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# Town of Holly Ridge

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Holly Ridge, North Carolina

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## Financial Statements

June 30, 2013

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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

### Finance Officer

Susan Prather

**Town of Holly Ridge, North Carolina**  
**Table of Content**  
**June 30, 2013**

	<u>Exhibit/ Schedule Number</u>	<u>Page</u>
<b>Financial Section:</b>		
<b>Independent Auditor's Report</b>		1
<b>Management's Discussion and Analysis</b>		4
<b>Basic Financial Statements:</b>		
I. Government-Wide Financial Statements:		
Statement of Net Position	A-1	13
Statement of Activities	A-2	14
II. Fund Financial Statements:		
Balance Sheet - Governmental Funds	A-3	15
Reconciliation of Governmental Funds Balance Sheet with Statement of Net Position	A-4	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	A-5	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	A-6	18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	A-7	19
III. Notes to the Financial Statements		20

**Town of Holly Ridge, North Carolina**  
**Table of Content**  
**June 30, 2013**

	<u>Exhibit/ Schedule Number</u>	<u>Page</u>
<b>Individual Fund Statements and Schedules:</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	1	36
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Road Improvement Project Fund	2	39
<b>Other Schedules:</b>		
Schedule of Ad Valorem Taxes Receivable	3	40
Analysis of Current Year Levy - General Fund Property Tax	4	41

## **Independent Auditor's Report**

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

### ***Report on the Financial Statements***

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the Town of Holly Ridge, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Holly Ridge's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in

#### *Member:*

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AICPA – Governmental Audit Quality Center

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the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund, information of Town of Holly Ridge, North Carolina, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 any assurance.

#### ***Supplementary and Other Information***

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 introductory information, combining and individual fund financial statements, budgetary schedules, and other schedules 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, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion based on our audit performed as described above, and the combining, individual fund financial statements and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

*Larry E. Carpenter, CPA, PA*

Greenville, North Carolina

October 25, 2013



## **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, 2013. 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

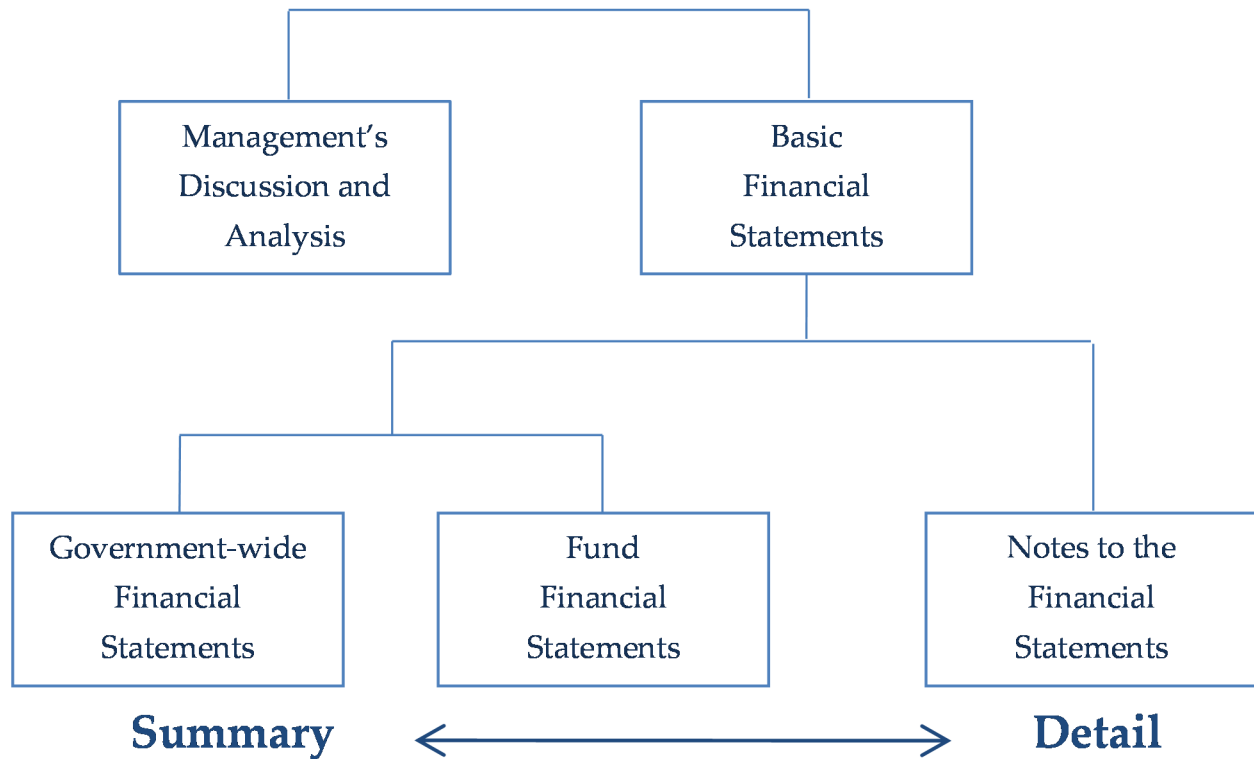
- The assets of the Town of Holly Ridge exceeded its liabilities at the close of the fiscal year by \$1,914,758.
- As of the close of the current fiscal year, the Town of Holly Ridge's governmental funds reported ending fund balance of \$1,081,286, a decrease of \$164,591 in comparison with the prior year. Approximately 17 percent of this total amount, or \$188,330, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$879,219, or 46.21% of total general fund expenditures for the fiscal year.
- At the end of the current fiscal year, the Town had Restricted Reserve (Powell Bill funds) of \$70,449 to be used for street maintenance.

## 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**



**Basic Financial Statements**

The first two statements (Exhibits A-1 and A-2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits A-3 through A-7) 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.

*Management's Discussion and Analysis*  
*Town of Holly Ridge*

**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 position and how they have changed. Net position are the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, transportation, environmental protection and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide.

The government-wide financial statements can be found on Exhibits A-1 and A-2 of this report.

**Fund Financial Statements**

Traditional users of governmental fund financial statements will find the fund financial statements presentation more familiar. However, the focus is on major funds, rather than the individual fund types. The fund financial statements 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 demonstrate compliance with finance-related legal requirements, such as the general statutes or the Town's budget ordinance.

**Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term Inflows and Outflows of Spendable Resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *Governmental Activities* in the Government-Wide Financial Statements.

## ***Management's Discussion and Analysis***

### ***Town of Holly Ridge***

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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. 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 basic governmental fund financial statements can be found on Exhibits A-3 and A-7 of this report.

### **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 20-35 of this report.

### **Other Information**

#### **Interdependence with Other Entities**

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

*Management's Discussion and Analysis*  
*Town of Holly Ridge*

**Government-Wide Financial Analysis**

**Town of Holly Ridge's Net Position**

**Figure 2**

	<b>Governmental</b>		<b>Total</b>	
	<b>Activities</b>			
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Current and other assets	\$1,368,514	\$1,569,739	\$ 1,368,514	\$1,569,739
Capital assets	1,596,160	1,635,692	1,596,160	1,635,692
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	<u>2,964,674</u>	<u>3,205,431</u>	<u>2,964,674</u>	<u>\$3,205,431</u>
Long-term liabilities outstanding	824,386	1,082,160	824,386	1,082,160
Other liabilities	224,619	64,669	224,619	64,669
Deferred inflows of resources	911		911	
Total liabilities and deferred inflows of resources	<u>1,049,916</u>	<u>1,146,829</u>	<u>1,049,916</u>	<u>1,146,829</u>
Net investment in capital assets	664,642	599,541	664,642	599,541
Restricted	188,330	170,995	188,330	170,995
Unrestricted	<u>1,061,786</u>	<u>1,288,066</u>	<u>1,061,786</u>	<u>1,288,066</u>
Total Net Position	<u>\$1,914,758</u>	<u>\$2,058,602</u>	<u>\$ 1,914,758</u>	<u>\$2,058,602</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial position. The assets of the Town of Holly Ridge exceeded liabilities by \$1,914,758 at the close of the most recent fiscal year. The Town's net position decreased by \$143,844 for the fiscal year ended June 30, 2013.

However, a 29.22% 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. Over nine percent (9.84%) of the balance or \$188,330 is restricted. The remaining balance 60.94% or \$1,061,786 is unrestricted.

*Management's Discussion and Analysis*  
*Town of Holly Ridge*

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

	<b>Governmental</b>	
	<b>Activities</b>	
	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 359,189	\$ 316,717
Operating grants and contributions	43,711	60,957
General revenues:		
Property taxes	831,132	761,905
Other taxes	455,885	404,163
Investment earnings	2,069	3,580
Insurance recovery	-	33,168
Gain on sale of capital assets	1,185	15,135
Other	76,965	53,021
Total revenues	<u>1,770,136</u>	<u>1,648,646</u>
<b>Expenses:</b>		
Administration	360,143	301,461
Inspections	188,801	166,186
Public safety		
Fire	162,730	175,256
Police	715,189	662,277
Street department	282,429	228,693
Sanitation	148,843	123,336
Interest on long-term debt	42,260	21,376
Parks and recreation	13,585	23,222
Total expenses	<u>1,913,980</u>	<u>1,701,807</u>
Increase (decrease) in Net Position before transfers	(143,844)	(53,161)
Transfers	-	-
Increase (decrease) in Net Position	<u>(143,844)</u>	<u>(53,161)</u>
Net Position, July 1	<u>2,058,602</u>	<u>2,111,763</u>
Net Position, June 30	<u>\$1,914,758</u>	<u>\$2,058,602</u>

## ***Management's Discussion and Analysis***

### ***Town of Holly Ridge***

#### **Governmental Activities**

Governmental activities decreased the Town's net position by \$143,844, thereby accounting for 100% of the total decrease in the net position of the Town of Holly Ridge.

#### **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, unassigned 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 \$879,219, while total fund balance reached \$1,067,549. The Town currently has an available fund balance of 46.21% of general fund expenditures.

The North Carolina Local Government Commission strongly recommends that local governments maintain an undesignated fund balance of at least 8% of general fund expenditures. Undesignated fund balance is a sub classification of unassigned fund balance after consideration for management's policy designations.

#### **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**

The Town of Holly Ridge's investment in capital assets for its governmental activities as of June 30, 2013, totals \$1,596,160 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment. The town made major parking lot improvements and purchased a new police car during the year.



*Management's Discussion and Analysis*  
*Town of Holly Ridge*

**Town of Holly Ridge's Capital Assets**

**Figure 4**

**(Net of Depreciation)**  
**Governmental**  
**Activities**

	<u>2013</u>	<u>2012</u>
Land	\$ 31,135	\$ 31,135
Buildings	695,532	717,896
Vehicles	7,943	239,540
Infrastructure	205,647	636,530
Equipment	655,903	10,591
<b>Total</b>	<b>\$ 1,596,160</b>	<b>\$ 1,635,692</b>

**Long-Term Debt.** As of June 30, 2013, the Town of Holly Ridge had total long-term debt outstanding of \$931,518. Of this, \$931,518 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**

	<u>2013</u>	<u>2012</u>
Installment Purchases	\$ 709,518	\$ 799,151
General Obligation Bonds	222,000	237,000
<b>Total</b>	<b>\$ 931,518</b>	<b>\$ 1,036,151</b>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 % of the total assessed value of taxable property located within that government's boundaries. The Town of Holly Ridge does not have any authorized but unissued debt at June 30, 2013.

## *Management's Discussion and Analysis*

### *Town of Holly Ridge*

#### **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, 2013**

**Governmental Activities.** Property tax rates and garbage collection rates will remain constant for 2013. 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:

**Finance Officer**  
**Town of Holly Ridge**  
**P.O. Box 145**  
**Holly Ridge, NC 28445**

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Town of Holly Ridge, North Carolina**  
**Statement of Net Position**  
**June 30, 2013**

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 927,269	\$ 927,269
Taxes receivable, net	214,135	214,135
Due from other governments	105,805	105,805
Accrued interest receivable	38,780	38,780
Accounts receivable, Other	12,076	12,076
Restricted cash and cash equivalents	70,449	70,449
<b>Total Current Assets</b>	<b>1,368,514</b>	<b>1,368,514</b>
<i>Noncurrent Assets</i>		
Land and other nondepreciable assets	31,135	31,135
Other capital assets, net of depreciation	1,565,025	1,565,025
<b>Total Assets</b>	<b>2,964,674</b>	<b>2,964,674</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Aggregated deferred outflows	--	--
<b>Total Deferred Outflows of Resources</b>	<b>--</b>	<b>--</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	33,402	33,402
Accrued interest payable	18,099	18,099
Compensated Absence	65,986	65,986
Current portion of long-term debt	107,132	107,132
<b>Total Current Liabilities</b>	<b>224,619</b>	<b>224,619</b>
<i>Noncurrent Liabilities</i>		
Due in more than one year	824,386	824,386
<b>Total Liabilities</b>	<b>1,049,005</b>	<b>1,049,005</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Aggregated deferred inflows	911	911
<b>Total Deferred Inflows of Resources</b>	<b>911</b>	<b>911</b>
<b>NET POSITION</b>		
Net investments in capital assets	664,642	664,642
<i>Restricted for:</i>		
Stabilization by State Statute	117,881	117,881
Streets	70,449	70,449
<i>Unrestricted</i>	1,061,786	101,786
<b>Total Net Position</b>	<b>\$ 1,914,758</b>	<b>\$ 1,914,758</b>

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

**Town of Holly Ridge, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2013**

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>						
Administration	\$ 360,143	\$ 19,298	\$ --	\$ --	\$ ( 340,845 )	\$ ( 340,845 )
Parks & recreation	13,585	23,258	--	--	9,673	9,673
Sanitation	148,843	157,656	--	--	8,813	8,813
Street department	282,429	--	43,711	--	(238,718)	(238,718)
Fire	162,730	--	--	--	(162,730)	(162,730)
Inspections	188,801	155,830	--	--	(32,971)	(32,971)
Police	715,189	3,147	--	--	(712,042)	(712,042)
Interest and other charges	42,260	--	--	--	(42,260)	(42,260)
<b>Total Governmental Activities</b>	<b>\$ 1,913,980</b>	<b>\$ 359,189</b>	<b>\$ 43,711</b>	<b>\$ --</b>	<b>( 1,511,080 )</b>	<b>( 1,511,080 )</b>

**General Purpose Revenues and Transfers:**

**Revenues**

Property taxes, levied for general purpose	831,132	831,132
Investment earnings	2,069	2,069
Unrestricted intergovernmental	455,349	455,349
Gain on sale of capital assets	1,185	1,185
Miscellaneous	76,965	76,965
Restricted intergovernmental	536	536
<b>Total General Revenues and Transfers</b>	<b>1,367,236</b>	<b>1,367,236</b>
<b>Change in Net Position</b>	<b>(143,844)</b>	<b>(143,844)</b>
<i>Net Position at Beginning of Period</i>	2,058,602	2,058,602
<b>Net Position at End of Period</b>	<b>\$ 1,914,758</b>	<b>\$ 1,914,758</b>

The accompanying notes are an integral part of this financial statements

## **FUND FINANCIAL STATEMENTS**

**Town of Holly Ridge, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<u>Major Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Street Improvements</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 913,532	\$ 13,737	\$ 927,269
Taxes receivable, net	214,135	--	214,135
Due from other governments	105,805	--	105,805
Accounts receivable, Other	12,076	--	12,076
Restricted cash and cash equivalents	70,449	--	70,449
<i>Total Assets</i>	<u>1,315,997</u>	<u>13,737</u>	<u>1,329,734</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Aggregated deferred outflows	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 1,315,997</u>	<u>\$ 13,737</u>	<u>\$ 1,329,734</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 33,402	\$ --	\$ 33,402
<i>Total Liabilities</i>	33,402	--	33,402
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Aggregated deferred inflows	215,046	--	215,046
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>248,448</u>	<u>--</u>	<u>248,448</u>
<b>FUND BALANCE</b>			
Restricted			
Stabilization by State Statute	117,881	--	117,881
Streets	70,449	--	70,449
Assigned			
Street Improvements	--	13,737	13,737
Unassigned	879,219	-	879,219
<i>Total Fund Balance</i>	<u>1,067,549</u>	<u>13,737</u>	<u>1,081,286</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 1,315,997</u>	<u>\$ 13,737</u>	<u>\$ 1,329,734</u>



**Town of Holly Ridge, North Carolina**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2013**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds	\$	1,081,286
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,596,160
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		214,135
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(997,504)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.		(18,098)
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		38,780
<b>Total Net Position-Governmental Funds</b>	<b>\$</b>	<b>1,914,758</b>

**Town of Holly Ridge, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

	Major Fund	Non-Major Funds	Total Governmental Funds
	General	Street Improvements	
<b>Revenues</b>			
Property taxes, levied for general purpose	\$ 846,475	\$ --	\$ 846,475
Other taxes and licenses	19,298	--	19,298
Unrestricted intergovernmental	455,349	--	455,349
Restricted intergovernmental	44,247	--	44,247
Permits & fees	155,830	--	155,830
Sales & services	184,061	--	184,061
Investment earnings	2,034	35	2,069
Miscellaneous	76,965	--	76,965
Gain on sale of capital assets	1,185	--	1,185
<b>Total Revenues</b>	<b>1,785,444</b>	<b>35</b>	<b>1,785,479</b>
<b>Expenditures</b>			
Administration	343,207	--	343,207
Police	670,109	--	670,109
Inspections	178,664	--	178,664
Fire	162,730	--	162,730
Street department	238,563	47,475	286,038
Sanitation	148,843	--	148,843
Parks & recreation	13,585	--	13,585
Principal	104,635	--	104,635
Interest and other charges	42,260	--	42,260
<b>Total Expenditures</b>	<b>1,902,596</b>	<b>47,475</b>	<b>1,950,071</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(117,152)</b>	<b>(47,440)</b>	<b>(164,592)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from other funds	--	--	--
Transfers to other funds	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>(117,152)</b>	<b>(47,440)</b>	<b>(164,592)</b>
<i>Fund Balance at Beginning of Period</i>	1,184,701	61,177	1,245,878
<b>Fund Balance at End of Period</b>	<b>\$ 1,067,549</b>	<b>\$ 13,737</b>	<b>\$ 1,081,286</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, 2013**

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

Total Net Change in Fund Balances - Governmental Funds	\$	(164,592)
--	----	-----------

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.		104,634
--	--	---------

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		(19,977)
---	--	----------

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This the amount by which capital outlays exceeded depreciation in the current period.		(87,007)
--	--	----------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds: change in unavailable revenue for tax revenues.		(27,022)
---	--	----------

Liabilities for earned revenues considered deferred inflows of resources in fund statements.		47,475
--	--	--------

Interest expense in the Statement of Activities differs from the amount reported in the governmental fund because of additional accrued interest.		2,645
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<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b>(143,844)</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, 2013**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Ad valorem taxes	\$ 1,097,219	\$ 1,097,219	\$ 846,475	\$ (250,744)
Other taxes and License	9,000	9,000	19,298	10,298
Unrestricted intergovernmental	418,000	418,000	455,349	37,349
Restricted Intergovernmental	900	900	44,247	43,347
Permits and fees	158,000	158,000	155,830	(2,170)
Sales and services	145,450	145,450	184,061	38,611
Investment earnings	3,500	3,500	2,034	(1,466)
Miscellaneous	58,550	58,550	76,965	18,415
<b>Total Revenues</b>	<b>1,890,619</b>	<b>1,890,619</b>	<b>1,784,259</b>	<b>(106,360)</b>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<b>1,890,619</b>	<b>1,890,619</b>	<b>1,784,259</b>	<b>(106,360)</b>
<b>Expenditures</b>				
Administration	354,036	373,523	343,207	30,316
Police	638,669	681,042	670,109	10,933
Inspections	191,218	185,765	178,664	7,101
Fire	162,730	162,730	162,730	--
Street Department	249,517	249,370	238,563	10,807
Sanitation	123,940	149,353	148,843	10
Parks & Recreation	24,500	19,235	13,585	5,650
Principal	104,700	104,635	104,635	--
Interest and other charges	42,309	42,260	42,260	--
<b>Total Expenditures</b>	<b>1,891,619</b>	<b>1,967,413</b>	<b>1,902,596</b>	<b>64,817</b>
<b>Other Financing Uses</b>				
Sale of capital assets	(1,000)	(1,000)	(1,185)	185
Fund Balance Appropriations		(75,794)	--	(75,794)
<b>Total Expenditures and Other Financing Uses</b>	<b>1,890,619</b>	<b>1,890,619</b>	<b>1,901,411</b>	<b>(10,792)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>-</b>	<b>-</b>	<b>(117,152)</b>	<b>(117,152)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(117,152)</b>	<b>\$ (117,152)</b>
<i>Fund Balance at Beginning of Period</i>			1,184,701	
<b>Fund Balance at End of Period</b>			<b>\$ 1,067,549</b>	

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

**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. The Financial Reporting Entity**

The Town of Holly Ridge is a municipal corporation that is governed by an elected mayor and a five-member council. The accounting policies of the Town of Holly Ridge conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The following is a summary of the more significant accounting policies of the Town.

**B. Basis of Presentation**

*Government-wide Statements:* The Government-wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) display information governmental activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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 Statement:* The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds.

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 local option sales taxes and various other taxes and licenses. The primary expenditures are for public safety and general government.

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

Additionally, the Town reports the following non-major funds:

**Special Revenue Fund**

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Town has one non-major special revenue fund: Street Improvement Fund.

**C. Measurement Focus and Basis of Accounting, and Financial Statement Presentation**

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 Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers all revenues to be available if they are collected within 90 days after year-end, except for property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government. 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 position available to finance the program. It is the

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by unavailable revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. 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, Deferred Outflows/Inflows of Resources, 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 the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

**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, 2012. 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. Inventory and Prepaid Items**

Inventories are not maintained as they are considered immaterial. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements and expenses as the items are used.

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. 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 the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

Capital assets are depreciated on the straight-line basis, applying the following useful lives to the cost of the assets:

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

**8. Deferred Outflows/Inflows of Resources**

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

**9. 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 position.

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

**10. 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.

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

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.

## **11. Net Position/Fund Balances**

### *Net Position*

Net Position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position 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 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

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

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.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are: allowance for doubtful accounts and depreciation lives.

**II. Stewardship, Compliance, and Accountability**

**A. Significant Material Violations of Finance-Related Legal and Contractual Provisions**

**1. Noncompliance with North Carolina General Statutes**

None.

**2. Contractual Violations**

None.

**3. Deficit in Fund Balance or Net Position of Individual Funds**

None.

**4. Excess of Expenditures over Appropriations**

None.

**III. Detail Notes of All Funds**

**A. Assets**

**1. Deposits and Investments**

All 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. 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 a fiduciary capacity for the Town, these deposits are considered to be held by the Town. 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

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

this information with the Town. 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. 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 the G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2013, the Town's deposits had a carrying amount of \$997,718 and a bank balance of \$1,014,211. Of the bank balance, \$656,741 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2013, the Town's petty cash funds totaled \$116.

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

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

General Fund:	June 30, 2013
Taxes Receivable	\$ 28,000
Total	<u>\$ 28,000</u>

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

**3. Capital Assets**

**Governmental Capital Assets**

A summary of changes in the Town's capital assets used in governmental activities 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	839,374	-	-	839,374
Equipment	92,265	-	-	92,265
Vehicles	602,393	28,783	-	631,176
Other improvements	725,453	47,475	-	772,928
Total capital assets being depreciated	<u>2,259,485</u>	<u>76,258</u>	<u>-</u>	<u>2,335,743</u>
<b>Less accumulated depreciation for:</b>				
Buildings	121,477	22,365	-	143,842
Equipment	81,675	2,648	-	84,323
Vehicles	362,853	62,676	-	425,529
Other improvements	88,923	28,102	-	117,025
Total accumulated depreciation	<u>654,928</u>	<u>\$ 115,791</u>	<u>\$ -</u>	<u>770,719</u>
Total capital assets being depreciated, net	<u>1,604,557</u>			<u>1,565,025</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 1,635,692</u>			<u>\$ 1,596,160</u>

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

<b>Governmental Activities:</b>	
General Government	\$ 2,028
Public Safety	63,400
Transportation	43,359
Parks & Recreation	7,003
Total	<u>\$ 115,791</u>

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

**B. Liabilities**

**1. Pension Plan Obligations, Employment Benefits and Post-Employment Benefits**

**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, 2013, 2012, and 2011 were \$57,741; \$49,272; \$43,576, respectively. The contributions made by the Town equaled the required contributions for each year.

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

*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 the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance’s membership consisted of:

Active plan members	8
Total	8

A separate report was not issued for the plan because the required contributions are considered immaterial to the financial statements.

***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.

*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 the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

*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.

**d. Post-employment Benefits**

The Town does not offer any post-employment benefits.

**e. 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.

**f. 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.

**2. 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>\$ 1,081,286</b>
<i>Less:</i>	
Stabilization by State Statute	117,881
Streets - Powell Bill	70,449
Remaining Fund Balance	<b>\$ 892,956</b>

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

**3. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources were none at year end.

Deferred inflows of resources at year-end is comprised of the following:

	<b>Unavailable Revenue</b>	<b>Unearned Revenue</b>
Prepaid taxes (General Fund)	\$ -	\$ 911
Taxes receivable (General Fund), less penalties	214,135	
Total	\$ 214,135	\$ 911

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in 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.

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

**IV. Long-Term Obligations**

The Town records long-term debt of the governmental funds at face value in the government-wide statement of net position. 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.

**A. Installment Purchases**

Installment purchase notes payable at June 30, 2013, 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	\$ 197,717
\$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	48,023
\$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	90,445
\$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	373,333
Total Installment Purchases	<u>\$ 709,518</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>
2014	91,132	26,892	118,024
2015	92,562	23,563	116,125
2016	94,039	20,188	114,227
2017	46,421	16,765	63,186
2018-2022	232,102	54,523	286,625
2023-2026	153,262	16,944	170,206
	<u>\$ 709,518</u>	<u>\$ 158,875</u>	<u>\$ 868,393</u>

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

**B. General Obligation Bonds**

General obligations bonds payable at June 30, 2013, 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	\$ 222,000
Total General Obligation Bonds	\$ 222,000

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>
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
	\$ 222,000	\$ 68,068	\$ 290,068

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

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

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

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>	<u>Current Maturities</u>
Installment Loans	\$ 799,151	\$ -	\$ 89,634	\$ 709,518	\$ 91,132
General Obligation Bond	237,000	-	15,000	222,000	16,000
Compensated Absences	46,009	28,691	8,714	65,986	-
Total	<u>\$ 1,082,160</u>	<u>\$ 28,691</u>	<u>\$ 113,348</u>	<u>\$ 997,504</u>	<u>\$ 107,132</u>

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.

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

At June 30, 2013, there were no outstanding claims or judgments against the Town.

**VI. 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 monies.

**VII. Transfers From / To Other Funds**

In fiscal year 2013, the Town made no transfers within its fund structure.

**VIII. Evaluation of Subsequent Events**

Subsequent events have been evaluated through October 25, 2013, the date the financial statements were available to be issued.

**IX. Change in Accounting Principles/Restatement**

**Town of Holly Ridge, North Carolina**  
**Notes to the Financial Statements**  
**For Fiscal Year Ended June 30, 2013**

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

**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, 2013**

**Schedule 1**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad Valorem Taxes:			
Taxes	\$ -	\$ 824,940	\$ -
Interest		21,535	
<b>Total</b>	<u>1,097,219</u>	<u>846,475</u>	<u>(250,744)</u>
Other Taxes and Licenses:			
Housing Authority		3,500	
Privilege Licenses		15,798	
<b>Total</b>	<u>9,000</u>	<u>19,298</u>	<u>10,298</u>
Unrestricted Intergovernmental Revenues			
Local Option Sales Tax		345,795	
Utility Franchise Tax		60,565	
Cable TV Franchise Tax		26,896	
Beer and Wine Tax		22,093	
<b>Total</b>	<u>418,000</u>	<u>455,349</u>	<u>37,349</u>
Restricted Intergovernmental Revenue			
Solid Waste Tax		536	
Powell Bill Allocation		43,711	
<b>Total</b>	<u>900</u>	<u>44,247</u>	<u>43,347</u>
Permits and Fees:			
Planning & Zoning Fees		10,470	
Building Fees		145,360	
<b>Total</b>	<u>158,000</u>	<u>155,830</u>	<u>(2,170)</u>
Sales and Services:			
Garbage Collection		139,238	
Recycling		18,418	
Community Center		23,258	
Court and Civil Citations		3,147	
<b>Total</b>	<u>145,450</u>	<u>184,061</u>	<u>38,611</u>
Investment Earnings	<u>3,500</u>	<u>2,034</u>	<u>(1,466)</u>
Miscellaneous:			
Sales Tax Refund		4,070	
Other Revenue		72,895	
<b>Total</b>	<u>58,550</u>	<u>76,965</u>	<u>18,415</u>
<b>Total Revenues</b>	<u>1,890,619</u>	<u>1,784,259</u>	<u>(106,360)</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, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General Government:			
Town Council Fees		12,600	
Salaries and Benefits		198,317	
Legal and Professional Fees		18,311	
Training		1,643	
Postage		1,472	
Telephone		1,609	
Utilities		5,117	
Travel		2,080	
Office Expenses		3,776	
Insurance and Bonds		35,443	
Property Tax Collection Fees		8,888	
Dues and Subscriptions		1,973	
Community Building		8,012	
Contracted Services		17,174	
Cleaning Supplies		1,305	
Other Operating Costs		25,487	
<b>Total</b>	<u>373,523</u>	<u>343,207</u>	<u>30,316</u>
Police:			
Salaries and Benefits		544,810	
Telephone		10,226	
Vehicle Expenses		30,930	
Supplies		2,374	
Uniforms		4,769	
Other Operating Costs		48,217	
Capital Outlay		28,783	
<b>Total</b>	<u>681,042</u>	<u>670,109</u>	<u>10,933</u>
Fire Department	<u>162,730</u>	<u>162,730</u>	<u>-</u>
Inspections:			
Salaries and Benefits		166,039	
Telephone		1,658	
Travel		2,063	
Vehicle Expenses		1,834	
Other Operating Costs		7,070	
<b>Total</b>	<u>185,765</u>	<u>178,664</u>	<u>7,101</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, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Street Department:			
Salaries and Benefits		143,479	
Street Lights		33,465	
Insurance		31,823	
Telephone		1,666	
Vehicle Expenses		8,414	
Repairs		3,287	
Other Operating Costs		16,429	
<b>Total</b>	<u>249,370</u>	<u>238,563</u>	<u>10,807</u>
Sanitation	<u>148,853</u>	<u>148,843</u>	<u>10</u>
Parks and Recreation:			
Fireworks		10,000	
Revitalization		1,433	
Other Operating Costs		2,152	
<b>Total</b>	<u>19,235</u>	<u>13,585</u>	<u>5,650</u>
Debt Service:			
Principal Retirement		104,635	
Interest and Other Charges		42,260	
<b>Total</b>	<u>146,895</u>	<u>146,895</u>	<u>-</u>
<b>Total Expenditures</b>	<u>1,967,413</u>	<u>1,902,596</u>	<u>64,817</u>
<b>Revenues over (Under) Expenditures</b>	(76,794)	(118,337)	(41,543)
Other Financing Source (Uses):			
Sale of Capital Assets	1,000	1,185	(185)
Appropriations	75,794	-	75,794
<b>Total</b>	<u>76,794</u>	<u>1,185</u>	<u>75,609</u>
Net Change in Fund Balance	<u>\$ -</u>	(117,152)	<u>\$(117,152)</u>
Fund Balances:			
Beginning of year, July 1		1,184,701	
End of year, June 30		<u>\$ 1,067,549</u>	

Town of Holly Ridge, North Carolina  
Road Improvement Project Fund  
Schedule of Revenue and Expenditures - Budget to Actual (Non-GAAP)  
From Inception and for the Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Total	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Roads and sidewalks	400,000	338,992	47,475	386,467	13,533
Total expenditures	400,000	338,992	47,475	386,467	13,533
Revenues over (under) expenditures	(400,000)	(338,992)	(47,475)	(386,467)	(13,533)
Other financing Sources:					
Investment interest		169	35	204	(204)
Proceeds from installment loan	400,000	-	-	-	-
Total other financing sources	400,000	-	35	204	(13,737)
Revenue and other sources over (under) expenditures	\$ -	\$ -	(47,440)	\$ (386,263)	\$ (13,737)
Fund balance, beginning			61,177		
Fund balance, ending			\$ 13,737		

## **OTHER SCHEDULES**

**Town of Holly Ridge, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Fiscal Year Ended June 30, 2013**

Fiscal Year	July 1, 2012	Additions and Adjustments	Collections and Credits	June 30, 2013
2012-2013	\$ -	\$ 823,303	\$ 734,176	\$ 89,127
2011-2012	93,684	-	26,275	67,409
2010-2011	70,924	-	55,721	15,203
2009-2010	50,717	-	15,082	35,635
2008-2009	31,117	-	6,554	24,562
2007-2008	2,718	-	118	2,600
2006-2007	2,241	-	114	2,128
2005-2006	2,064	-	88	1,976
2004-2005	1,790	-	-	1,790
2003-2004	1,875	-	171	1,704
2002-2003	2,747	-	2,747	-
	<u>\$ 259,877</u>	<u>\$ 823,303</u>	<u>\$ 841,045</u>	<u>242,135</u>

Less allowance for uncollectible taxes (28,000)

Ad valorem taxes receivables \$ 214,135

**Reconciliation with Revenues:**

Ad Valorem Tax - General Fund	\$ 846,476
Reconciling Items:	
Interest and Penalties Collected	(21,206)
Taxes Released	13,134
Taxes Written Off	2,641
Total Collections & Credits	<u>\$ 841,045</u>

Schedule 4

Town of Holly Ridge, North Carolina  
 General Fund  
 Analysis of Current Tax Levy  
 For the Fiscal Year Ended June 30, 2013

	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	\$ 157,559,459	0.415	\$ 823,303	\$ 777,488	\$ 45,815
Total Net Levy for Current Year	<u>\$ 157,559,459</u>				
Net levy			823,303	777,488	45,815
Less uncollected taxes at June 30, 2013			<u>89,127</u>	<u>79,647</u>	<u>9,480</u>
Current year's taxes collected			<u>\$ 734,176</u>	<u>\$ 697,841</u>	<u>\$ 36,334</u>
Current levy collection percentage			89.17%	89.76%	79.31%

