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# TOWN OF HOLLY RIDGE

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HOLLY RIDGE,  
NORTH CAROLINA

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## FINANCIAL STATEMENTS

**June 30, 2012**

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# TOWN OF HOLLY RIDGE

HOLLY RIDGE, NORTH CAROLINA

## TOWN OFFICIALS

Mayor:

Elmer Padgett

Town Council Members:

Gregory Hines

Joseph Edwards

Carolyn Stanley

Jerry Wright

Anita Dingler

**TOWN OF HOLLY RIDGE, NORTH CAROLINA**  
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**June 30, 2012**

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## Independent Auditors' Report

Honorable Mayor  
And Town Council  
Town of Holly Ridge, North Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Holly Ridge, 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 Holly Ridge, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Town of Holly Ridge, North Carolina, as of June 30, 2012, and the respective changes in financial position, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Member:*

American Institute of Certified Public Accountants, NC Association of Certified Public Accountants  
AICPA – Governmental Audit Quality Center

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Holly Ridge's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Holly Ridge, North Carolina. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Larry E. Carpenter, CPA, PA*

September 28, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# Management's Discussion and Analysis

As management of the Town of Holly Ridge (the *Town*), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

## Financial Highlights

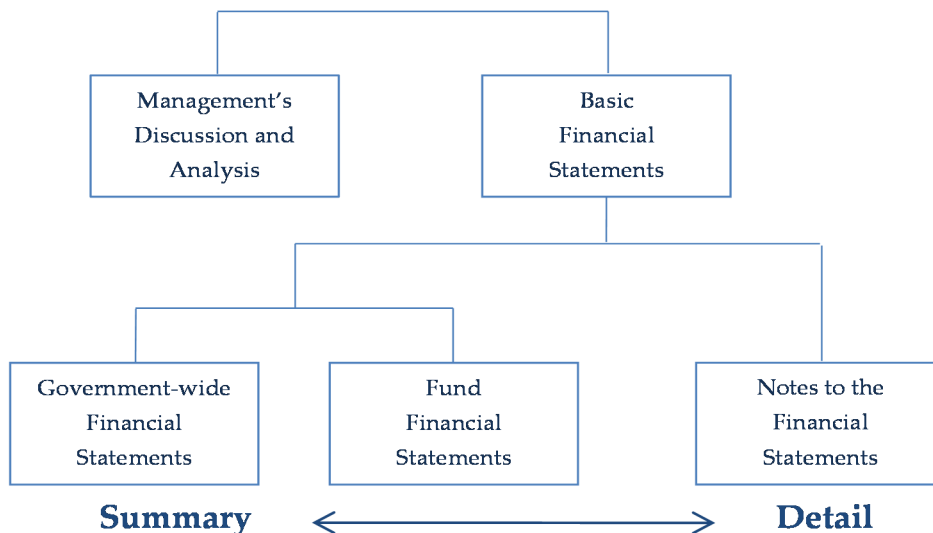
- The assets of the Town of Holly Ridge exceeded its liabilities at the close of the fiscal year by \$2,058,602.
- As of the close of the current fiscal year, the Town of Holly Ridge's governmental funds reported ending fund balance of \$1,245,878, a decrease of \$27,308 in comparison with the prior year. Approximately 14 percent of this total amount, or \$170,995, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,013,706, or 85.56% of total general fund expenditures for the fiscal year.
- During the year, the Town made major road improvements at a cost of \$337,892, financed with installment obligations.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Holly Ridge'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 Holly Ridge.

### Components of the Financial Section

Figure 1





# Management's Discussion and Analysis

## Basic Financial Statements

The first two statements (pages 11 through 12) 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 (pages 13 through 17) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain, in detail, some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

## Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements are divided into one category: 1) governmental activities. The governmental activities include most of the Town's basic services such as administration, streets and highways, and inspections. Property taxes and state and federal grant funds finance most of these activities.

## Fund Financial Statements

The fund financial statements (see Figure 2) 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 Holly Ridge, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Holly Ridge can be divided into one category: governmental funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next

## Management's Discussion and Analysis

year. Governmental funds are reported using an accounting method called *modified accrual accounting* that 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 Holly Ridge 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**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 18 through 32 of this report.

# Management's Discussion and Analysis

## Government-Wide Financial Analysis

### Town of Holly Ridge's Net Assets

Figure 2

	Governmental Activities	
	2012	2011
<b>Assets:</b>		
Current and other assets	\$1,569,739	\$1,582,613
Capital assets	1,635,692	1,072,244
Total assets	<u>3,205,431</u>	<u>2,654,857</u>
<b>Liabilities:</b>		
Long-term outstanding	1,082,160	485,455
Other liabilities	64,669	57,639
Total liabilities	<u>1,146,829</u>	<u>543,094</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	599,541	603,884
Restricted	170,995	166,754
Unrestricted	1,288,066	1,341,125
Total net assets	<u>\$ 2,058,602</u>	<u>\$2,111,763</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Holly Ridge exceeded liabilities by \$2,058,602 as of June 30, 2012. The Town's net assets decreased by \$53,161 for the fiscal year ended June 30, 2012. However, a 29% portion 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 Holly Ridge uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Holly Ridge'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. Eight percent (8%) of the balance or \$170,995 is restricted. The remaining balance 63% or \$1,288,066 is unrestricted.

# Management's Discussion and Analysis

**Town of Holly Ridge's Changes in Net Assets**  
**Figure 3**

	<b>Governmental</b>	
	<b>Activities</b>	
	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 316,717	\$ 238,945
Operating grants and contributions	60,957	46,456
General revenues:		
Property taxes	761,905	722,635
Other taxes	404,163	534,989
Investment earnings	3,580	3,304
Insurance recovery	33,168	-
Gain on sale of capital assets	15,135	-
Other	53,021	54,746
Total revenues	<u>1,648,646</u>	<u>1,601,075</u>
<b>Expenses:</b>		
Governing body	29,452	25,004
Elections	2,456	-
Administration	269,553	311,452
Inspections	166,186	121,824
Public safety		
Fire	175,256	108,000
Police	662,277	610,820
Street department	220,955	198,353
Sanitation	121,842	111,413
Environmental health	1,494	1,392
Interest on long-term debt	21,376	32,986
Powell Bill	7,738	13,383
Parks and recreation	23,222	24,077
Total expenses	<u>1,701,807</u>	<u>1,558,704</u>
Increase (decrease) in net assets before transfers	(53,161)	42,371
Transfers	-	-
Increase (decrease) in net assets	<u>(53,161)</u>	<u>42,371</u>
Net assets, July 1	2,111,763	2,069,392
Net assets, June 30	<u>\$2,058,602</u>	<u>\$2,111,763</u>

# Management's Discussion and Analysis

**Governmental Activities.** Governmental activities decreased the Town's net assets by \$53,161, thereby accounting for 100% of the total decrease in the net assets of the Town of Holly Ridge. Key element of this increase is as follows:

## Financial Analysis of the Town's Funds

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

**Governmental Funds.** The focus of the Town of Holly Ridge'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 Holly Ridge'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 Holly Ridge. At the end of the current fiscal year, the Town of Holly Ridge's fund balance available in the General Fund was \$1,184,701, while total fund balance reached \$1,245,878, a two percent decrease over last year. The Town currently has an available fund balance of 95.09% of general fund expenditures.

**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.

## Capital Asset and Debt Administration

**Capital Assets.** The Town of Holly Ridge's investment in capital assets for its governmental activities as of June 30, 2012, totals \$1,635,692 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment. The town made major road improvements and purchased four trucks and six cars during the year.

# Management's Discussion and Analysis

## Town of Holly Ridge's Capital Assets

Figure 4

(Net of Depreciation)		
Governmental		
Activities		
	2012	2011
Land	\$ 31,135	\$ 31,135
Buildings	717,896	733,005
Vehicles	239,540	33,843
Infrastructure	636,530	261,023
Equipment	10,591	13,238
<b>Total</b>	<b>\$ 1,635,692</b>	<b>\$ 1,072,244</b>

Additional information on the Town's capital assets can be found on page 25 in the Notes to the Financial Statements.

**Long-Term Debt.** As of June 30, 2012, the Town of Holly Ridge had total long-term debt outstanding of \$1,036,151. Of this, \$1,036,151 is debt backed by the full faith and credit of the Town of Holly Ridge.

## Town of Holly Ridge's Outstanding Debt Installment Purchases and General Obligation Bonds

Figure 5

Governmental		
Activities		
	2012	2011
Installment Purchases	\$ 799,151	\$ 217,360
General Obligation Bonds	237,000	251,000
<b>Total</b>	<b>\$ 1,036,151</b>	<b>\$ 468,360</b>

## Management's Discussion and Analysis

The Town of Holly Ridge's total debt increased by \$567,791 (121%) during the fiscal year.

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 Holly Ridge is \$12,922,992. The Town of Holly Ridge does not have any authorized but unissued debt at June 30, 2012.

Additional information regarding the Town of Holly Ridge's long-term debt can be found beginning on page 30 in the Notes to the Financial Statements.

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

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

- Population growth: The Town's population growth can be partially attributed to the expansion of surrounding areas.

### **Budget Highlights for the Fiscal Year Ending June 30, 2012**

**Governmental Activities.** Property tax rates and garbage collection rates will remain constant for 2012. Budgeted expenditures will remain similar to the current year.

### **Requests for Information**

This report is designed to provide an overview of the Town 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 following:

**Karen Metz**  
**Finance Officer**  
**Town of Holly Ridge**  
**PO Box 145**  
**Holly Ridge, NC 28445**

## BASIC FINANCIAL STATEMENTS



# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Town of Holly Ridge, North Carolina**  
**Statement of Net Assets**  
**June 30, 2012**

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 1,160,288	\$ 1,160,288
Taxes receivable, net	233,887	233,887
Due from other governments	88,896	88,896
Accrued interest receivable	46,050	46,050
Accounts receivable, other	10,593	10,593
Restricted cash and cash equivalents	30,025	30,025
<b>Total Current Assets</b>	<b>1,569,739</b>	<b>1,569,739</b>
<i>Noncurrent Assets</i>		
Land and other nondepreciable assets	31,135	31,135
Other capital assets, net of depreciation	1,604,557	1,604,557
<b>Total Noncurrent Assets</b>	<b>1,635,692</b>	<b>1,635,692</b>
<b>Total Assets</b>	<b>3,205,431</b>	<b>3,205,431</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	42,963	42,963
Accrued interest payable	20,745	20,745
Unearned revenues	961	961
<b>Total Current Liabilities</b>	<b>64,669</b>	<b>64,669</b>
<i>Noncurrent Liabilities</i>		
Noncurrent portion of long-term debt	104,750	104,750
Long-term debt	977,410	977,410
<b>Total Noncurrent Liabilities</b>	<b>1,082,160</b>	<b>1,082,160</b>
<b>Total Liabilities</b>	<b>1,146,829</b>	<b>1,146,829</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	599,541	599,541
<i>Restricted for:</i>		
Stabilization by State Statute	140,970	140,970
Streets	30,025	30,025
<i>Unrestricted</i>	1,288,066	1,288,066
<b>Total Net Assets</b>	<b>\$ 2,058,602</b>	<b>\$ 2,058,602</b>

**Town of Holly Ridge, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Total
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
Governing Body	\$ 29,452	--	--	--	(29,452)	(29,452)
Administration	269,553	9,754	16,125	--	(243,674)	(243,674)
Interest and other charges	21,376	--	--	--	(21,376)	(21,376)
Parks & recreation	23,222	9,875	2,680	--	(10,667)	(10,667)
Environmental health	1,494	4,910	--	--	3,416	3,416
Sanitation	121,842	139,347	--	--	17,505	17,505
Powell bill	7,738	--	42,152	--	34,414	34,414
Street department	220,955	--	--	--	(220,955)	(220,955)
Fire	175,256	--	--	--	(175,256)	(175,256)
Inspections	166,186	149,776	--	--	(16,410)	(16,410)
Police	662,277	3,055	--	--	(659,222)	(659,222)
Elections	2,456	--	--	--	(2,456)	(2,456)
<b>Total Governmental Activities</b>	<b>1,701,807</b>	<b>316,717</b>	<b>60,957</b>	<b>--</b>	<b>(1,324,133)</b>	<b>(1,324,133)</b>

**General Purpose Revenues and Transfers:**

**Revenues**

Property taxes, levied for general purpose	761,905	761,905
Other taxes and licenses	404,163	404,163
Investment earnings	3,580	3,580
Sale of capital assets	15,135	15,135
Insurance recovery	33,168	33,168
Miscellaneous	53,021	53,021
<b>Total General Revenues and Transfers</b>	<b>1,270,972</b>	<b>1,270,972</b>
<b>Change in Net Assets</b>	<b>(53,161)</b>	<b>(53,161)</b>
Net Assets at Beginning of Period	2,111,763	2,111,763
<b>Net Assets at End of Period</b>	<b>\$ 2,058,602</b>	<b>\$ 2,058,602</b>

## FUND FINANCIAL STATEMENTS

**Town of Holly Ridge, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	<u>Major Funds</u>		<b>Total Governmental Funds</b>
	<u>General</u>	<u>Street Improvements</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,099,111	\$ 61,177	\$ 1,160,288
Taxes receivable, net	233,887	--	233,887
Due from other governments	88,896	--	88,896
Accounts receivable, other	10,593	--	10,593
Restricted cash and cash equivalents	30,025	--	30,025
<b><i>Total Assets</i></b>	<b><u>\$ 1,462,512</u></b>	<b><u>\$ 61,177</u></b>	<b><u>\$ 1,523,689</u></b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 42,963	\$ --	\$ 42,963
Deferred revenues	233,887	--	233,887
Unearned revenues	961	--	961
<b><i>Total Liabilities</i></b>	<b><u>277,811</u></b>	<b><u>--</u></b>	<b><u>277,811</u></b>
<b>FUND BALANCE</b>			
Restricted			
Stabilization by State Statute	140,970	--	140,970
Streets	30,025	--	30,025
Unassigned	1,013,706	61,177	1,074,883
<b><i>Total Fund Balance</i></b>	<b><u>1,184,701</u></b>	<b><u>61,177</u></b>	<b><u>1,245,878</u></b>
<b><i>Total Liabilities and Fund Balance</i></b>	<b><u>\$ 1,462,512</u></b>	<b><u>\$ 61,177</u></b>	

**Town of Holly Ridge, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

Total  
Governmental  
Funds  

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

Total Fund Balance - Governmental Funds	\$	1,245,878
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund:

Gross capital assets at historical costs	\$ 2,290,620	
Accumulated depreciation	<u>(654,928)</u>	1,635,692

Liabilities for earned but deferred revenues in fund statements:

Ad valorem taxes		233,887
------------------	--	---------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	\$ 237,000	
Installment purchases	799,151	
Compensated absences	<u>46,009</u>	(1,082,160)

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

Accrued interest - taxes		46,050
--------------------------	--	--------

Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.

(20,745)

**Total Net Assets-Governmental Funds**

\$ 2,058,602

**Town of Holly Ridge, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Street Improvements</u>	
<b>Revenues</b>			
Property taxes, levied for general purpose	\$ 767,513	\$ --	\$ 767,513
Other taxes and licenses	12,754	--	12,754
Unrestricted intergovernmental	400,297	--	400,297
Restricted intergovernmental	47,928	--	47,928
Permits & fees	149,776	--	149,776
Sales & services	152,277	--	152,277
Investment earnings	3,411	169	3,580
Miscellaneous	64,715	--	64,715
<b>Total Revenues</b>	<b>1,598,671</b>	<b>169</b>	<b>1,598,840</b>
<b>Expenditures</b>			
Governing Body	29,452	--	29,452
Administration	269,198	--	269,198
Elections	2,456	--	2,456
Police	672,882	--	672,882
Inspections	160,502	--	160,502
Fire	175,256	--	175,256
Street department	183,892	--	183,892
Powell bill	63,176	--	63,176
Sanitation	121,842	--	121,842
Environmental health	1,494	--	1,494
Parks & recreation	23,222	--	23,222
Principal	14,000	--	14,000
Interest and other charges	11,923	--	11,923
Capital outlay	187,955	338,992	526,947
<b>Total Expenditures</b>	<b>1,917,250</b>	<b>338,992</b>	<b>2,256,242</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(318,579)</b>	<b>(338,823)</b>	<b>(657,402)</b>
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	15,135	--	15,135
Insurance recovery	33,168	--	33,168
Installment purchase obligations issued	181,791	400,000	581,791
Transfer to other funds	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>230,094</b>	<b>400,000</b>	<b>630,094</b>
<b>Net Change in Fund Balance</b>	<b>(88,485)</b>	<b>61,177</b>	<b>(27,308)</b>
<b>Fund Balance at Beginning of Period</b>	<b>1,273,186</b>	<b>--</b>	<b>1,273,186</b>
<b>Fund Balance at End of Period</b>	<b>\$ 1,184,701</b>	<b>\$ 61,177</b>	<b>\$ 1,245,878</b>

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

**Town of Holly Ridge, North Carolina**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2012**

Total Net Change in Fund Balances - Governmental Funds	\$	(27,308)
--	----	----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Debt issuance	\$ 581,791	
Debt retirement	<u>14,000</u>	(595,791)

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:

Compensated absences		4,846
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund:

Change in deferred revenue for ad valorem tax revenues	\$ 12,198	
Interest earned on ad valorem taxes	<u>10,191</u>	22,389

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay expenditures which were capitalized	\$ 644,989	
Depreciation expense	<u>(81,541)</u>	563,448

Interest expense in the statement of activities differs from the amount reported in the governmental fund because of additional accrued interest.		(20,745)
---	--	----------

<b>Changes in Net Assets-Governmental Funds</b>	<b>\$</b>	<b><u>(53,161)</u></b>
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**Town of Holly Ridge, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Ad valorem taxes	\$ 751,536	\$ 751,536	\$ 767,513	\$ 15,977
Other taxes and License	15,302	15,302	12,754	(2,548)
Unrestricted intergovernmental	518,000	518,000	400,297	(117,703)
Restricted Intergovernmental	46,117	46,117	47,928	1,811
Permits and fees	77,800	77,800	149,776	71,976
Sales and services	148,100	148,100	152,277	4,177
Investment earnings	5,500	5,500	3,411	(2,089)
Miscellaneous	62,900	62,900	64,715	1,815
<i>Total Revenues</i>	<u>1,625,255</u>	<u>1,625,255</u>	<u>1,598,671</u>	<u>(26,584)</u>
<b>Other Financing Sources</b>				
<i>Total Revenues and Other Financing Sources</i>	<u>1,625,255</u>	<u>1,625,255</u>	<u>1,598,671</u>	<u>(26,584)</u>
<b>Expenditures</b>				
Governing Body	30,600	30,660	29,452	1,208
Administration	287,227	287,433	271,654	15,779
Police	648,795	687,417	680,365	7,052
Inspections	175,254	161,799	159,183	2,616
Fire	175,256	175,256	175,256	--
Street Department	215,390	190,655	183,892	6,763
Powell Bill	63,496	63,496	63,176	320
Sanitation	134,440	129,889	121,842	8,047
Environmental Health	1,892	1,494	1,494	--
Parks & Recreation	21,877	26,128	23,222	2,906
Principal	14,000	14,000	14,000	--
Interest and other charges	11,923	11,923	11,923	--
<i>Total Expenditures</i>	<u>1,780,150</u>	<u>1,780,150</u>	<u>1,735,459</u>	<u>44,691</u>
<b>Other Financing Uses</b>				
Sale of capital assets	--	--	(15,135)	15,135
Insurance recovery	--	--	(33,168)	33,168
Fund Balance Appropriation	(154,895)	(154,895)	--	(154,895)
<i>Total Expenditures and Other Financing Uses</i>	<u>1,625,255</u>	<u>1,625,255</u>	<u>1,687,156</u>	<u>(61,901)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>				
<i>Net Change in Fund Balance</i>	<u>--</u>	<u>--</u>	<u>(88,485)</u>	<u>(88,485)</u>
<i>Fund Balance at Beginning of Period</i>	<u>1,273,186</u>	<u>1,273,186</u>	<u>1,273,186</u>	<u>--</u>
<i>Fund Balance at End of Period</i>	<u>\$ 1,273,186</u>	<u>\$ 1,273,186</u>	<u>\$ 1,184,701</u>	<u>\$ (88,485)</u>
<b>Fund Balance at Beginning of Period</b>				
<i>Fund Balance at End of Period</i>	<u>1,273,186</u>	<u>1,273,186</u>	<u>1,273,186</u>	<u>--</u>
<i>Fund Balance at End of Period</i>	<u>\$ 1,273,186</u>	<u>\$ 1,273,186</u>	<u>\$ 1,184,701</u>	<u>\$ (88,485)</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Holly Ridge 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 Holly Ridge is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town.

**B. Basis of Presentation**

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

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

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

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

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**B. Basis of Presentation (Continued)**

The Town reports the following major governmental funds:

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

**C. Measurement Focus and Basis of Accounting**

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

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

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

*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, Onslow 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 Holly Ridge. 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 Onslow County from March 2011 through February 2012 apply to the

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**C. Measurement Focus and Basis of Accounting (Continued)**

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 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. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multiyear funds. All amendments must be approved by the governing board. During the year, there were several amendments to the original budget. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**E. Assets, Liabilities, and Fund Equity**

**1. Deposits and Investments**

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and 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 securities of the NCCMT – Cash Portfolio are valued at fair value, which is the NCCMT's share price.

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**E. Assets, Liabilities, and Fund Equity (Continued)**

**2. Cash and Cash Equivalents**

The Town pools money from several funds 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.

**3. 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.

**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. As allowed by State Law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**6. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000. 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. General infrastructure assets acquired prior to July 1, 2003 are not recorded. 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.

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**6. Capital Assets (Continued)**

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

Asset Class	Estimated Useful Lives
Infrastructure	25
Buildings	50
Improvements	25
Vehicles	5
Furniture and Fixtures	10
Equipment	5
Computer Equipment	3
Software	5

**7. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

**8. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty (30) 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's sick leave policy provides for an unlimited number of days 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 does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**9. Net Assets/Fund Balances**

Net Assets

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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 – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Holly Ridge’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Assigned fund balance – portion of fund balance that Town of Holly Ridge intends to use for specific purposes.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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



**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**II. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

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

At June 30, 2012, the Town's deposits had a carrying amount of \$1,190,197 and a bank balance of \$1,184,970. Of the bank balance, \$708,734 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 funds totaled \$116.

**2. Receivables - Allowances for Doubtful Accounts**

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

General Fund:	June 30, 2012
Taxes Receivable	\$ 28,000
Total	<u>\$ 28,000</u>

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**3. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2012, was as follows:

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 31,135	\$ -	\$ -	\$ 31,135
Total capital assets not being depreciated	<u>31,135</u>	<u>-</u>	<u>-</u>	<u>31,135</u>
<b>Capital assets being depreciated:</b>				
Buildings	832,259	7,115	-	839,374
Equipment	92,265	-	-	92,265
Vehicles	358,949	243,444	-	602,393
Other improvements	331,023	394,430	-	725,453
Total capital assets being depreciated	<u>1,614,496</u>	<u>644,989</u>	<u>-</u>	<u>2,259,485</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	99,254	22,223	-	121,477
Equipment	79,027	2,648	-	81,675
Vehicles	325,106	37,747	-	362,853
Other improvements	70,000	18,923	-	88,923
Total accumulated depreciation	<u>573,387</u>	<u>\$ 81,541</u>	<u>\$ -</u>	<u>654,928</u>
Total capital assets being depreciated, net	<u>1,041,109</u>			<u>1,604,557</u>
<b>Governmental activity capital assets, net</b>	<u>\$1,072,244</u>			<u>\$ 1,635,692</u>

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

<b>Governmental Activities:</b>	
General Government	\$ 1,886
Public Safety	44,777
Transportation	27,875
Parks & Recreation	7,003
Total	<u>\$ 81,541</u>

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System**

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

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and law enforcement officers is 6.74% and 6.77% respectively, of annual covered payroll. The contribution requirements of members and of the Town of Holly Ridge 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 \$49,272, \$43,576, \$34,033, respectively. The contributions made by the Town equaled the required contributions for each year.

**b. Law Enforcement Officers Special Separation Allowance**

**1. Plan Description**

The Town of Holly Ridge 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 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**1. Plan Description (Continued)**

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:

Active plan members	8
Total	8

A separate report was not issued for the plan.

**2. Summary of Significant Accounting Policies:**

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

**3. Contributions**

The Town is required by Article 12D of Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The annual required contribution for the current year and prior years cannot be determined because no actuarial valuation has been made on this plan.

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699- 1410, or by calling (919) 981-5454.

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**c. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)**

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$36,411, which consisted of \$27,535 from the Town and \$8,876 from the law enforcement officers.

**All Other Employees**

*Plan Description.* All other employees have the option of contributing to the Supplemental Retirement Plan of North Carolina 401(k). This plan is a defined contribution pension plan and participation is optional.

*Funding Policy.* The Town matches up to three percent of employees' wages. For the year ended June 30, 2012, total contributions to the plan equaled \$19,406, which consisted of \$7,927 from the Town and \$11,479 from the participating employees.

**d. Other Employment Benefit**

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The 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.

**C. Deferred / Unearned Revenues**

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

	<b>Deferred Revenue</b>	<b>Unearned Revenue</b>
Prepaid taxes (General Fund)	\$ -	\$ 961
Taxes receivable (General Fund), less penalties	233,887	-
Total	\$ 233,887	\$ 961

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**D. 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 the three **self-funded** risk-financing pools administered by the North Carolina League of Municipalities. Through these pools the Town obtains general liability and auto liability coverage of \$1 million per occurrence, public officials' liability, and law enforcement liability coverage of \$1 million per occurrence, property coverage up to \$1,557,028, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. 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 pools are reinsured for annual employee health claims in excess of \$150,000. 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 does not carry flood insurance through the National Flood Insurance Plan (NFIP). The Town is not in an area of the State that has been mapped and designated an "A" area.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000.

**E. Claims, Judgments and Contingent Liabilities**

At June 30, 2012, the Town did not have any litigation pending.

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**F. Long-Term Obligations**

The Town records long-term debt of the governmental funds at face value in the government-wide statement of net assets. All general obligation bonds serviced by the Town's general fund were issued to finance the improvements of the Town's streets and are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest payments are appropriated when due.

**1. Installment Purchases**

Installment purchase notes payable at June 30, 2012, are comprised of the following notes:

Governmental Activities:

\$296,400 installment purchase dated August 27, 2007 for the construction of a police building in annual principal installments of \$19,760 plus interest of 4.170% through August 2022	\$ 217,360
\$63,048.36 installment purchase dated August 4, 2011 for four Ford F-150 trucks in annual installments of \$17,042.91 including interest at 3.20% through August 2015	63,048
\$118,743 installment purchase dated January 23, 2012 for four Dodge Charger police cars in annual installments of \$32,098 including interest at 3.20% through January 2016	118,743
\$400,000 installment purchase dated December 19, 2011 for street improvements in annual principal installments of \$26,666.67 plus interest at 4.030% through December 2026	400,000
Total Installment Purchases	<u>\$ 799,151</u>

Annual debt service requirements to maturity for the installment loans - governmental activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 89,750	\$ 30,177	\$ 119,927
2014	91,137	26,892	118,029
2015	92,567	23,563	116,130
2016	94,044	20,188	114,232
2017	46,427	16,765	63,192
2018-2022	212,373	54,523	266,896
2023-2026	172,853	16,944	189,797
	<u>\$ 799,151</u>	<u>\$ 189,052</u>	<u>\$ 988,203</u>

**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

**F. Long-Term Obligations (Continued)**

**2. General Obligation Bonds**

General obligations bonds payable at June 30, 2012, are comprised of the following notes:

Governmental Activities:

\$325,000 general obligation bonds dated June 1, 2006 issued to finance the improvement of the Town's streets in annual principal installments starting at \$15,000 plus interest at 4.75% through June 2024 \$ 237,000

Total General Obligation Bonds \$ 237,000

Annual debt service requirements to maturity for the general obligation bonds - governmental activities are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 15,000	\$ 11,258	\$ 26,258
2014	16,000	10,545	26,545
2015	17,000	9,785	26,785
2016	17,000	8,978	25,978
2017	18,000	8,170	26,170
2018-2022	105,000	27,075	132,075
2023-2024	49,000	3,515	52,515
	\$ 237,000	\$ 79,326	\$ 316,326

**3. Changes in Long-Term Liabilities**

The following is a summary of changes in the Town's governmental activities in long-term debt:

	July 1, 2011	Additions	Retirements	June 30, 2012	Current Maturities
Installment Loans	\$ 217,360	\$ 581,791	\$ -	\$ 799,151	\$ 89,750
General Obligation Bond	251,000	-	14,000	237,000	15,000
Compensated Absences	50,855	6,949	11,795	46,009	-
Total	\$ 519,215	\$ 588,740	\$ 25,795	\$ 1,082,160	\$ 104,750



**Town of Holly Ridge, North Carolina**  
**Notes to Financial Statements**  
**June 30, 2012**

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.

**G. Fund Balance**

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

Total Fund Balance - General Fund	<b>\$ 1,184,701</b>
<i>Less:</i>	
Stabilization by State Statute	140,970
Streets - Powell Bill	30,025
Remaining Fund Balance	<b>\$ 1,013,706</b>

**H. 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 moneys 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 moneys.

**I. Significant Effects of Subsequent Events**

Subsequent events have been evaluated through September 28, 2012, the date the financial statements were available to be issued.



## INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**Town of Holly Ridge North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes	\$ -	\$ 767,513	\$ -
<b>Total</b>	<u>751,536</u>	<u>767,513</u>	<u>15,977</u>
Unrestricted Intergovernmental Revenues			
Local Option Sales Tax		294,897	
Solid Waste		866	
Utility Franchise Tax		80,318	
Other Revenue		31,472	
Beer and Wine Tax		5,498	
<b>Total</b>	<u>533,302</u>	<u>413,051</u>	<u>(120,251)</u>
Restricted Intergovernmental Revenue			
Powell Bill Allocation	46,117	47,928	1,811
<b>Total</b>	<u>46,117</u>	<u>47,928</u>	<u>1,811</u>
Investment Earnings	<u>5,500</u>	<u>3,411</u>	<u>(2,089)</u>
Miscellaneous		64,715	
Permits and Fees		149,776	
Sales and Services		152,277	
<b>Total</b>	<u>288,800</u>	<u>366,768</u>	<u>77,968</u>
<b>Total Revenues</b>	<u>1,625,255</u>	<u>1,598,671</u>	<u>(26,584)</u>

Continued

**Town of Holly Ridge, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures			
General Government			
Administration	287,433	271,654	15,779
Governing Body	30,660	29,452	1,208
Police	687,417	680,365	7,052
Inspections	161,799	159,183	2,616
Fire	175,256	175,256	-
Powell Bill	63,496	63,176	320
Sanitation	129,889	121,842	8,047
Environmental Health	1,494	1,494	-
Parks and Recreation	26,128	23,222	2,906
Principal	14,000	14,000	-
Interest and Other Charges	11,923	11,923	-
<b>Total</b>	<u>1,589,495</u>	<u>1,551,567</u>	<u>37,928</u>
Transportation			
Street Maintenance		183,892	
<b>Total</b>	<u>190,655</u>	<u>183,892</u>	<u>6,763</u>
Other Financing Uses			
Sale of Capital Assets	-	(15,135)	15,135
Insurance Recovery	-	(33,168)	33,168
Fund Balance Appropriation	(154,895)	-	(154,895)
	<u>(154,895)</u>	<u>(48,303)</u>	<u>(106,592)</u>

Continued

**Town of Holly Ridge, North Carolina**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes**  
**In Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Contingency	-	-	-
Total Expenditures and Other Financing Uses	<u>1,625,255</u>	<u>1,687,156</u>	<u>(61,901)</u>
Revenues over (under) Expenditures Other Financing Sources (uses)	<u>-</u>	<u>(88,485)</u>	<u>(88,485)</u>
Appropriated Fund Balance	\$ -	-	-
Revenues and Other Sources over Expenditures and Other Uses		\$ (88,485)	<u>\$ (88,485)</u>
Fund Balances:			
Beginning of year, July 1		<u>\$ 1,273,186</u>	
End of year, June 30		<u>\$ 1,184,701</u>	

OTHER SCHEDULES

**Town of Holly Ridge, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Fiscal Year Ended June 30, 2012**

Fiscal Year	July 1, 2011	Additions and Adjustments	Collections and Credits	June 30, 2012
2011-2012	\$ -	\$ 741,518	\$ (647,834)	\$ 93,684
2010-2011	87,514	-	(16,618)	70,896
2009-2010	121,332	-	(70,586)	50,746
2008-2009	48,816	-	(17,699)	31,117
2007-2008	2,922	-	(204)	2,718
2006-2007	2,440	-	(198)	2,242
2005-2006	2,203	-	(139)	2,064
2004-2005	1,898	-	(108)	1,790
2003-2004	1,984	-	(109)	1,875
2002-2003	2,846	-	(98)	2,748
2001-2002	2,131	-	(123)	2,008
	<u>\$ 274,086</u>	<u>\$ 741,518</u>	<u>\$ (753,716)</u>	<u>261,887</u>

Less allowance for uncollectible taxes (28,000)

Ad valorem taxes receivables \$ 233,887

**Reconciliation with Revenues:**

Ad Valorem Tax - General Fund	\$ 767,513
Reconciling Items:	
Interest and Penalties Collected	(20,219)
Taxes Released	20,129
Taxes Written Off	(13,707)
Total Collections & Credits	<u>\$ 753,716</u>



**Town of Holly Ridge, North Carolina**  
**General Fund**  
**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2012**

	Town-Wide			Total Levy	
	Property Valuation	Rate per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property Taxed at Current Year's Tax Rate	\$ 179,147,470	0.415	743,462	699,717	43,745
<b>Discoveries:</b>					
Current Year Taxes Penalties					
Prior Year Taxes	810,120	0.415	3,362	2,407	955
<b>Abatements:</b>					
Property Taxes Current Year's Rate	(1,278,554)	0.415	(5,306)	(5,306)	
Total Property Valuations	<u>\$ 178,679,036</u>				
Net levy			741,518	696,818	44,700
Less uncollected taxes at June 30, 2012			93,684	86,871	6,813
Current year's taxes collected			<u>\$ 647,834</u>	<u>\$ 609,947</u>	<u>\$ 37,887</u>
Current levy collection percentage			<u>87.37%</u>	<u>87.53%</u>	<u>84.76%</u>

