

TOWN OF WRIGHTSVILLE BEACH NORTH CAROLINA



1899

*Comprehensive
Annual
Financial
Report*

*Fiscal Year Ended
June 30, 2012*

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**TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2012**

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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 25, 2012

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, 2012, 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, 2012, 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, 2012, 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 2,494 increases dramatically in the summer season to an estimated 40,000.

ECONOMIC CONDITIONS AND OUTLOOK

Like the rest of the country, our area continues to be adversely affected by the downturn in the economy. Results from the U. S. Census Bureau Quick Facts Reports show a slight decrease in the number of people living in poverty in New Hanover County. The Bureau reported that 15 percent of the county's population lived in poverty in 2010 compared with 16% in 2009. Another bleak economic indicator was the unemployment rate for the county which had risen from 5.3% in 2008 to 9.4% in 2012.

Tourism is the Town's only industry. Revenues from the room occupancy tax declined during 2008 and 2009 but showed an increase in 2010 and 2011. Collections continue to grow and are up over 17% since FY 2008-2009. 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.

Despite the continued slowdown in the economy, the Town finished the fiscal year in relatively good financial condition. Overall, revenues exceeded projections due in part to increases in parking and sales tax proceeds as well as a one-time distribution from the New Hanover County ABC board. FY 2011-2012 was the second consecutive year that building permit revenues increased. Based on these factors, we are hopeful that the local economy will continue to recover from the decline of the last few years.

Conservative revenue projections and expenditure policies resulted in a healthy fund balance at the end of FY 2011-2012. The Town began the fiscal year with a fund balance of \$5.081million and ended the year with a fund balance of \$5.170 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 2011-2012, the TDA approved more than \$500,000 to fund the Town’s ocean rescue and beach patrol programs, fireworks and advertising costs for the North Carolina Holiday Flotilla, beach ambassador program, additional Town announcement sign, and lease of the Trolley Stop restroom facilities in the downtown area.
- Harbor Island Residential Parking District – During FY 10-11 and FY 11-12, staff worked on addressing the issues related to parking at Wrightsville Beach. This project began during the summer of 2010 when the Board of Aldermen tasked staff to review the municipal parking program with a focus on creating a Residential Parking District on Harbor Island to relieve parking problems in the residential areas. After two public hearings, the Board decided to obtain additional input from the citizens by hosting two workshop sessions in September 2011. A summary of results from the 2010 Parking Working Group’s findings was presented followed by two evenings of informal discussion and inputs from the public on key issues associated with parking. Based on public comments received during the two workshop sessions, it was apparent that there was renewed support for creation of a Residential Parking District on Harbor Island. Following the two workshops the Board directed staff to review the findings and develop a plan for creating a Residential Parking District on Harbor Island and a strategy for enforcement. Recommendations were presented to the Board of Aldermen at a special meeting in February. The Board agreed that parking within the district should be regulated with the use of the Residential Parking Permit that is employed in other areas of the Town where metered parking is enforced. The Board decided to proceed with the creation of the new Residential Parking District and directed staff to prepare the necessary ordinance amendments in time for the new district to begin on Memorial Day weekend.
- Automated License Plate Recognition System Grant – In late 2008, the Town learned about a new program known as the Automatic 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. The system utilizes both fixed and mobile cameras that are linked to a national data base recognition system for

license plates. The identification mechanism is nearly “real-time” and has the capability to alert our police immediately if it recognizes a vehicle that is in the national data base. Conceptually, the camera system could be placed along the eastbound travel lane of Route 74/76 in the vicinity of the Heide Trask Bridge which is the only way on or off of Wrightsville Beach. The camera could then monitor license plates of all eastbound traffic. Additionally, one or more systems could be placed in individual police vehicles to provide “real time” surveillance and identification of vehicle operators. 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 the ALPR system. 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 Town was later advised by the NCDOT that the system could not be permanently placed on any NCDOT structures or in the NCDOT right-of-way. This significantly altered our original plan which resulted in the scope of the project being reduced. In April 2012, the Board of Aldermen selected a vendor to provide the new equipment at a cost of \$34,900. The equipment will include one mobile camera and one camera installed on a trailer unit. The system is projected to be operational by September 2012.

- Lease of Town Facilities - The Town property located at #5 Live Oak Drive was previously occupied by Lanier Parking Services. In 2011 Lanier Parking moved to their new facilities in the Town Administration Building. The Town then undertook minor renovations of the property on Live Oak Drive in anticipation of leasing the building. Renovations were completed in October 2011 and the Town began efforts to market the property for lease. In early April the Town received a proposal from Fasse Construction and Development, Inc to lease the building. After considerable negotiation the Board of Aldermen and Fasse Construction reached an agreement for a monthly lease amount of \$700 including utilities and a term of two (2) years. The new lease begins July 1, 2012.
- 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, as of this report, the Beach Ambassador Program for 2012 has been very successful and is providing excellent results. 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.
- Street-End Recycling Test Program - In November 2011, the Board of Aldermen accepted a proposal presented by Green Coast Recycling to conduct a street-end recycling test program at four high-volume beach access locations. The test program began on May 1, 2012 and continued through the end of July. The program included twice-weekly pick-up at each location for a fee of \$150 per month, per site. At their July meeting the Board of Aldermen elected to continue the program for one year at a cost of \$6,000. Primary focus of the program is to decrease litter on the beach strand and to encourage visitors to recycle.

- Smoking Prohibition on the Beach Strand - For the past three fiscal 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. On January 12, 2012, following another request from the public, the Board favorably agreed to reintroduce the proposed smoking prohibition and set March 8th as the public hearing date to address an amendment to Chapter 92 that would prohibit smoking on the Wrightsville Beach strand. At the public hearing the Board, by a vote of 3-2, elected once again not to prohibit smoking on the beach strand. A citizen's initiative soon followed that requested the Board adopt the original ordinance prohibiting smoking on the beach or have the question placed on the November 2012 general election ballot. On June 7, 2012, the Board of Aldermen again elected not to pass the ordinance and acted on Resolution Number (2012) 1776 directing that a referendum be held on November 6, 2012, to consider adoption of an ordinance that prohibits smoking on the Town's beach strand.
- Staff Classification and Efficiency Study - The last formal pay and classification study for the Wrightsville Beach municipal staff was conducted during a thirty-day period in late 2003 by the Management and Personnel Services Group, Inc. (MAPS). During their 2010 Retreat, the Board of Aldermen discussed the possibility of conducting a new classification study; however, based on the potential cost of conducting such a study as well as concerns about the impact that existing economic conditions could have on the validity of such a study, they decided to revisit the issue in a year. The Board again addressed the subject during their 2011 Retreat and indicated an interest in expanding the study to include an assessment of staff efficiency. During the FY 2011-2012 Budget process the Board elected to dedicate a sum of \$50,000 to have an independent agency conduct a pay, classification and efficiency study of the Town's workforce. A Request for Proposal (RFP) was drafted by the staff and approved by the Board in October, 2011. Twenty qualified firms were invited to submit proposals and a copy of the RFP was posted on the Town's website. The Town received eight proposals to undertake the study, two of which were subsequently recommended to the Board of Aldermen for further consideration. At their February meeting, at the request of staff, the Board elected to defer the study until the Fall of 2012 and to conduct telephone interviews with the two finalist consulting firms. Two members of the Board of Aldermen were selected to participate with the Town Manager in the interview process. On April 3rd and 4th telephone interviews were conducted with the chief executive officers of both consulting firms. At their April 12th meeting the Board of Aldermen considered the recommendations resulting from the interviews and elected not to proceed with the project at the current time. During subsequent budget workshops the Board also decided not to fund the project during the FY 2012-2013 budget cycle.
- Increase in Beach Strand Ordinance Enforcement - Our Code of Ordinances addresses penalties associated with violations relating to our Beach and Shore regulations including the prohibition of littering, glass on the beach, consumption of alcohol, anchoring of vessels, and illegal business activities. During 2012 the Town increased the level of enforcement of ordinances on the beach strand and as a result witnessed a dramatic increase in the number of citations issued, particularly with respect to alcohol and glass containers. As currently written, violations of provisions set forth in most of the penalty sections of our ordinances may be enforced by issuance of a civil citation or as a misdemeanor which is punishable in accordance with NCGS §14-4, both of which are considered of a criminal nature unless specifically decriminalized by local ordinance. Currently, in accordance with state law, the Town is required to annually pay New Hanover County Schools a sum equivalent to 90% of all citations associated with a

misdeemeanor. In an effort to retain a greater share of the funds collected for these violations, the Town will consider changes to several ordinances that will decriminalize some violations, including those related to the use of alcohol on the beach.

- Wayfinding Signage - Over a two-year period the Town worked closely with NCDOT officials to implement a wayfinding signage program including signage design and selection of placement sites. At the end of FY 11-12, the Town received notification that NCDOT had approved the plan and given permission for the installation of seven wayfinding signs. The signs will be installed in July 2012 at selected locations.
- Change in Auditing Services - NC General Statute 159-34 requires local governments to have their accounts audited by independent auditors after the close of each fiscal year. A town's governing board may choose any North Carolina certified public accountant or any accountant certified by the Local Government Commission (LGC) as qualified to audit local government accounts. The public accounting firm of Hardison, Chamberlain & Thomas performed independent auditing services for the Town of Wrightsville Beach since 1968; however, in January 2012 they indicated that their firm would no longer be providing municipal auditing services. As a result, in February the Town prepared a Request for Proposal (RFP) and solicited inputs from nine qualified firms within the region that provide such services. Four responses to our RFP were received from qualified firms that have experience in providing audit services to governmental agencies in North Carolina. Based on the information provided by the accounting firms that responded and our discussions with references, the Board of Aldermen selected Martin – Starnes & Associates to perform independent auditing services for the Town of Wrightsville Beach for an initial period of three years commencing with the end-of-year accounting for Fiscal Year 2011-2012.
- Beach Nourishment Interlocal Agreement - Beach nourishment at Wrightsville Beach normally occurs in four year cycles and is funded through an agreement with the U.S. Army Corps of Engineers which provides for 65% funding from the federal government and 35% from state and local resources. The current agreement between the Town of Wrightsville Beach and the U.S. Army Corps of Engineers is valid until 2041 but is dependent on the availability of Federal and State funding. The Towns of Kure Beach and Carolina Beach have similar agreements; however, the Carolina Beach agreement will expire in 2014. As part of the current funding arrangement, the State has typically provided 75% of the local share and New Hanover County has funded the balance of the local requirement through use of the Room Occupancy Tax (ROT). During the 2010 Beach Nourishment Project, however, the State reduced their funding level to 50% of the local share. Even with agreements currently in place, there is growing uncertainty about future federal and state funding support for beach nourishment. As a result, in 2011, the Ports, Waterways and Beach Commission initiated development of a Beach Nourishment Contingency Master Plan to address many of the issues that might confront the community and region in the event Federal and/or State funding is reduced or no longer available. In order to carry out the Beach Nourishment Contingency Master Plan, the participating government entities entered into an interlocal agreement in November 2011 that addressed scenarios in which the Beach Nourishment Contingency Master Plan would be implemented and the funding responsibilities associated with each situation. The interlocal agreement is binding on participants until June 30, 2015; however, the agreement will automatically renew for subsequent four year periods unless a party gives notice in advance that they do not wish to participate in a renewal. In the event the Beach Nourishment Contingency Master Plan is implemented there is significant potential for the individual beach communities to assume responsibility for

funding a substantial portion of their respective beach nourishment projects. Under terms of the interlocal agreement, if Federal and State funding is insufficient to pay the costs of any beach nourishment project, the ROT will pay any shortfall in funding up to a maximum of the project cost. If a shortfall in project funding remains after New Hanover County has committed ROT funds to pay 82.5% of total project costs, the respective town in which the project is located shall be responsible for providing funding up to a maximum of 17.5% of the total project cost. In all probability this would be a “worst case scenario” when no Federal funding is available and State support is significantly reduced or non-existent.

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 2011-2012 including the following:

- 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 expansion of fleet maintenance garage.
- 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 two patrol cars for the Police Department; several service trucks, a dump truck and a loadpacker for the Public Works Department; and a lawn mower for the Planning and Parks Department.

GFOA CERTIFICATE OF ACHIEVEMENT PROGRAM

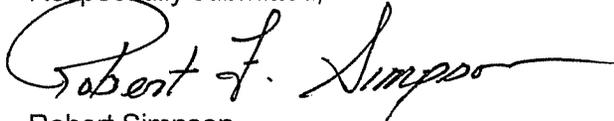
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Wrightsville Beach for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This is the seventeenth 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,



Robert Simpson
Town Manager

Respectfully submitted,



Peggy Jones
Finance Officer

TOWN OF WRIGHTSVILLE BEACH NORTH CAROLINA

Board of Aldermen

David Cignotti, Mayor

Susan Collins, Mayor Pro Tem

Elizabeth King

Darryl Mills

William Sisson

Town Manager

Robert Simpson

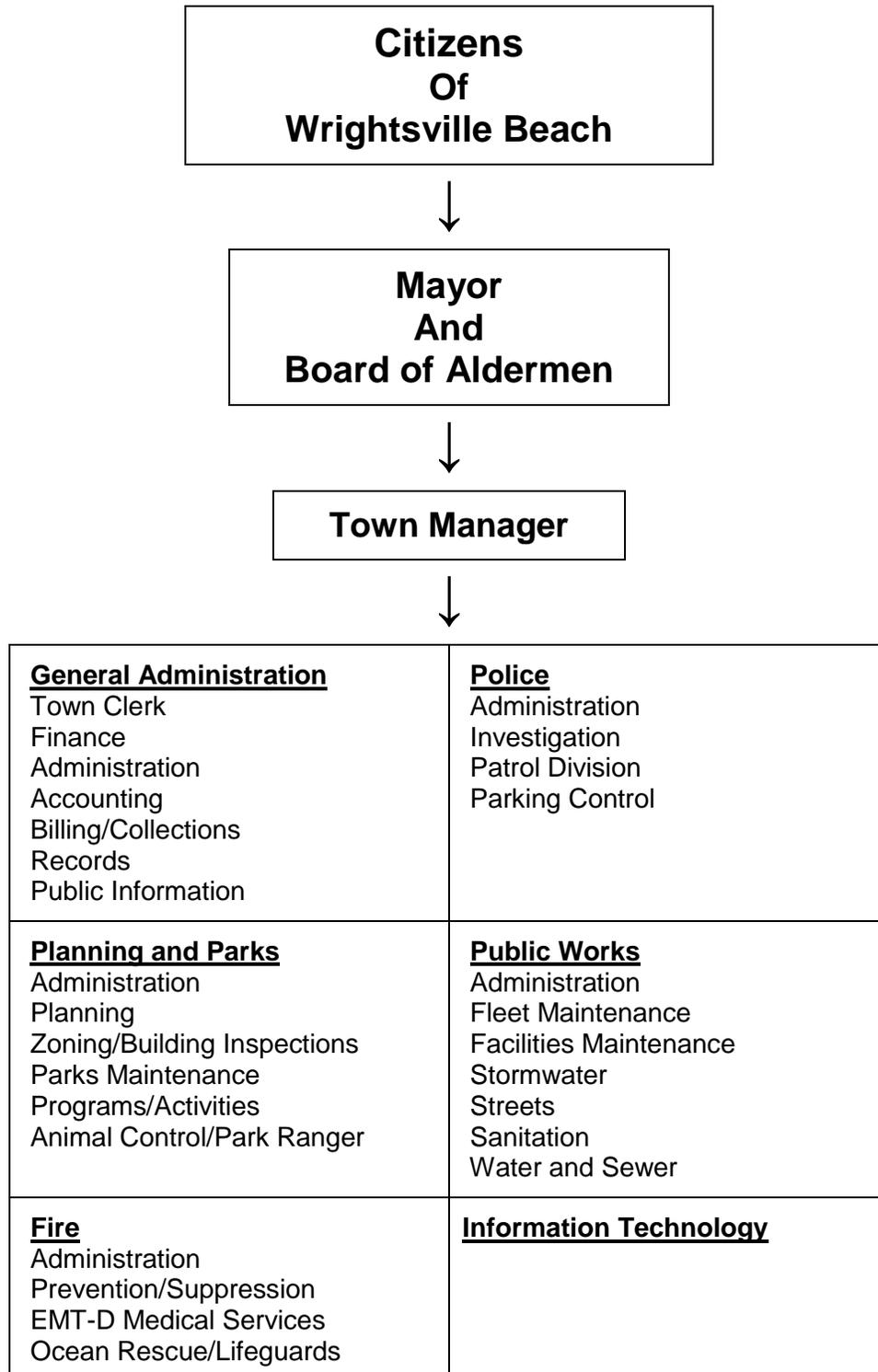
Finance Officer

Peggy Jones

TOWN OF WRIGHTSVILLE BEACH
LIST OF TOWN OFFICIALS
JUNE 30, 2012

<u>TITLE</u>	<u>NAME</u>
Mayor	David Cignotti
Mayor Pro Tem	Susan Collins
Alderman	Elizabeth King
Alderman	Darryl Mills
Alderman	William Sisson
Town Attorney	John Wessell, III
Town Manager	Robert Simpson
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

Town of Wrightsville Beach North Carolina Organization



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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

Financial Section

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wrightsville Beach, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wrightsville Beach, North Carolina's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, 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, 2012, and the respective changes in financial position and cash flows, where appropriate, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2012 on our consideration of the Town of Wrightsville Beach's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that 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.

Our audit was performed 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, as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary and actual schedules, supplemental ad valorem tax schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
August 24, 2012

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, 2012. 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

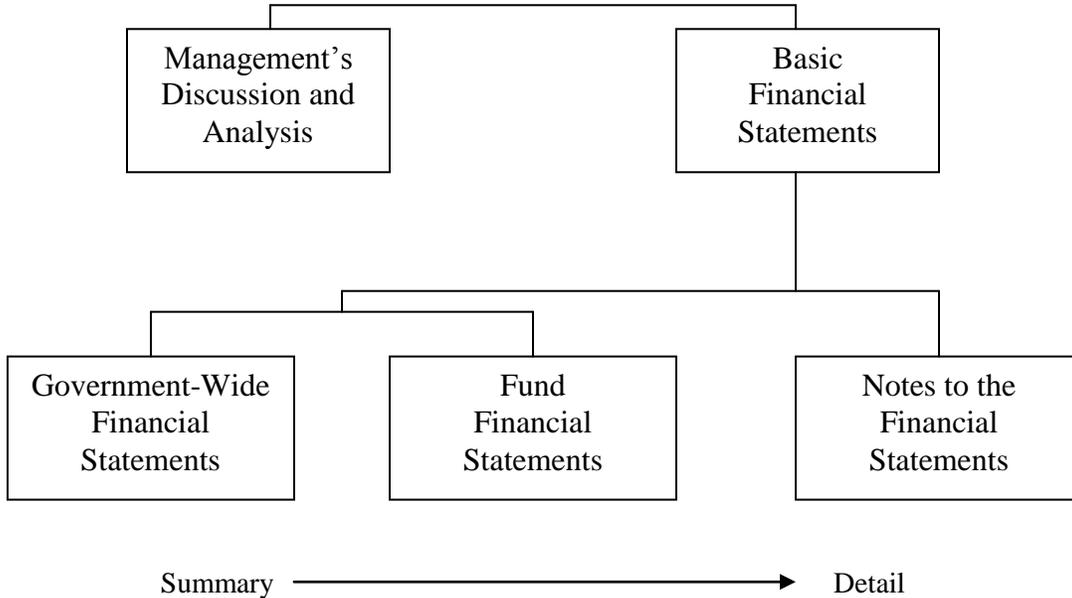
- The assets of the Town of Wrightsville Beach exceeded its liabilities at the close of the fiscal year by \$22,087,711 (*net assets*).
- The government's total net assets increased by \$1,122,699 primarily due to increases in the governmental activities net assets. Key factors in the increase were growth in both sales tax and ABC revenues.
- As of the close of the current fiscal year, the Town of Wrightsville Beach's governmental funds reported combined ending fund balances of \$6,029,655, an increase of \$262,193 in comparison with the prior year. Approximately 11.68 percent of this total amount, or \$704,415, is unspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,131,644, or 42.58, percent of total General Fund expenditures for the fiscal year.
- The Town's total debt decreased by \$656,254 (11.01%) during the current fiscal year. The key factor in the decrease was that 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 2011-2012.

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 assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition. The Town's net assets have increased steadily since fiscal year 2005 when net assets were \$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 government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of 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 Assets 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.

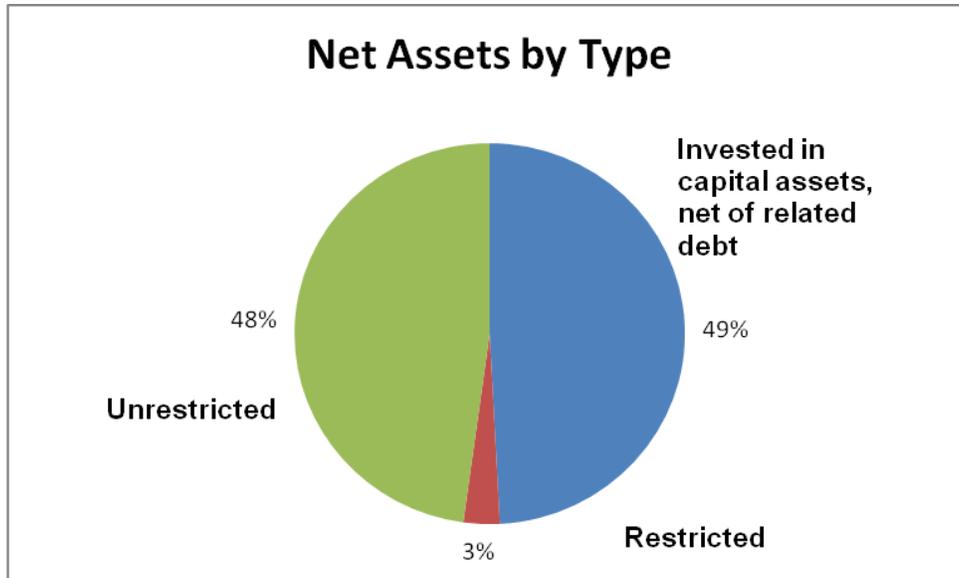
Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25-46 of this report.

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 47 of this report.

Government-Wide Financial Analysis

Town of Wrightsville Beach's Net Assets
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 6,362,794	\$ 6,184,185	\$ 6,466,635	\$ 6,490,302	\$ 12,829,429	\$ 12,674,487
Capital assets	12,075,598	11,913,329	4,087,039	4,124,633	16,162,637	16,037,962
Total assets	<u>18,438,392</u>	<u>18,097,514</u>	<u>10,553,674</u>	<u>10,614,935</u>	<u>28,992,066</u>	<u>28,712,449</u>
Long-term liabilities outstanding	5,659,117	5,979,723	108,068	82,020	5,767,185	6,061,743
Other liabilities	1,077,347	1,277,799	59,823	407,895	1,137,170	1,685,694
Total liabilities	<u>6,736,464</u>	<u>7,257,522</u>	<u>167,891</u>	<u>489,915</u>	<u>6,904,355</u>	<u>7,747,437</u>
Net assets:						
Invested in capital assets, net of related debt	6,773,579	5,955,052	4,087,039	4,124,633	10,860,618	10,079,685
Restricted	661,068	603,605	-	-	661,068	603,605
Unrestricted	4,267,281	4,281,335	6,298,744	6,000,387	10,566,025	10,281,722
Total net assets	<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>



As noted earlier, net assets may serve over time as one useful indicator of government's financial condition. The assets of the Town of Wrightsville Beach exceeded liabilities by \$22,087,711 as of June 30, 2012. The Town's net assets increased by \$1,122,699 for the fiscal year ended June 30, 2012.

A significant portion of the Town of Wrightsville Beach's net assets (47.8%) reflects unrestricted net assets 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 assets (3.0%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of \$10,860,618 (49.2%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Wrightsville Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.43%, which is higher than the state-wide average of 97.63%
- Increase in revenues from room occupancy tax by 9.1% over the prior year
- Increase in sales tax revenues by 25.4% over the prior year
- Increase in ABC revenues by 33.1% over FY 2010-2011
- Increase in permits and fees revenues by 42.9%. The main increase in revenues in this group was the building permit revenues. Although these revenues are significantly lower than several years ago, FY 2011-2012 is the second consecutive year we have seen a growth in building permit proceeds since the mid 2000's.

Town of Wrightsville Beach's Changes in Net Assets
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 3,743,814	\$ 3,547,303	\$ 2,283,931	\$ 2,289,573	\$ 6,027,745	\$ 5,836,876
Operating grants and contributions	118,597	87,520	14,083	-	132,680	87,520
Capital grants and contributions	40,160	213,528	-	-	40,160	213,528
General revenues:						
Property taxes	3,277,486	3,279,781	-	-	3,277,486	3,279,781
Other taxes	1,552,524	1,523,454	-	-	1,552,524	1,523,454
Grants and contributions not restricted to specific programs	643,373	327,479	-	-	643,373	327,479
Other	166,878	169,859	12,794	133,506	179,672	303,365
Total revenues	9,542,832	9,148,924	2,310,808	2,423,079	11,853,640	11,572,003
Expenses:						
General government	1,844,143	1,771,512	-	-	1,844,143	1,771,512
Public safety	4,945,196	4,574,706	-	-	4,945,196	4,574,706
Transportation	524,519	611,126	-	-	524,519	611,126
Environmental protection	902,200	847,668	-	-	902,200	847,668
Culture and recreation	533,929	516,097	-	-	533,929	516,097
Interest on long-term debt	110,909	229,612	-	-	110,909	229,612
Water and sewer	-	-	1,870,045	1,771,385	1,870,045	1,771,385
Total expenses	8,860,896	8,550,721	1,870,045	1,771,385	10,730,941	10,322,106
Increase in net assets before transfers	681,936	598,203	440,763	651,694	1,122,699	1,249,897
Transfers from (to) other funds	180,000	200,000	(180,000)	(200,000)	-	-
Increase in net assets	861,936	798,203	260,763	451,694	1,122,699	1,249,897
Net assets, July 1	10,839,992	10,041,789	10,125,020	9,673,326	20,965,012	19,715,115
Net assets, June 30	<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>

Governmental Activities. Governmental activities increased the Town's net assets by \$861,936, thereby accounting for 76.77% of the total growth in the net assets of the Town of Wrightsville Beach. Key elements of this increase are as follows:

- Revenues from grants and contributions not restricted to specific programs increased by 96.46% due primarily to an increase in sales tax, room occupancy tax, and ABC revenues
- Debt service payments decreased by 19.23% from FY 2010-2011 due to payoff of loans in FY 10-11 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 assets by \$260,763, accounting for 23.23% of the total growth in the government's net assets. This increase was primarily due to the post-ponement of a sewer capital 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 \$4,497,123 while total fund balance reached \$5,169,721. 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 42.58 percent of total General Fund expenditures, while total fund balance represents 53.28 percent of that same amount.

At June 30, 2012, the governmental funds of the Town of Wrightsville Beach reported a combined fund balance of \$6,029,655, a 4.55 percent increase over last year. Included in this change in fund balance is an increase in fund balance in both the General Fund and the nonmajor funds. The increase in the fund balance for the General Fund was due primarily to an increase in local option sales tax and tourism dollars as well as a one-time lump sum distribution from the New Hanover county ABC Board. The increase in the fund balance for the Nonmajor Funds was due to transfers from the General Fund for future capital purchases.

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 a grant from the U.S. Department of Homeland Security for the purchase of a License Plate Recognition System, recognition of a grant from the Cape Fear Memorial Foundation for upgrading five automated external defibrillators, recognition of funds received from FEMA and the State of NC for damages caused by Hurricane Irene, and a decision by the Board to use fund balance to pay for all capital purchases rather than to borrow. Amendments to General Fund expenditures included funding for the purchase of a load packer which was scheduled for purchase in the prior fiscal year but which did not arrive prior to June 30, 2011, funding to assist with the dredging of the inlet at Carolina Beach, and funding for expenses incurred as a result of Hurricane Irene.

Revenues were more than budgeted amounts primarily due to substantial increases in sales tax and ABC revenues. Expenditures were less than budgeted amounts due to unfilled positions and post-ponement 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 assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$6,298,744. The total growth in net assets was \$260,763.

Capital Asset and Debt Administration

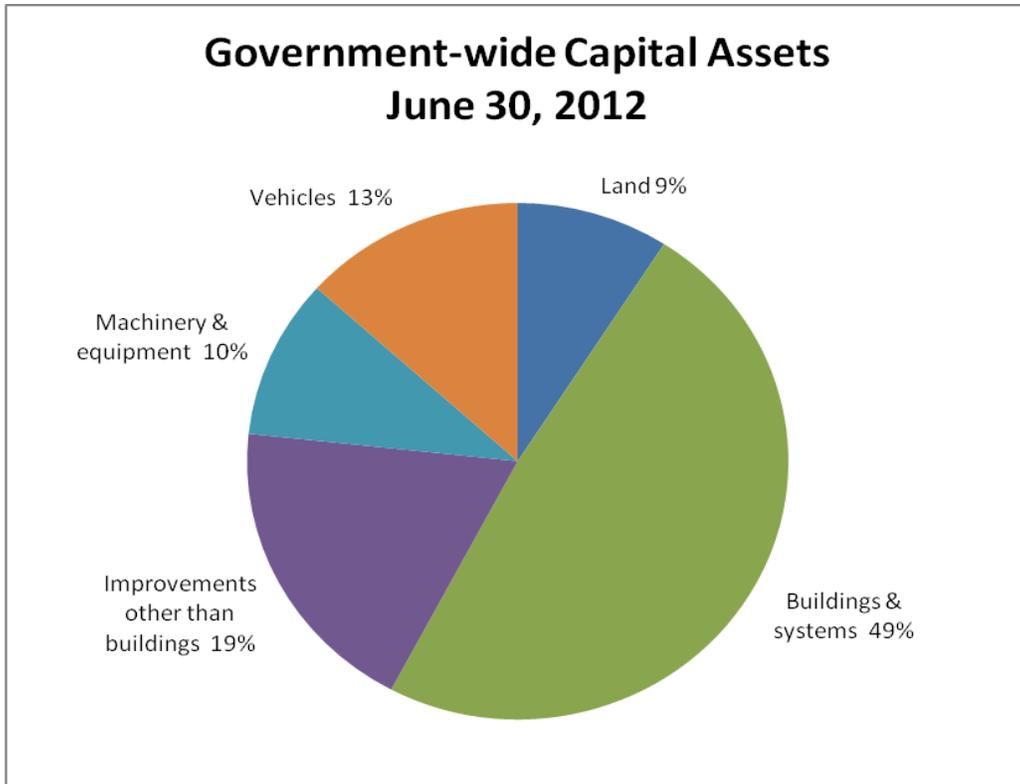
Capital Assets. The Town of Wrightsville Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$16,162,637 (net of accumulated depreciation). These assets include building renovations, land, machinery and equipment, vehicles and water and sewer lines.

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

- Several service trucks, dump trucks, Town server, copier, mower, and police cars
- Renovations to town offices located at 5 Live Oak Drive, Wrightsville Beach, NC 28480

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,343,012	\$ 2,343,012	\$ -	\$ -	\$ 2,343,012	\$ 2,343,012
Construction in progress	-	6,489,432	-	1,285,728	-	7,775,160
Total non-depreciable assets	<u>2,343,012</u>	<u>8,832,444</u>	<u>-</u>	<u>1,285,728</u>	<u>2,343,012</u>	<u>10,118,172</u>
Buildings and systems	7,453,879	896,737	5,096,654	3,676,467	12,550,533	4,573,204
Improvements other than buildings	1,344,631	1,344,631	3,549,029	3,549,029	4,893,660	4,893,660
Machinery and equipment	1,989,277	1,607,851	593,523	601,191	2,582,800	2,209,042
Vehicles and motorized equipment	<u>3,101,518</u>	<u>3,110,539</u>	<u>326,955</u>	<u>294,684</u>	<u>3,428,473</u>	<u>3,405,223</u>
Total assets being depreciated	<u>13,889,305</u>	<u>6,959,758</u>	<u>9,566,161</u>	<u>8,121,371</u>	<u>23,455,466</u>	<u>15,081,129</u>
Less: Accumulated depreciation	<u>(4,156,719)</u>	<u>(3,878,873)</u>	<u>(5,479,122)</u>	<u>(5,282,465)</u>	<u>(9,635,841)</u>	<u>(9,161,338)</u>
Total capital assets being depreciated, net	<u>9,732,586</u>	<u>3,080,885</u>	<u>4,087,039</u>	<u>2,838,906</u>	<u>13,819,625</u>	<u>5,919,791</u>
Total capital assets, net	<u>\$ 12,075,598</u>	<u>\$ 11,913,329</u>	<u>\$ 4,087,039</u>	<u>\$ 4,124,634</u>	<u>\$ 16,162,637</u>	<u>\$ 16,037,963</u>



Additional information on the Town's capital assets can be found in the note 2-A on pages 35-36 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2012, the Town of Wrightsville Beach had \$5,302,023 of outstanding loan obligations. On February 15, 2008, the Town entered into an installment loan contract with RBC Centura Bank to purchase a fire truck. On April 27, 2009, the Town entered into an installment loan contract with SunTrust Bank to purchase a parking enforcement vehicle and 18 pay stations. On May 13, 2009, the Town also entered into a 15-year loan agreement with BB&T to construct a public safety building. On September 28, 2009, the Town entered into a loan agreement with BB&T to purchase a lawn mower and a street sweeper. On March 18, 2010, the Town also entered into a loan agreement with BB&T to purchase two police cars and fuel storage tanks. A detailed explanation regarding these obligations can be found in note 2-B on pages 44-45 of this report.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Wrightsville Beach is \$259,914,802.

Additional information regarding the Town of Wrightsville Beach's long-term liabilities can be found in note 1-E page 30 and in note 2-B on pages 44-45 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 2011 estimated unemployment rate for New Hanover County is 9.9% compared with the State's rate of 10.5 %.
- The Town's sales tax revenue increased more than 25% over FY 2010-2011.
- Room occupancy tax revenue increased more than 9% in FY 2011-2012.
- Building permit revenues continued to increase for the second consecutive year. We remain hopeful that this increase will continue 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 5 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. This year it is listed at number 4 among public master's institutions in the South.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities. The Town's tax rate will increase to 13.3 cents per \$100 for FY 2012-2013 due to a property revaluation in 2012. The revaluation resulted in a decrease in total assessed value to \$2.471 billion as compared to the prior year's assessed value of \$3.315 billion. As directed by the Board, staff prepared a budget with a revenue-neutral tax rate of 13.3 cents. General Fund expenditures will decrease 4.5% over FY 2011-2012, due primarily to the deletion/postponement of major capital purchases and the elimination of cost of living and merit increases.

Business-Type Activities. Water and sewer rates will remain constant for FY 2012-2013. The Town will continue to make contributions to a dedicated sewer reserve fund for capital improvements to the Southside Wastewater Treatment Plant.

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.

Basic Financial Statements

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TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5,582,355	\$ 5,966,923	\$ 11,549,278
Taxes receivable, net	22,935	-	22,935
Accounts receivable, net	350,709	434,386	785,095
Due from other governments	284,030	18,834	302,864
Inventories	40,351	46,492	86,843
Prepays	2,996	-	2,996
Cash and cash equivalents, restricted	29,319	-	29,319
Total current assets	<u>6,312,695</u>	<u>6,466,635</u>	<u>12,779,330</u>
Non-current assets:			
Net pension asset	<u>50,099</u>	<u>-</u>	<u>50,099</u>
Capital assets:			
Land, non-depreciable improvements, and construction in progress	2,343,012	-	2,343,012
Other capital assets, net of depreciation	<u>9,732,586</u>	<u>4,087,039</u>	<u>13,819,625</u>
Total capital assets	<u>12,075,598</u>	<u>4,087,039</u>	<u>16,162,637</u>
Total assets	<u>18,438,392</u>	<u>10,553,674</u>	<u>28,992,066</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	257,115	45,382	302,497
Compensated absences, due in one year	232,495	14,441	246,936
Notes payable, due in one year	<u>587,737</u>	<u>-</u>	<u>587,737</u>
Total current liabilities	<u>1,077,347</u>	<u>59,823</u>	<u>1,137,170</u>
Long-term liabilities:			
Due in more than one year	<u>5,659,117</u>	<u>108,068</u>	<u>5,767,185</u>
Total long-term liabilities	<u>5,659,117</u>	<u>108,068</u>	<u>5,767,185</u>
Total liabilities	<u>6,736,464</u>	<u>167,891</u>	<u>6,904,355</u>
Net Assets:			
Invested in capital assets, net of related debt	6,773,579	4,087,039	10,860,618
Restricted for:			
Stabilization for State statute	631,749	-	631,749
Streets	29,319	-	29,319
Unrestricted	<u>4,267,281</u>	<u>6,298,744</u>	<u>10,566,025</u>
Total net assets	<u>\$ 11,701,928</u>	<u>\$ 10,385,783</u>	<u>\$ 22,087,711</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, 2012

	<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	\$ 1,844,143	\$ 45,500	\$ 37,153	\$ -
Public safety	4,945,196	2,488,867	14,167	
Transportation	524,519	-	67,277	-
Environmental protection	902,200	1,011,431	-	-
Culture and recreation	533,929	198,016	-	40,160
Interest and fees	110,909	-	-	-
Total governmental activities	<u>8,860,896</u>	<u>3,743,814</u>	<u>118,597</u>	<u>40,160</u>
Business-Type Activities:				
Water and sewer	<u>1,870,045</u>	<u>2,283,931</u>	<u>14,083</u>	<u>-</u>
Total primary government	<u>\$ 10,730,941</u>	<u>\$ 6,027,745</u>	<u>\$ 132,680</u>	<u>\$ 40,160</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 assets

Net Assets:

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 Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,761,490)	\$ -	\$ (1,761,490)
(2,442,162)	-	(2,442,162)
(457,242)	-	(457,242)
109,231	-	109,231
(295,753)	-	(295,753)
(110,909)	-	(110,909)
(4,958,325)	-	(4,958,325)
-	427,969	427,969
(4,958,325)	427,969	(4,530,356)
3,277,486	-	3,277,486
1,013,314	-	1,013,314
539,210	-	539,210
643,373	-	643,373
9,071	12,794	21,865
157,807	-	157,807
5,640,261	12,794	5,653,055
180,000	(180,000)	-
5,820,261	(167,206)	5,653,055
861,936	260,763	1,122,699
10,839,992	10,125,020	20,965,012
\$ 11,701,928	\$ 10,385,783	\$ 22,087,711

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>Major Fund</u>		<u>Total</u>
	<u>General</u>	<u>Nonmajor</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Assets:			
Cash and cash equivalents	\$ 4,724,919	\$ 857,436	\$ 5,582,355
Taxes receivable, net	22,935	-	22,935
Accounts receivable, net	350,709	-	350,709
Due from other governments	281,532	2,498	284,030
Prepays	2,996	-	2,996
Inventory	40,351	-	40,351
Cash and cash equivalents, restricted	29,319	-	29,319
Total assets	<u>\$ 5,452,761</u>	<u>\$ 859,934</u>	<u>\$ 6,312,695</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 257,115	\$ -	\$ 257,115
Deferred revenue	25,925	-	25,925
Total liabilities	<u>283,040</u>	<u>-</u>	<u>283,040</u>
Fund Balances:			
Non-spendable:			
Inventory	40,351	-	40,351
Prepays	2,996	-	2,996
Restricted:			
Stabilization by State statute	629,251	2,498	631,749
Streets - Powell Bill	29,319	-	29,319
Committed:			
General government	-	770,862	770,862
Assigned:			
Public safety	-	86,574	86,574
Subsequent year's expenditures	336,160	-	336,160
Unassigned	4,131,644	-	4,131,644
Total fund balances	<u>5,169,721</u>	<u>859,934</u>	<u>6,029,655</u>
Total liabilities and fund balances	<u>\$ 5,452,761</u>	<u>\$ 859,934</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,075,598
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	50,099
Liabilities for earned, but deferred, revenues in the fund statements	25,925
Some liabilities, including bonds payable, and other post-employment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,479,349)</u>
Net assets of governmental activities	<u>\$ 11,701,928</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, 2012

	<u>Major Fund</u>		<u>Total</u>
	<u>General</u>	<u>Nonmajor</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 3,284,536	\$ -	\$ 3,284,536
Other taxes and licenses	1,552,524	-	1,552,524
Unrestricted intergovernmental	643,373	-	643,373
Restricted intergovernmental	156,927	-	156,927
Permits and fees	285,706	-	285,706
Sales and services	3,459,938	-	3,459,938
Investment earnings	8,617	454	9,071
Miscellaneous	157,807	-	157,807
Total revenues	<u>9,549,428</u>	<u>454</u>	<u>9,549,882</u>
Expenditures:			
Current:			
General government	1,761,120	-	1,761,120
Public safety	4,512,005	67,710	4,579,715
Transportation	583,599	-	583,599
Environmental protection	1,157,368	-	1,157,368
Culture and recreation	512,885	-	512,885
Debt service:			
Principal	656,254	-	656,254
Interest	216,748	-	216,748
Total expenditures	<u>9,399,979</u>	<u>67,710</u>	<u>9,467,689</u>
Revenues over (under) expenditures	<u>149,449</u>	<u>(67,256)</u>	<u>82,193</u>
Other Financing Sources (Uses):			
Transfer From:			
General Fund	-	302,915	302,915
Special Revenue Fund	61,660	-	61,660
Enterprise Fund	180,000	-	180,000
Transfer To:			
General Fund	-	(61,660)	(61,660)
Special Revenue Fund	(302,915)	-	(302,915)
Total other financing sources (uses)	<u>(61,255)</u>	<u>241,255</u>	<u>180,000</u>
Net change in fund balances	88,194	173,999	262,193
Fund Balances:			
Beginning of year - July 1	<u>5,081,527</u>	<u>685,935</u>	<u>5,767,462</u>
End of year - June 30	<u>\$ 5,169,721</u>	<u>\$ 859,934</u>	<u>\$ 6,029,655</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, 2012**

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)	\$ 262,193
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(7,050)
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.	(317,569)
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.	731,734
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(564,826)
Cost of capital asset disposed of during the year, not recognized on the modified accrual basis.	(4,639)
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.	656,254
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>105,839</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 861,936</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

Exhibit F

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund			Variance with Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,229,200	\$ 3,229,200	\$ 3,284,536	\$ 55,336
Other taxes and licenses	1,325,085	1,327,474	1,552,524	225,050
Unrestricted intergovernmental	567,011	567,011	643,373	76,362
Restricted intergovernmental	121,910	349,457	156,927	(192,530)
Permits and fees	184,650	245,050	285,706	40,656
Sales and services	3,266,436	3,266,436	3,459,938	193,502
Investment earnings	12,225	12,225	8,617	(3,608)
Miscellaneous	144,400	157,680	157,807	127
Total revenues	<u>8,850,917</u>	<u>9,154,533</u>	<u>9,549,428</u>	<u>394,895</u>
Expenditures:				
Current:				
General government	1,992,205	2,011,465	1,761,120	250,345
Public safety	4,581,061	4,830,817	4,512,005	318,812
Transportation	661,800	673,373	583,599	89,774
Environmental protection	1,076,086	1,236,812	1,157,368	79,444
Culture and recreation	558,112	606,057	512,885	93,172
Debt service:				
Principal	656,257	656,257	656,254	3
Interest	216,676	216,676	216,748	(72)
Total expenditures	<u>9,742,197</u>	<u>10,231,457</u>	<u>9,399,979</u>	<u>831,478</u>
Revenues over (under) expenditures	<u>(891,280)</u>	<u>(1,076,924)</u>	<u>149,449</u>	<u>1,226,373</u>
Other Financing Sources (Uses):				
Transfer From:				
Capital Project Fund	53,160	61,660	61,660	-
Enterprise Fund	180,000	180,000	180,000	-
Transfer To:				
Capital Project Fund	(302,915)	(302,915)	(302,915)	-
Long-term debt issued	316,640	171,140	-	(171,140)
Fund balance appropriated	644,395	967,039	-	(967,039)
Total other financing sources (uses)	<u>891,280</u>	<u>1,076,924</u>	<u>(61,255)</u>	<u>(1,138,179)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	88,194	<u>\$ 88,194</u>
Fund Balance:				
Beginning of year - July 1			5,081,527	
End of year - June 30			<u>\$ 5,169,721</u>	

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>Major</u> <u>Water and</u> <u>Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 5,966,923
Accounts receivable, net	434,386
Due from other governments	18,834
Inventories	46,492
Total current assets	<u>6,466,635</u>
Non-current assets:	
Capital assets:	
Other capital assets, net of depreciation	<u>4,087,039</u>
Total non-current assets	<u>4,087,039</u>
Total assets	<u>10,553,674</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	45,382
Compensated absences	<u>14,441</u>
Total current liabilities	<u>59,823</u>
Non-current liabilities:	
Compensated absences	<u>108,068</u>
Total non-current liabilities	<u>108,068</u>
Total liabilities	<u>167,891</u>
Net Assets:	
Invested in capital assets	4,087,039
Unrestricted	<u>6,298,744</u>
Total net assets	<u>\$ 10,385,783</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 ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Major</u> <u>Water and</u> <u>Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 2,135,641
Taps and connection fees	12,195
Share fees	7,840
Other operating revenues	<u>128,255</u>
Total operating revenues	<u>2,283,931</u>
Operating Expenses:	
Administration	504,845
Water and sewer operations	1,160,875
Depreciation	<u>204,325</u>
Total operating expenses	<u>1,870,045</u>
Operating income (loss)	<u>413,886</u>
Non-Operating Revenues (Expenses):	
Investment earnings	12,794
Federal and State grants	<u>14,083</u>
Total non-operating revenues (expenses)	<u>26,877</u>
Income (loss) before transfers	440,763
Transfers in (out)	<u>(180,000)</u>
Change in net assets	260,763
Net Assets:	
Beginning of year - July 1	<u>10,125,020</u>
End of year - June 30	<u>\$ 10,385,783</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, 2012

	<u>Major</u> <u>Water and</u> <u>Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,235,166
Cash paid for goods and services	(1,517,432)
Cash paid to employees	(464,356)
Net cash provided (used) by operating activities	<u>253,378</u>
Cash Flows from Non-Capital Financing Activities:	
Grant revenues	14,083
Transfers to other funds	(180,000)
Net cash used by non-capital financing activities	<u>(165,917)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(166,730)
Net cash provided (used) by capital and related financing activities	<u>(166,730)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>12,794</u>
Net increase (decrease) in cash and cash equivalents	(66,475)
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>6,033,398</u>
End of year - June 30	<u>\$ 5,966,923</u>
Reconciliation of Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 413,886
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	204,325
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(48,888)
(Increase) decrease in due from other governments	1,875
(Increase) decrease in inventory	4,204
Increase (decrease) in accounts payable and accrued liabilities	(336,588)
Increase (decrease) in customer deposits	123
Increase (decrease) in compensated absences payable	14,441
Total adjustments	<u>(160,508)</u>
Net cash provided (used) by operating activities	<u>\$ 253,378</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2012

	Pension Trust Funds	Employee Assistance Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 80,142	\$ 13,563
Total assets	<u>\$ 80,142</u>	<u>\$ 13,563</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 348	\$ -
Total liabilities	<u>348</u>	<u>-</u>
Net Assets:		
Net assets	<u>79,794</u>	<u>13,563</u>
Assets held in trust for pension benefits	<u>\$ 80,142</u>	<u>\$ 13,563</u>

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Pension Trust Funds	Employee Assistance Funds
Additions:		
Employer contributions	\$ 21,200	\$ -
Employee contributions	-	1,078
Investment income	38	-
Total additions	<u>21,238</u>	<u>1,078</u>
Deductions:		
Benefits	<u>21,110</u>	<u>500</u>
Total deductions	<u>21,110</u>	<u>500</u>
Change in net assets	128	578
Net Assets:		
Beginning of year - July 1	<u>79,666</u>	<u>12,985</u>
End of year - June 30	<u>\$ 79,794</u>	<u>\$ 13,563</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, 2012

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 Assets and the Statement of Activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities except for fiduciary 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.

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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, parking revenues, sales taxes and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following nonmajor governmental funds:

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

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.

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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in New Hanover County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, 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, 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 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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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.

Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4.

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, 2011.

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, 2012

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
Buildings	50
Improvements	25
Vehicles	5-10
Furniture and equipment	5-10
Computer equipment	3-5

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The face amount of debt issued is reported as other financing sources.

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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Net Assets/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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)].

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

Committed Fund Balance

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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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.

Public Safety – portion of fund balance that has been budgeted by the Board for construction of public safety building.

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	\$ 5,169,721
Less:	
Prepays	2,996
Inventory	40,351
Stabilization by State statute	<u>629,251</u>
Total available fund balance	<u>\$ 4,497,123</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2012, the Town's deposits had a carrying amount of \$9,266,235 and a bank balance of \$4,454,289. 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, 2012, the Town's petty cash fund totaled \$5,039.

Investments

At June 30, 2012, the Town had \$2,401,028 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 risk.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Receivables – Allowance for Doubtful Accounts

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

General Fund:

Taxes receivable	\$	14,000
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Enterprise Fund:

Accounts receivable		<u>11,000</u>
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Total	\$	<u>25,000</u>
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Due from other governments owed to the Town consists of:

Local option sales tax	\$	223,614
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Room occupancy tax		<u>79,250</u>
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Total	\$	<u>302,864</u>
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TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental Activities:				
Non-Depreciable Capital Assets :				
Land	\$ 2,343,012	\$ -	\$ -	\$ 2,343,012
Construction in progress	<u>6,489,432</u>	<u>67,710</u>	<u>(6,557,142)</u>	<u>-</u>
Total non-depreciable capital assets	<u>8,832,444</u>	<u>67,710</u>	<u>(6,557,142)</u>	<u>2,343,012</u>
Depreciable Capital Assets :				
Buildings	896,737	6,557,142	-	7,453,879
Other improvements	1,344,631	-	-	1,344,631
Equipment	1,607,851	388,023	(6,597)	1,989,277
Vehicles and motorized equipment	<u>3,110,539</u>	<u>276,001</u>	<u>(285,022)</u>	<u>3,101,518</u>
Total depreciable capital assets	<u>6,959,758</u>	<u>7,221,166</u>	<u>(291,619)</u>	<u>13,889,305</u>
Less Accumulated Depreciation:				
Buildings	465,914	187,161	-	653,075
Other improvements	628,325	53,150	-	681,475
Equipment	1,030,906	146,485	(5,555)	1,171,836
Vehicles and motorized equipment	<u>1,753,728</u>	<u>178,030</u>	<u>(281,425)</u>	<u>1,650,333</u>
Total accumulated depreciation	<u>3,878,873</u>	<u>\$ 564,826</u>	<u>\$ (286,980)</u>	<u>4,156,719</u>
Total depreciable capital assets, net	<u>3,080,885</u>			<u>9,732,586</u>
Governmental activity capital assets, net	<u>\$ 11,913,329</u>			<u>\$ 12,075,598</u>

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

General government	\$ 58,850
Public safety	384,397
Transportation	32,641
Environmental protection	50,150
Cultural and recreational	<u>38,788</u>
Total	<u>\$ 564,826</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Business-Type Activities:				
Non-Depreciable Capital Assets :				
Construction in progress	\$ 1,285,728	\$ 134,459	\$ (1,420,187)	\$ -
Total non-depreciable capital assets	1,285,728	134,459	(1,420,187)	-
Depreciable Capital Assets :				
Water distribution system	3,676,467	1,420,187	-	5,096,654
Sewer disposal system	3,549,029	-	-	3,549,029
Equipment	601,191	-	(7,668)	593,523
Vehicles	294,684	32,271	-	326,955
Total depreciable capital assets	8,121,371	1,452,458	(7,668)	9,566,161
Less Accumulated Depreciation :				
Water distribution system	2,444,774	69,869	-	2,514,643
Sewer disposal system	2,217,301	95,800	-	2,313,101
Equipment	406,604	25,293	(7,668)	424,229
Vehicles	213,786	13,363	-	227,149
Total accumulated depreciation	5,282,465	\$ 204,325	\$ (7,668)	5,479,122
Total depreciable capital assets, net	2,838,906			4,087,039
Business-type capital assets, net	\$ 4,124,634			\$ 4,087,039

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 6.97% and 7.05 %, 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, 2012, 2011, and 2010 were \$266,619, \$249,310, and \$179,958, 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.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>24</u>
Total	<u>25</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 \$21,200, 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, 2010, 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, 2010 was 20 years.

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	\$ 37,260
Interest on net pension obligation	(3,340)
Adjustment to annual required contribution	<u>9,285</u>
Annual pension cost	43,205
Employer contribution made for fiscal year ended 6/30/12	<u>21,200</u>
Increase (decrease) in net pension obligation	22,005
Net pension obligation (asset) beginning of year	<u>(72,104)</u>
Net pension obligation (asset) end of year	<u><u>\$ (50,099)</u></u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 43,205	49.07%	\$ (50,099)
2011	40,243	17.39%	(72,104)
2010	30,251	132.23%	(100,047)

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, 2011, the most recent actuarial valuation date, the plan was 21.76 percent funded. The actuarial accrued liability for benefits was \$415,360, and the actuarial value of assets was \$90,389, resulting in an unfunded actuarial accrued liability (UAAL) of \$324,971. The covered payroll (annual payroll of active employees covered by the plan) was \$1,140,576, and the ratio of the UAAL to the covered payroll was 28.49 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 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, 2012 were \$78,113, which consisted of \$58,660 from the Town and \$19,453 voluntary contributions from the law enforcement officers. Contributions for all other employees were \$144,916, which consisted of \$60,246 from the Town and \$84,670 voluntary contributions from other employees.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 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	<u>59</u>	<u>23</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 if they elected to be PPO and \$279 per month 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 12.92% of annual covered payroll. For the current year, the Town contributed \$112,395 or 3.5% 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 \$2,512. 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 OPES cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$	412,519
Interest on net OPEB obligation		27,439
Adjustment to annual required contribution		(38,145)
Annual OPEB cost (expense)		401,813
Contribution made		(112,395)
Increase (decrease) in net OPEB obligation		289,418
Net OPEB obligation, beginning of year		685,983
Net OPEB obligation, end of year	\$	975,401

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, 2012 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 401,813	28.0%	\$ 975,401
2011	400,562	14.1%	685,983
2010	400,562	14.7%	344,155

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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.

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

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 Revenues

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

	Deferred Revenues
Taxes receivable (General Fund)	\$ 22,935
Other deferred receivable	2,990
Total	<u>\$ 25,925</u>

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$3 million per occurrence and \$1 million per occurrence respectively, property coverage up to the total insurance values of the property policy and workers' compensation coverage up to statutory limits. The 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.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, the Town had no general obligation bonds outstanding, no unissued bonds and a legal debt margin of \$259,914,802.

Installment Loans

On February 15, 2008, the Town entered into an installment loan contract with RBC Centura Bank to purchase a fire truck. The \$425,000 loan is financed at a fixed rate of interest of 2.67% for a period of 5 years. The final payment of \$89,537 will be paid in March 2013.

On May 13, 2009, the Town entered into an installment loan contract with Branch Banking and Trust Company 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 September 28, 2009, the Town entered into an installment loan contract with Branch Banking and Trust Company to purchase a street sweeper and a mower. The \$120,000 loan, payable in annual installments of \$41,141, is financed at a fixed rate of interest of 2.88% for a period of 3 years.

On March 18, 2010, the Town entered into an installment loan contract with Branch Banking and Trust Company to purchase two police vehicles and two fuel storage tanks. The \$83,300 loan, payable in annual installments of \$28,488, is financed at a fixed rate of interest of 2.62% for a period of 3 years.

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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
2013	\$ 587,737	\$ 159,924	\$ 747,661
2014	428,571	142,360	570,931
2015	428,571	129,117	557,688
2016	428,571	115,875	544,446
2017	428,571	102,632	531,203
2018-2022	2,142,855	314,514	2,457,369
2023-2027	857,147	33,106	890,253
Total	<u>\$ 5,302,023</u>	<u>\$ 997,528</u>	<u>\$ 6,299,551</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, 2012:

	Balance			Balance	Current
	July 1, 2011	Increases	Decreases	June 30, 2012	Portion
Governmental Activities:					
Installment loan	\$ 5,958,277	\$ -	\$ 656,254	\$ 5,302,023	\$ 587,737
Compensated absences	277,799	210,538	178,344	309,993	232,495
Other post-employment benefits	603,963	400,361	136,991	867,333	-
Total	<u>\$ 6,840,039</u>	<u>\$ 610,899</u>	<u>\$ 971,589</u>	<u>\$ 6,479,349</u>	<u>\$ 820,232</u>
Business-Type Activities:					
Compensated absences	\$ 11,547	\$ 25,135	\$ 22,241	\$ 14,441	\$ 14,441
Other post-employment benefits	82,020	39,597	13,549	108,068	-
Total	<u>\$ 93,567</u>	<u>\$ 64,732</u>	<u>\$ 35,790</u>	<u>\$ 122,509</u>	<u>\$ 14,441</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, 2012

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2012, consist of the following:

From the General Fund to the Capital Project Fund for future capital purchases	\$ 302,915
From the Capital Project Fund to the General Fund for capital purchases	61,660
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	5,000
From the Water and Sewer Fund to the Water and Sewer Capital Reserve Fund for future expansion and infrastructure work	<u>422,000</u>
Total	<u>\$ 971,575</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, 2012, the Town has recognized on-behalf-of payments for pension contributions made by the State as a revenue and an expenditure of \$4,968 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.

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, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
		Accrued Liability (AAL) Projected Unit Credit (b)					
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%	

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)
2010	39,889	100.30%	(100,047)

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
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25%-7.85%
Cost of living adjustment	N/A

* Includes inflation at 3.00%

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

Schedule of Funding Progress

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

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2012	\$ 412,519	\$ 112,395	27.25%
2011	400,562	58,734	14.66%
2010	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, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 3,221,300	\$ 3,274,791	\$ 53,491	\$ 3,272,550
Prior year	1,100	2,887	1,787	1,355
Penalties and interest	6,800	6,858	58	8,834
Total	<u>3,229,200</u>	<u>3,284,536</u>	<u>55,336</u>	<u>3,282,739</u>
Other Taxes and Licenses:				
Privilege licenses	15,800	16,495	695	15,357
Local option sales tax	775,100	1,013,314	238,214	808,149
Room occupancy tax	527,689	505,306	(22,383)	463,389
Other licenses	8,885	17,409	8,524	10,371
Total	<u>1,327,474</u>	<u>1,552,524</u>	<u>225,050</u>	<u>1,297,266</u>
Unrestricted Intergovernmental:				
Beer and wine tax	11,621	10,775	(846)	11,882
Franchise tax	241,390	212,454	(28,936)	251,916
ABC profit distribution	314,000	420,144	106,144	315,597
Total	<u>567,011</u>	<u>643,373</u>	<u>76,362</u>	<u>579,395</u>
Restricted Intergovernmental:				
County grants	23,181	23,181	-	118,629
State grants	133,529	92,256	(41,273)	164,805
Federal grants	189,747	25,587	(164,160)	1,512
Federal forfeited property	-	8,472	8,472	7,680
State tax drug money	1,000	727	(273)	3,769
On behalf payments - fire and rescue	-	4,968	4,968	2,675
Solid waste disposal tax	2,000	1,736	(264)	1,810
Total	<u>349,457</u>	<u>156,927</u>	<u>(192,530)</u>	<u>300,880</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	<u>2012</u>		<u>Variance Over/Under</u>	<u>2011</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Permits and Fees:				
Permits and fees	163,600	202,919	39,319	141,990
Court fees and fines	81,450	82,787	1,337	26,617
Total	<u>245,050</u>	<u>285,706</u>	<u>40,656</u>	<u>168,607</u>
Sales and Services:				
Parking meter collections	2,006,435	2,204,991	198,556	2,154,209
Rents	58,501	45,500	(13,001)	42,501
Refuse fees	1,000,500	1,011,431	10,931	979,014
Recreation fees	201,000	198,016	(2,984)	187,063
Total	<u>3,266,436</u>	<u>3,459,938</u>	<u>193,502</u>	<u>3,362,787</u>
Investment Earnings	<u>12,225</u>	<u>8,617</u>	<u>(3,608)</u>	<u>13,615</u>
Miscellaneous Revenues	<u>157,680</u>	<u>157,807</u>	<u>127</u>	<u>154,264</u>
Total revenues	<u>9,154,533</u>	<u>9,549,428</u>	<u>394,895</u>	<u>9,159,553</u>
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	36,816	38,001	(1,185)	36,817
Operating expenditures	235,316	149,857	85,459	153,033
Total	<u>272,132</u>	<u>187,858</u>	<u>84,274</u>	<u>189,850</u>
General Management:				
Salaries and employee benefits	437,614	418,290	19,324	420,133
Operating expenditures	132,408	123,995	8,413	115,823
Total	<u>570,022</u>	<u>542,285</u>	<u>27,737</u>	<u>535,956</u>
Information Technology:				
Salaries and employee benefits	68,229	66,673	1,556	62,907
Operating expenditures	153,849	148,780	5,069	137,395
Capital outlay	20,700	20,542	158	23,043
Total	<u>242,778</u>	<u>235,995</u>	<u>6,783</u>	<u>223,345</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, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>		<u>Variance Over/Under</u>	<u>2011</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Public Works Administration:				
Salaries and employee benefits	180,255	156,718	23,537	226,843
Operating expenditures	81,562	70,689	10,873	22,810
Total	<u>261,817</u>	<u>227,407</u>	<u>34,410</u>	<u>249,653</u>
Public Works Maintenance:				
Salaries and employee benefits	237,542	228,606	8,936	193,515
Operating expenditures	420,174	338,969	81,205	302,915
Capital outlay	7,000	-	7,000	111,297
Total	<u>664,716</u>	<u>567,575</u>	<u>97,141</u>	<u>607,727</u>
Total general government	<u>2,011,465</u>	<u>1,761,120</u>	<u>250,345</u>	<u>1,806,531</u>
Public Safety:				
Police:				
Salaries and employee benefits	1,679,075	1,704,785	(25,710)	1,557,913
Operating expenditures	479,198	432,909	46,289	394,206
Capital outlay	231,300	98,284	133,016	43,239
Total	<u>2,389,573</u>	<u>2,235,978</u>	<u>153,595</u>	<u>1,995,358</u>
Parking:				
Operating expenditures	506,952	459,922	47,030	498,852
Capital outlay	8,500	7,600	900	7,067
Total	<u>515,452</u>	<u>467,522</u>	<u>47,930</u>	<u>505,919</u>
Ocean Rescue:				
Salaries and employee benefits	250,900	245,159	5,741	244,537
Operating expenditures	100,203	100,113	90	76,067
Total	<u>351,103</u>	<u>345,272</u>	<u>5,831</u>	<u>320,604</u>
Fire:				
Salaries and employee benefits	1,000,467	968,554	31,913	947,288
Operating expenditures	173,233	154,652	18,581	146,466
Total	<u>1,173,700</u>	<u>1,123,206</u>	<u>50,494</u>	<u>1,093,754</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, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>		<u>Variance Over/Under</u>	<u>2011</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Planning and Inspections:				
Salaries and employee benefits	285,295	275,679	9,616	261,533
Operating expenditures	115,694	64,348	51,346	90,248
Total	<u>400,989</u>	<u>340,027</u>	<u>60,962</u>	<u>351,781</u>
Total public safety	<u>4,830,817</u>	<u>4,512,005</u>	<u>318,812</u>	<u>4,267,416</u>
Transportation:				
Streets:				
Salaries and employee benefits	271,675	230,466	41,209	269,179
Operating expenditures	298,865	249,380	49,485	288,910
Capital outlay	102,833	103,753	(920)	11,032
Total	<u>673,373</u>	<u>583,599</u>	<u>89,774</u>	<u>569,121</u>
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	427,606	388,945	38,661	395,852
Operating expenditures	481,973	441,415	-	372,132
Capital outlay	327,233	327,008	225	-
Total	<u>1,236,812</u>	<u>1,157,368</u>	<u>38,886</u>	<u>767,984</u>
Culture and Recreation:				
Parks and Recreation Programs:				
Salaries and employee benefits	214,417	194,734	19,683	192,490
Operating expenditures	109,690	93,416	16,274	64,436
Capital outlay	30,295	17,435	12,860	229,659
Total	<u>354,402</u>	<u>305,585</u>	<u>48,817</u>	<u>486,585</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, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
Parks and Recreation Maintenance:				
Salaries and employee benefits	157,402	130,548	26,854	158,323
Operating expenditures	76,953	59,452	17,501	56,292
Capital outlay	17,300	17,300	-	23,978
Total	251,655	207,300	44,355	238,593
Total culture and recreation	606,057	512,885	93,172	725,178
Debt Service:				
Principal	656,257	656,254	3	685,535
Interest	216,676	216,748	(72)	395,260
Total debt service	872,933	873,002	(69)	1,080,795
Total expenditures	10,231,457	9,399,979	790,920	9,217,025
Revenues over (under) expenditures	(1,076,924)	149,449	1,226,373	(57,472)
Other Financing Sources (Uses):				
Transfer From:				
Capital Project Fund	61,660	61,660	-	41,625
Enterprise Fund	180,000	180,000	-	200,000
Transfer To:				
Capital Project Fund	(302,915)	(302,915)	-	(220,000)
Long-term debt issued	171,140	-	(171,140)	-
Appropriated fund balance	967,039	-	(967,039)	-
Total other financing sources (uses)	1,076,924	(61,255)	(1,138,179)	21,625
Net change in fund balance	\$ -	88,194	\$ 88,194	(35,847)
Fund Balance:				
Beginning of year - July 1		5,081,527		5,108,079
End of year - June 30		\$ 5,169,721		\$ 5,081,527

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	Capital Project Funds		Total
	Capital Reserve Fund	Public Safety Building	
Assets:			
Cash and cash equivalents	\$ 770,862	\$ 86,574	\$ 857,436
Due from other governments	-	2,498	2,498
Total assets	<u>\$ 770,862</u>	<u>\$ 89,072</u>	<u>\$ 859,934</u>
Fund Balances:			
Restricted:			
Stabilization by State statute	\$ -	\$ 2,498	\$ 2,498
Committed:			
Committed for general government	770,862	-	770,862
Assigned:			
Assigned for public safety	-	86,574	86,574
Total fund balances	<u>770,862</u>	<u>89,072</u>	<u>859,934</u>
Total liabilities and fund balances	<u>\$ 770,862</u>	<u>\$ 89,072</u>	<u>\$ 859,934</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2012**

	Capital Project Funds		Total
	Capital Reserve Fund	Public Safety Building	
Revenues:			
Interest on investments	\$ 436	\$ 18	\$ 454
Total revenues	<u>436</u>	<u>18</u>	<u>454</u>
Expenditures:			
Current:			
Public safety	-	67,710	67,710
Total expenditures	<u>-</u>	<u>67,710</u>	<u>67,710</u>
Revenues over (under) expenditures	<u>436</u>	<u>(67,692)</u>	<u>(67,256)</u>
Other Financing Sources (Uses):			
Transfers in:			
General Fund	302,915	-	302,915
Transfers out:			
General Fund	(61,660)	-	(61,660)
Total other financing sources (uses)	<u>241,255</u>	<u>-</u>	<u>241,255</u>
Net change in fund balances	241,691	(67,692)	173,999
Fund Balances:			
Beginning of year - July 1	<u>529,171</u>	<u>156,764</u>	<u>685,935</u>
End of year - June 30	<u>\$ 770,862</u>	<u>\$ 89,072</u>	<u>\$ 859,934</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

CAPITAL PROJECT FUND - CAPITAL RESERVE
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ 500	\$ 436	\$ (64)	\$ 560
Other Financing Sources (Uses):				
Transfer to the General Fund	(61,660)	(61,660)	-	(41,625)
Transfer from the General Fund	302,915	302,915	-	
Transfer from Water and Sewer Fund	-	-	-	232,300
Appropriated fund balance	(241,755)	-	241,755	-
Total other financing sources (uses)	(500)	241,255	241,755	190,675
Net change in fund balance	\$ -	241,691	\$ 241,691	191,235
Fund Balance:				
Beginning of year - July 1		529,171		337,936
End of year - June 30		\$ 770,862		\$ 529,171

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, 2012**

	<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	\$ -	\$ 23,696	\$ 18	\$ 23,714	\$ 23,714
Expenditures:					
Capital outlay	6,300,000	6,489,432	67,710	6,557,142	(257,142)
Revenues over (under) expenditures	(6,300,000)	(6,465,736)	(67,692)	(6,533,428)	(233,428)
Other Financing Sources (Uses):					
Transfer from the General Fund	300,000	622,500	-	622,500	322,500
Issuance of debt	6,000,000	6,000,000	-	6,000,000	-
Total other financing sources (uses)	6,300,000	6,622,500	-	6,622,500	322,500
Net change in fund balance	<u>\$ -</u>	<u>\$ 156,764</u>	<u>\$ (67,692)</u>	<u>\$ 89,072</u>	<u>\$ 89,072</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
Revenues:				
Operating Revenues:				
Water and sewer charges	\$ 2,198,500	\$ 2,133,241	\$ (65,259)	\$ 2,069,939
Water and sewer taps	9,800	12,195	2,395	700
Reconnection fees	-	7,840	7,840	9,315
Other operating revenues	10,000	128,255	118,255	326,529
Total operating revenues	<u>2,315,300</u>	<u>2,281,531</u>	<u>(33,769)</u>	<u>2,406,483</u>
Non-Operating Revenues:				
Interest earnings	10,000	4,256	(5,744)	7,565
Federal and State grants	7,113	14,083	6,970	-
Total non-operating revenues	<u>17,113</u>	<u>18,339</u>	<u>1,226</u>	<u>7,565</u>
Total revenues	<u>2,332,413</u>	<u>2,299,870</u>	<u>(32,543)</u>	<u>2,414,048</u>
Expenditures:				
Operations:				
Salaries and employee benefits	494,617	478,797	15,820	496,405
Operating expenses	592,458	483,026	109,432	319,324
Maintenance and repairs	131,328	72,224	59,104	50,561
Transmission and treatment	847,573	602,056	245,517	464,129
Capital outlay	325,000	170,299	154,701	520,412
Total expenditures	<u>2,390,976</u>	<u>1,806,402</u>	<u>184,356</u>	<u>1,850,831</u>
Revenues over (under) expenditures	<u>(58,563)</u>	<u>493,468</u>	<u>552,031</u>	<u>563,217</u>
Other Financing Sources (Uses):				
Transfer (to) from General Fund	(180,000)	(180,000)	-	(400,000)
Transfer (to) from Water & Sewer Capital Reserve	(417,000)	(422,000)	(5,000)	(452,000)
Transfer from Water & Sewer Capital Reserve	-	5,000	5,000	-
Appropriated fund balance	655,563	-	(655,563)	-
Total other financing sources (uses)	<u>58,563</u>	<u>(597,000)</u>	<u>(655,563)</u>	<u>(852,000)</u>

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(103,532)	\$ (103,532)	(288,783)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Reconciling items:				
Transfer from Water and Sewer Capital Reserve		417,000		452,000
Capital outlay		166,730		520,412
Increase in OPEB liability		(26,048)		(40,871)
Capital Reserve Fund investment earnings		8,538		9,031
Capital Reserve Fund fee		2,400		-
Depreciation		(204,325)		(200,095)
Change in net assets		\$ 260,763		451,694

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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Unit use fees	\$ 3,000	\$ 2,400	\$ (600)	\$ -
Investment earnings	6,700	8,538	1,838	9,031
Total revenues	<u>9,700</u>	<u>10,938</u>	<u>1,238</u>	<u>9,031</u>
Expenditures:				
Future construction	<u>426,700</u>	<u>-</u>	<u>(426,700)</u>	<u>-</u>
Revenues over (under) expenditures	<u>(417,000)</u>	<u>10,938</u>	<u>427,938</u>	<u>9,031</u>
Other Financing Sources (Uses):				
Transfer to Water and Sewer Fund	(5,000)	(5,000)	-	(5,000)
Transfer from Water and Sewer Fund	<u>422,000</u>	<u>422,000</u>	<u>-</u>	<u>457,000</u>
Total other financing sources (uses)	<u>417,000</u>	<u>417,000</u>	<u>-</u>	<u>452,000</u>
Net change in fund balance	<u>\$ -</u>	<u>427,938</u>	<u>\$ 427,938</u>	<u>461,031</u>
Fund Balance:				
Beginning of year - July 1		<u>3,628,867</u>		<u>3,167,836</u>
End of year - June 30		<u>\$ 4,056,805</u>		<u>\$ 3,628,867</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, 2012

Fiscal Year	Uncollected Balance July 1, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 3,284,804	\$ 3,266,029	\$ 18,775
2010-2011	13,652	-	10,432	3,220
2009-2010	7,050	-	1,950	5,100
2008-2009	53	-	(790)	843
2007-2008	1,110	-	550	560
2006-2007	1,552	-	502	1,050
2005-2006	1,307	-	399	908
2004-2005	1,377	-	590	787
2003-2004	1,948	-	526	1,422
2002-2003	1,907	-	1,767	140
2001-2002	3,019	-	3,019	-
Total	\$ 32,975	\$ 3,284,804	\$ 3,284,974	32,805
Prior year motor vehicle taxes				4,130
Less: allowance for uncollectible ad valorem taxes receivable				(14,000)
Ad valorem taxes receivable, net				\$ 22,935
Reconciliation with Revenues:				
Ad valorem taxes:				
General Fund				\$ 3,284,536
Reconciling items:				
Interest collected				5,375
Taxes written off and credits				3,019
Miscellaneous adjustments				(7,956)
Total collections and credits				\$ 3,284,974

TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
FOR THE YEAR ENDED JUNE 30, 2012

	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	\$ 3,322,643,082	0.0990	\$ 3,289,415	\$ 3,260,136	\$ 29,279
Penalties	-		1,643	1,643	-
Total	<u>3,322,643,082</u>		<u>3,291,058</u>	<u>3,261,779</u>	<u>29,279</u>
Discoveries:					
Current year's taxes	-	0.0990	1,104	1,104	-
Abatements	<u>(7,432,767)</u>		<u>(7,358)</u>	<u>(7,358)</u>	<u>-</u>
Total property valuation	<u>\$ 3,315,210,315</u>				
Net Levy			3,284,804	3,255,525	29,279
Uncollected taxes at June 30, 2012			<u>18,775</u>	<u>16,434</u>	<u>2,341</u>
Current Year's Taxes Collected			<u>\$ 3,266,029</u>	<u>\$ 3,239,091</u>	<u>\$ 26,938</u>
Current Levy Collection Percentage			<u>99.43%</u>	<u>99.50%</u>	<u>92.00%</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.	63-67
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.	68-70
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.	71-75
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.	76-77
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.	78-80

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

	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities								
Invested in capital assets, net of related debt	\$ 4,479,347	\$ 4,535,006	\$ 4,510,975	\$ 4,644,740	\$ 4,482,592	\$ 4,634,813	\$ 5,955,052	\$ 6,773,579
Restricted	484,063	265,942	248,168	233,132	227,582	162,041	603,605	661,068
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
Total governmental activities net assets	\$ 8,746,754	\$ 9,666,077	\$ 9,924,241	\$ 9,887,536	\$ 10,094,731	\$ 10,041,789	\$ 10,834,692	\$ 11,701,928
Business-type activities								
Invested in capital assets, net of related debt	\$ 2,974,077	\$ 2,856,220	\$ 3,190,728	\$ 3,608,877	\$ 3,676,886	\$ 3,804,315	\$ 4,124,633	\$ 4,087,039
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
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
Primary government								
Invested in capital assets, net of related debt	\$ 7,453,424	\$ 7,391,226	\$ 7,701,703	\$ 8,253,617	\$ 8,159,478	\$ 8,439,128	\$ 10,079,685	\$ 10,860,618
Restricted	484,063	265,942	248,168	233,132	227,582	162,041	603,605	661,068
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
Total primary government net assets	\$ 16,301,875	\$ 17,482,311	\$ 18,194,866	\$ 18,722,979	\$ 19,506,849	\$ 19,715,115	\$ 20,959,712	\$ 22,087,711

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 Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
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
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
Transportation	350,757	389,114	391,684	438,584	437,896	496,241	611,126	524,519
Environmental protection	789,310	826,140	799,727	860,598	817,788	837,466	847,668	902,200
Cultural and recreation	415,739	399,894	477,708	500,620	529,261	504,868	516,097	533,929
Interest on long-term debt	-	4,988	12,530	20,762	56,271	250,496	229,612	110,909
Total governmental activities expenses	<u>6,340,476</u>	<u>6,873,880</u>	<u>7,301,826</u>	<u>7,571,368</u>	<u>7,704,658</u>	<u>8,186,668</u>	<u>8,556,021</u>	<u>8,860,896</u>
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
Total business-type activities expenses	<u>1,248,982</u>	<u>1,491,906</u>	<u>1,470,178</u>	<u>1,553,754</u>	<u>1,560,351</u>	<u>1,841,451</u>	<u>1,771,385</u>	<u>1,870,045</u>
Total primary government expenses	<u>\$ 7,589,458</u>	<u>\$ 8,365,786</u>	<u>\$ 8,772,004</u>	<u>\$ 9,125,122</u>	<u>\$ 9,265,009</u>	<u>\$ 10,028,119</u>	<u>\$ 10,327,406</u>	<u>\$ 10,730,941</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 1,597,915	\$ 2,057,094	\$ 1,821,591	\$ 1,841,621	\$ 1,844,122	\$ 2,032,052	\$ 2,338,725	\$ 2,488,867
Public safety	794,843	799,029	786,684	922,784	877,078	983,687	979,014	1,011,431
Environmental protection	144,315	152,815	180,727	221,907	229,492	203,666	187,063	198,016
Cultural and recreation	636,460	203,088	153,302	147,205	103,484	80,634	87,520	118,597
Operating grants and contributions	21,242	66,378	33,845	-	-	48,895	213,528	40,160
Capital grants and contributions	3,194,775	3,278,404	2,976,149	3,133,517	3,054,277	3,391,435	3,848,351	3,902,571
Total governmental activities program revenues	<u>\$ 1,701,498</u>	<u>\$ 1,750,427</u>	<u>\$ 1,872,051</u>	<u>\$ 2,068,746</u>	<u>\$ 2,213,528</u>	<u>\$ 2,199,945</u>	<u>\$ 2,289,573</u>	<u>\$ 2,283,931</u>
Business-type activities:								
Charges for services:								
Water and sewer	-	6,533	12,800	-	-	-	-	14,083
Operating grants and contributions	1,701,498	1,756,960	1,884,851	2,068,746	2,213,528	2,199,945	2,289,573	2,298,014
Total business-type activities program revenues	<u>\$ 4,896,273</u>	<u>\$ 5,035,364</u>	<u>\$ 4,861,000</u>	<u>\$ 5,202,263</u>	<u>\$ 5,267,805</u>	<u>\$ 5,591,380</u>	<u>\$ 6,137,924</u>	<u>\$ 6,200,585</u>

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

	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue								
Governmental activities	\$ (3,145,701)	\$ (3,595,476)	\$ (4,325,677)	\$ (4,437,851)	\$ (4,650,381)	\$ (4,795,233)	\$ (4,707,670)	\$ (4,958,325)
Business-type activities	452,516	265,054	414,673	514,992	653,177	358,494	518,188	427,969
Total primary government net expense	\$ (2,693,185)	\$ (3,330,422)	\$ (3,911,004)	\$ (3,922,859)	\$ (3,997,204)	\$ (4,436,739)	\$ (4,189,482)	\$ (4,530,356)
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
Local option sales tax	834,580	840,810	777,518	819,852	732,807	770,931	808,149	1,013,314
Other taxes and licenses	614,610	538,323	727,443	646,763	728,142	717,732	715,305	539,210
Unrestricted grants and contributions	293,878	465,308	334,159	347,705	298,080	281,282	327,479	643,373
Investment earnings	74,390	170,672	274,666	208,116	81,250	41,596	14,197	9,071
Miscellaneous	72,614	143,843	96,980	109,344	194,400	96,618	155,662	157,807
Transfers	283,333	283,333	283,333	180,000	180,000	180,000	200,000	180,000
Total governmental activities	4,222,334	4,514,799	4,583,841	4,401,146	4,857,576	4,742,291	5,500,573	5,820,261
Business-type activities:								
Investment earnings	77,129	183,060	252,937	210,044	89,275	79,373	16,596	12,794
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)
Total business-type activities	259,693	(3,941)	39,718	49,826	(76,502)	(97,286)	(66,494)	(167,206)
Total primary government	\$ 4,482,027	\$ 4,510,858	\$ 4,623,559	\$ 4,450,972	\$ 4,781,074	\$ 4,645,005	\$ 5,434,079	\$ 5,653,055
Change in Net Assets								
Governmental activities	\$ 1,076,633	\$ 919,323	\$ 258,164	\$ (36,705)	\$ 207,195	\$ (52,942)	\$ 792,903	\$ 861,936
Business-type activities	712,209	261,113	454,391	564,818	576,675	261,208	451,694	260,763
Total primary government	\$ 1,788,842	\$ 1,180,436	\$ 712,555	\$ 528,113	\$ 783,870	\$ 208,266	\$ 1,244,597	\$ 1,122,699

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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved for:										
State statute	\$ 218,097	\$ 267,041	\$ 421,626	\$ 515,695	\$ 426,707	\$ 426,096	\$ 353,509	\$ 420,535	\$ 488,358	\$ -
Inventories	32,286	22,705	28,889	21,267	24,919	31,292	38,592	27,529	36,824	-
Prepaid items	37,021	44,418	22,169	20,108	16,241	13,898	15,817	47,502	41,764	-
Reserved for Powell Bill	4,975	-	11,934	23,678	65,589	94,511	101,997	61,427	13,139	-
Reserved for police Federal and State forfeited property	15,118	19,022	472,129	242,264	182,579	138,621	125,585	100,614	102,108	-
Total reserved	307,497	353,186	956,747	823,012	716,035	704,418	635,500	657,607	682,193	-
Unreserved:										
Designated for subsequent year's expenditure:	158,439	50,220	126,966	282,535	652,282	770,455	358,501	678,790	655,563	-
Undesignated	2,558,903	2,683,966	3,204,773	3,989,029	3,800,735	3,467,409	3,790,106	3,771,682	3,743,771	-
Nonspendable-prepaid items	-	-	-	-	-	-	-	-	-	\$ 43,347
Restricted for Stabilization by State Statute	-	-	-	-	-	-	-	-	-	629,251
Restricted	-	-	-	-	-	-	-	-	-	29,319
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	336,160
	-	-	-	-	-	-	-	-	-	4,131,644
Total General Fund	\$ 3,024,839	\$ 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
All Other Governmental Funds										
Reserved by State statute	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital Reserve Fund	22,671	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	-
Nonspendable - prepaid items	-	-	-	-	-	-	-	-	-	2,498
Restricted for Stabilization by State Statute	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed:	-	-	-	-	-	-	-	-	-	770,862
Assigned	-	-	-	-	-	-	-	-	-	86,574
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 22,671	\$ 78,275	\$ 136,084	\$ 198,566	\$ 407,183	\$ 485,156	\$ 6,472,297	\$ 1,021,869	\$ 685,935	\$ 859,934

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 2,734,923	\$ 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
Intergovernmental revenue	412,727	428,542	933,070	724,500	476,633	486,987	400,959	361,813	628,359	800,300
Licenses, fees, and permits	151,884	221,245	364,464	692,114	356,991	299,488	207,097	129,519	157,899	285,706
Charges for services	1,995,032	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
Investment earnings	44,146	29,850	74,390	177,452	282,438	211,744	81,855	41,699	14,366	9,071
Miscellaneous	74,803	61,614	91,123	153,096	148,453	134,725	194,400	192,542	164,084	157,807
Total revenues	5,413,515	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
Expenditures										
General government	1,208,172	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
Public safety	3,192,493	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
Transportation	304,624	327,435	323,296	361,904	364,289	407,129	416,958	451,758	558,089	479,846
Environmental protection	608,516	694,681	700,527	762,649	730,993	778,658	762,142	759,828	767,984	830,360
Culture and recreation	419,298	385,705	391,046	379,338	447,651	469,382	501,388	456,365	471,541	478,150
Capital outlay	197,293	330,985	123,632	592,515	570,000	844,214	637,439	5,899,426	1,007,139	591,922
Debt service:										
Principal	343,141	59,425	-	-	72,227	176,431	296,607	295,440	685,563	656,428
Interest	11,796	2,276	-	-	8,623	17,252	25,700	22,018	395,232	216,574
Total expenditures	6,285,333	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
Revenues over (under) expenditures	(871,818)	(155,615)	991,541	368,861	(321,142)	(863,169)	(570,334)	(5,498,693)	(571,781)	82,193
Other Financing Sources (Uses)										
Installment purchase proceeds	-	-	-	224,000	317,250	528,000	6,212,000	203,300	-	-
Transfers In	283,333	283,333	338,333	338,333	748,333	617,500	571,415	418,000	473,925	544,575
Transfers Out	(44,300)	-	(77,135)	(55,000)	(465,000)	(437,500)	(391,415)	(238,000)	(273,925)	(364,575)
Total other financing sources (uses)	239,033	283,333	261,198	507,333	600,583	708,000	6,392,000	383,300	200,000	180,000
Net change in fund balances	\$ (632,785)	\$ 127,718	\$ 1,252,739	\$ 876,194	\$ 279,441	\$ (155,169)	\$ 5,821,666	\$ (5,115,393)	\$ (371,781)	\$ 262,193
Debt service as a percentage of noncapital expenditures	5.8%	1.1%	0.0%	0.0%	1.1%	2.6%	4.2%	4.2%	12.4%	9.8%

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	Ad valorem Taxes ¹	Sales Taxes	Room			Total Taxes
			Occupancy Tax ²	Franchise Tax	Franchise Tax	
2003	\$ 2,010,471	\$ 519,911	n/a	\$ 204,541	\$ 2,734,923	
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	

% Change
2003-2012 63.37%

94.90% n/a 3.87% 83.39%

¹ Property tax rates have remained fairly constant over the past ten years. The most recent property re-evaluation was in 2008.

² FY 2003-2004 was the first year that room occupancy tax was collected.

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	Real Property	Personal Property	Public Service Companies	Total Taxable		Total Direct Tax Rate
				Assessed Value	Value	
2003	\$ 1,323,474,728	\$ 75,189,718	\$ 3,502,078	\$ 1,402,166,524	\$	0.1430
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

Notes: Property is reassessed once every eight years. The last re-evaluation was in 2008.
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

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Moores' Inlet Partnership	\$ 34,086,592	1	1.0%	\$ -	-	-
Four Seasons Management	18,391,398	2	0.6%	10,064,135	3	0.7%
Seapath Yacht Club	18,013,553	3	0.5%	-	-	-
Surf Club	14,411,324	4	0.4%	6,297,780	7	0.4%
Annie Bryant Peterson	13,763,859	5	0.4%	6,379,725	6	0.5%
Sea Oats Management Company	9,250,655	6	0.3%	10,523,077	2	0.8%
Joseph G Priest	7,837,323	7	0.2%	-	-	-
Elizabeth L Wright	7,664,300	8	0.2%	-	-	-
Water Street Holdings, LLC	7,580,877	9	0.2%	-	-	-
Hanover Seaside Club	7,488,170	10	0.2%	5,609,731	8	0.4%
IRT Property	-	-	-	6,431,751	5	0.5%
Carolina Yacht Club	-	-	-	7,495,065	4	0.5%
Wrightsville Yacht Club	-	-	-	3,807,807	10	0.3%
PVC, Inc.	-	-	-	25,259,345	1	1.8%
Mercer's Enterprises	-	-	-	3,843,449	9	0.3%
Total	\$ 138,488,051		4.2%	\$ 85,711,865		6.1%

Total taxable assessed value \$ 3,315,210,315 \$ 1,402,166,524

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	Direct Rate		Overlapping
	Town of		Rate
	Wrightsville Beach	Hanover County	
2003	0.1430	0.6900	0.6900
2004	0.1430	0.6900	0.6900
2005	0.1430	0.6800	0.6800
2006	0.1430	0.6800	0.6800
2007	0.1430	0.6800	0.6800
2008	0.0634	0.6850	0.6850
2009	0.0800	0.4200	0.4200
2010	0.0800	0.4525	0.4525
2011	0.0990	0.4655	0.4655
2012	0.0990	0.4655	0.4655

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 Levied for the Fiscal Year	Property Taxes Collected within the Fiscal Year of the Levy				Property Tax Collections Subsequent Years	Property Tax Total Collections to Date	Property Tax Percentage of Levy
		Amount	Percentage of Levy	Amount	Percentage of Levy			
2003	\$ 2,007,111	\$ 1,993,665	99.33%	\$ 12,495	\$ 2,006,160	99.95%		
2004	2,043,103	2,031,234	99.42	9,852	2,041,086	99.90		
2005	2,047,911	2,032,054	99.23	15,023	2,047,077	99.96		
2006	2,070,083	2,062,895	99.65	6,226	2,069,121	99.95		
2007	2,089,386	2,081,931	99.64	6,510	2,088,441	99.95		
2008	2,082,981	2,074,639	99.60	8,947	2,083,586	100.03		
2009	2,640,731	2,634,734	99.77	5,154	2,639,888	99.97		
2010	2,653,765	2,632,361	99.19	23,867	2,656,228	100.09		
2011	3,273,438	3,259,786	99.58	10,432	3,270,218	99.90		
2012	3,284,804	3,266,029	99.43	-	3,266,029	99.43		

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	Governmental Activities			Percentage of Personal Income ¹	Per Capita ¹
	Installment Debt	Total Primary Government			
2003	\$ 59,425	\$ 59,425		0.001%	\$ 23.00
2004	-	-		-	-
2005	-	-		-	-
2006	224,000	224,000		0.003%	84.12
2007	469,023	469,023		0.007%	175.14
2008	820,592	820,592		0.011%	302.80
2009	6,735,986	6,735,986		0.097%	2,496.66
2010	6,643,845	6,643,845		0.093%	2,464.33
2011	5,958,277	5,958,277		N/A	2,395.77
2012	5,302,023	5,302,023		N/A	2,123.36

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 and per capita income statistics are not available for the Town of Wrightsville Beach. Percentages were calculated using New Hanover County figures.

Source: Town records.

Schedule 11
TOWN OF WRIGHTSVILLE BEACH, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes: New Hanover County	\$ 389,236,433	9.70%	\$ 37,741,467
Town of Wrightsville Beach debt	5,302,023	100.00%	5,302,023
Total direct and overlapping debt			\$ 43,043,490

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, 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Debt limit	\$ 112,173,322	\$ 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	
Total net debt applicable to limit	<u>59,425</u>	<u>-</u>	<u>-</u>	<u>224,000</u>	<u>469,023</u>	<u>820,592</u>	<u>6,735,985</u>	<u>6,643,845</u>	<u>5,958,277</u>	<u>5,302,023</u>	
Legal debt margin	<u>\$ 112,113,897</u>	<u>\$ 114,143,729</u>	<u>\$ 114,474,946</u>	<u>\$ 115,446,578</u>	<u>\$ 116,287,011</u>	<u>\$ 261,662,009</u>	<u>\$ 257,396,523</u>	<u>\$ 257,214,155</u>	<u>\$ 258,598,813</u>	<u>\$ 259,914,802</u>	
Total net debt applicable to the limit as a percentage of debt limit	0.05%	0.00%	0.00%	0.19%	0.40%	0.31%	2.55%	2.52%	2.25%	2.00%	

Total assessed value \$ 3,315,210,315
 Debt limit (8% of assessed value) 265,216,825
 Debt applicable to limit: 5,302,023
 Installment Purchase Agreement 5,302,023
 Total net applicable to limit 5,302,023
 Legal debt margin \$ 259,914,802

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 June 30	Town of		New Hanover County	
	Wrightsville Beach	Population ¹	Personal Income (000's) ²	Per Capita Personal Income ²
2003	2,584	\$ 5,118,860	\$ 30,056	5.7%
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	6,967,718	34,808	9.2
2010	2,487	7,131,435	35,085	9.7
2011	2,494	n/a	n/a	9.9
2012	2,497	n/a	n/a	9.4

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

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

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

³ **Source:** North Carolina Employment Security Commission.
The 2012 rate is for the period January through July.

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

Employer (Top Ten)	2012				2003			
	Employees	Rank	Employment	Percentage of Total County	Employees	Rank	Employment	Percentage of Total County
New Hanover Health Network	4,738	1	5.0		4,000	1	4.7	
New Hanover County Schools	3,666	2	3.9		3,087	2	3.7	
Wal-Mart Stores, Inc.	2,592	3	2.7		-	-	-	
General Electric	2,100	4	2.2		2,100	3	2.5	
University of NC - Wilmington	1,898	5	2.0		1,493	5	1.8	
New Hanover County	1,571	6	1.7		1,356	6	1.6	
PPD, Inc	1,500	7	1.6		600	10	0.7	
Verizon Wireless	1,346	8	1.4		-	-	-	
Corning, Inc.	1,000	9	1.1		1,700	4	2.0	
City of Wilmington	981	10	1.0		927	7	1.1	
NC Department of Transportation	-	-	-		694	8	0.8	
Liberty Home Health Care	-	-	-		650	9	0.8	
Total	21,392		22.5		16,607		19.7	
Total New Hanover County Employment	<u>95,038</u>				<u>84,318</u>			

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

Sources: New Hanover County.

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	11	11	11	11	11	12	12	12	12	12
Public safety	44	44	44	44	46	43	43	43	43	44
Transportation	4	4	4	4	4	5	5	5	5	5
Environmental protection	8	8	8	8	8	8	8	8	8	8
Cultural and recreation	5	5	4	4	5	5	5	5	5	5
Water and sewer	8	8	8	8	9	9	9	9	9	9
Total	80	80	79	79	83	82	82	82	82	83

Source: Town records.

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety:										
Police Department:										
Criminal charges (calendar years)	2,759	2,516	2,203	3,244	3,064	2,429	2,658	3,164	3,164	3,226
Reported serious offenses (calendar years)	401	387	521	405	459	350	419	399	405	419
Fire Department:										
Fire alarms (calendar years)	147	186	168	135	141	136	115	113	170	111
EMS calls (calendar years)	332	299	362	405	373	304	348	433	402	240
Planning & Inspections										
Building permits issued	405	331	305	502	182	473	521	417	400	527
Value (\$000)	\$11,132	\$17,654	\$26,778	\$51,632	\$21,556	\$26,717	\$17,666	\$8,256	\$12,803	\$25,832
Culture and recreation										
Softball field reservations (calendar years)	7	2	6	12	8	4	3	14	4	14
Recreation center reservations (calendar years)	32	33	57	39	147	92	141	126	115	78
Recreation programs (calendar years)	19	19	18	22	22	24	24	23	23	23
Water and sewer										
Customers	2,428	2,645	2,528	2,569	2,635	2,667	2,671	2,679	2,690	2,678
Water- average daily consumption in gallons	991,683	1,036,526	916,871	948,627	909,860	947,154	861,570	757,533	910,074	876,332
Sewer-average daily inflow (in gallons)	635,022	615,051	654,381	610,972	585,737	579,867	588,336	636,266	587,641	565,217

Note: 2012 calendar year is for the period January-September.

Source: Town records.

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Public safety:</u>											
Police Stations	1	1	1	1	1	1	1	1	1	1	1
Fire Stations	1	1	1	1	1	1	1	1	1	1	1
<u>Culture and recreation:</u>											
Parks	7	7	7	7	7	7	7	7	7	7	7
Park acreage	30	30	30	30	30	30	30	30	30	30	30
Recreation centers	1	1	1	1	1	1	1	1	1	1	1
<u>Water and Sewer</u>											
Pump stations	7	7	7	7	7	7	7	7	7	7	7
Water treatment centers	2	2	2	2	2	2	2	2	2	2	2
Wells	9	9	9	8	8	8	8	8	8	8	8
Ground storage water tanks	2	2	2	2	2	2	2	2	2	2	2
Elevated water storage tanks	2	2	2	2	2	2	2	2	2	2	2

Source: Town records.

Compliance Section

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

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

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

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

We have audited 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, 2012, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated August 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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*.

This report is intended solely for the information and use of the Board of Aldermen, members of management, federal and State awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

August 24, 2012