issued	331	305	502	182	473	521	417	400	527	481
Value (\$000)	\$17,654	\$26,778	\$51,632	\$21,556	\$26,717	\$17,666	\$8,256	\$12,803	\$25,832	\$13,482
Cultural and recreation										
Softball field reservations (calendar years)	2	6	12	8	4	3	14	4	60	37
Recreation center reservations (calendar years)	33	57	39	147	92	141	126	115	119	55
Recreation programs (calendar years)	19	18	22	22	24	24	23	23	23	23
Water and Sewer										
Customers	2,645	2,528	2,569	2,635	2,667	2,671	2,679	2,690	2,678	2,678
Water - average daily consumption in gallons	1,036,526	916,871	948,627	909,860	947,154	861,570	757,533	910,074	876,332	795,291
Sewer - average daily inflow (in gallons)	615,051	654,381	610,972	585,737	579,867	588,336	636,266	587,641	565,217	557,938

Note: 2013 calendar year is for the period January-August.

Source: Town records

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

Function	Fiscal Year Ended June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety:										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Cultural and Recreation:										
Parks	7	7	7	7	7	7	7	7	7	7
Park acreage	30	30	30	30	30	30	30	30	30	30
Recreation centers	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
Water treatment centers	2	2	2	2	2	2	2	2	2	2
Wells	9	8	8	8	8	8	8	8	8	8
Ground storage water tanks	2	2	2	2	2	2	2	2	2	2
Elevated water storage tanks	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 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, 2013, and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated August 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 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 Questioned Costs*, 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 Questioned Costs* 2013-001, 2013-002 and 2013-003 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 Questioned Costs*. 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
August 30, 2013

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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? No
- Non-compliance material to financial statements noted? No

2. Financial Statements Findings

Finding 2013-001 – 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: Peggy Jones, 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 QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

2. Financial Statements Findings (continued)

Finding 2013-002 – 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: Peggy Jones, 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 QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

2. Financial Statements Findings (continued)

Finding 2013-003 – 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: Peggy Jones, 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, 2013**

None