

**TOWN OF SURF CITY, NORTH CAROLINA**

Report of Audit

For the Fiscal Year Ended June 30, 2013



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## **Independent Auditor's Report**

To the Honorable Mayor  
And Members of Town Council  
Surf City, North Carolina

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

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

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surf City, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparisons for the General Fund and the Accommodations Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance's Schedules of Funding Progress and Schedules of Employer Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 basic financial statements of the Town of Surf City, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates 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, and the procedures performed as described above, the combining and individual statements, budgetary schedules, and other are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2013 on our consideration of Town of Surf City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Surf City's internal control over financial reporting and compliance.

*W Greene & Company PLLC*

Whiteville, North Carolina  
September 10, 2013

## Management's Discussion and Analysis

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As management of the Town of Surf City, we offer readers of the Town of Surf City's financial statements this narrative overview and analysis of the financial activities of the Town of Surf City 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

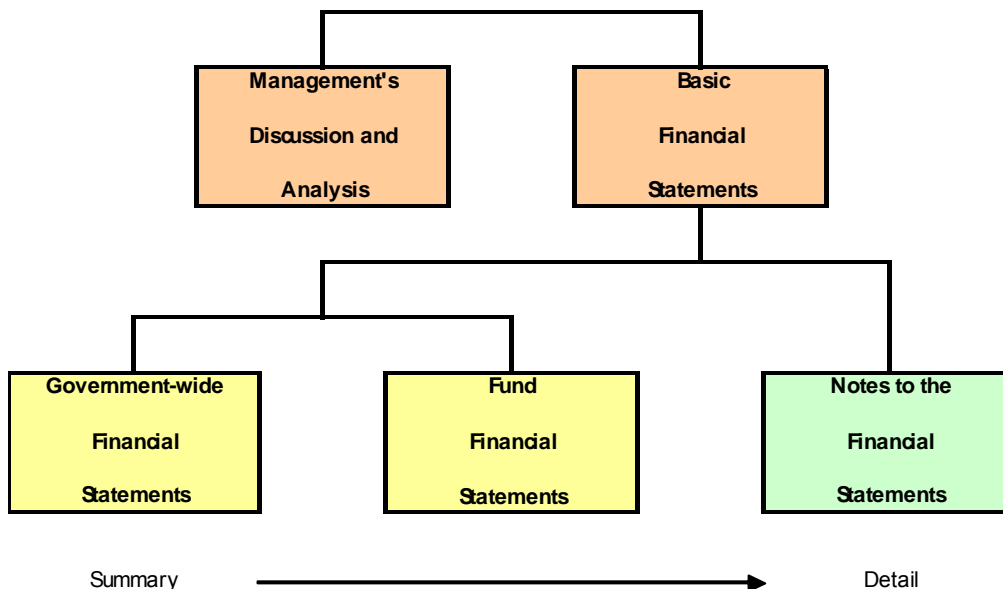
- The assets and deferred outflows of resources of the Town of Surf City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$42,400,007.
- The government's total net position increased by \$1,706,293, primarily due to increases in both the governmental and business-type activities net positions.
- As of the close of the current fiscal year, the Town of Surf City's governmental funds reported combined ending fund balances of \$10,655,248, an increase of \$288,358 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,509,520.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Surf City'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 Surf City.

Required Components of Annual Financial Report

Figure 1



## Management's Discussion and Analysis (Continued)

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### Basic Financial Statements

The first two statements (pages 20 through 23) 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 24 through 43) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes 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 position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, general administration, streets and highways, and sanitation. 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. This includes the water and wastewater services offered by the Town of Surf City.

The government-wide financial statements are on pages 24 through 43 of this report.

### 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 Surf City, 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 Surf City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## Management's Discussion and Analysis (Continued)

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**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 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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Surf City 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.

**Proprietary Funds** – Town of Surf City has one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Surf City uses enterprise funds to account for its water and wastewater activity. This fund is the same as those functions shown in business-type activities in the Statement of Net Position and the Statement of Activities.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Town of Surf City has one fiduciary funds, which is an pension trust fund.

**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 44 through 64 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Town of Surf City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 66 of this report.

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

## Management's Discussion and Analysis (Continued)

### Government-Wide Financial Analysis

#### The Town of Surf City's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 10,930,336	\$ 10,573,725	\$ 859,024	\$ 939,905	\$ 11,789,360	\$ 11,513,630
Capital assets	14,718,211	14,651,314	43,543,413	42,670,598	58,261,624	57,321,912
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	25,648,547	25,225,039	44,402,437	43,610,503	70,050,984	68,835,542
Long-term liabilities outstanding	4,539,846	5,143,492	20,281,205	20,448,378	24,821,051	25,591,870
Other liabilities	769,269	803,208	2,041,066	1,721,935	2,810,335	2,525,143
Deferred inflows of resources	2,189	1,381	17,402	23,434	19,591	24,815
Total liabilities and deferred inflows of resources	5,311,304	5,948,081	22,339,673	22,193,747	27,650,977	28,141,828
Net position:						
Net investment in capital assets	9,557,625	8,847,605	21,579,956	22,247,941	31,137,581	31,095,546
Restricted	1,603,325	1,647,534	-	-	1,603,325	1,647,534
Unrestricted	9,176,293	8,781,819	482,808	(831,185)	9,659,101	7,950,634
Total net position	\$ 20,337,243	\$ 19,276,958	\$ 22,062,764	\$ 21,416,756	\$ 42,400,007	\$ 40,693,714

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Surf City exceeded liabilities and deferred inflows by \$42,400,007 as of June 30, 2013. The Town's net position increased by \$1,706,293 for the fiscal year ended June 30, 2013. However, the largest portion (73.44%) 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 Surf City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Surf City'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. An additional portion of the Town of Surf City's net position, \$1,603,325, represents sources that are subject to external restrictions on how they may be used. The remaining balance of \$9,659,101 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.05%

## Management's Discussion and Analysis (Continued)

### The Town of Surf City's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 756,042	\$ 732,455	\$ 3,566,912	\$ 3,491,603	\$ 4,322,954	\$ 4,224,058
Operating grants and contributions	271,008	293,743	-	-	271,008	293,743
Capital grants and contributions	-	-	-	-	-	-
General Revenues						
Property taxes	4,060,634	3,648,239	-	-	4,060,634	3,648,239
Other taxes	2,171,210	2,119,333	-	-	2,171,210	2,119,333
Other	34,410	204,755	213,394	288,068	247,804	492,823
<b>Total revenues</b>	<b>7,293,304</b>	<b>6,998,525</b>	<b>3,780,306</b>	<b>3,779,671</b>	<b>11,073,610</b>	<b>10,778,196</b>
<b>Expenses:</b>						
Governing body	92,239	103,387	-	-	92,239	103,387
Administration	228,672	222,351	-	-	228,672	222,351
Elections	-	1,967	-	-	-	1,967
Finance	249,645	299,899	-	-	249,645	299,899
Insurance	227,230	170,622	-	-	227,230	170,622
Legal	14,957	16,385	-	-	14,957	16,385
Public buildings	32,847	160,146	-	-	32,847	160,146
Public works	169,487	19,243	-	-	169,487	19,243
Police	1,682,105	1,628,630	-	-	1,682,105	1,628,630
Fire	790,871	746,798	-	-	790,871	746,798
Community development	423,653	269,912	-	-	423,653	269,912
Street department	395,909	336,805	-	-	395,909	336,805
Sanitation	727,002	729,085	-	-	727,002	729,085
Parks and recreation	426,311	298,810	-	-	426,311	298,810
Beach and strand	411,603	419,952	-	-	411,603	419,952
Tourism	153,624	147,383	-	-	153,624	147,383
Hurricane	-	13,319	-	-	-	13,319
Interest on long-term debt	206,864	225,880	-	-	206,864	225,880
Water and wastewater	-	-	3,134,298	3,137,878	3,134,298	3,137,878
<b>Total expenses</b>	<b>6,233,019</b>	<b>5,810,574</b>	<b>3,134,298</b>	<b>3,137,878</b>	<b>9,367,317</b>	<b>8,948,452</b>
Increase(Decrease) in net position before transfers	1,060,285	1,187,951	646,008	641,793	1,706,293	1,829,744
Transfers	-	(150,000)	-	150,000	-	-
<b>Change in net position</b>	<b>1,060,285</b>	<b>1,037,951</b>	<b>646,008</b>	<b>791,793</b>	<b>1,706,293</b>	<b>1,829,744</b>
<b>Net position, July 1</b>	<b>19,276,958</b>	<b>18,239,007</b>	<b>21,416,756</b>	<b>20,624,963</b>	<b>40,693,714</b>	<b>38,863,970</b>
<b>Net position, June 30</b>	<b>\$ 20,337,243</b>	<b>\$ 19,276,958</b>	<b>\$ 22,062,764</b>	<b>\$ 21,416,756</b>	<b>\$ 42,400,007</b>	<b>\$ 40,693,714</b>

**Governmental activities.** Governmental activities increased the Town's net position by \$1,060,285 primarily due to increased revenues in the general fund.

## Management's Discussion and Analysis (Continued)

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**Business-type activities.** Business-type activities increased the Town's net position by \$646,008..

### Financial Analysis of the Town's Funds

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

**Governmental Funds.** The focus of the Town of Surf City'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 Surf City's financing requirements.

The general fund is the chief operating fund of the Town of Surf City. At the end of the current fiscal year, fund balance available of the General Fund was \$2,421,069, while total fund balance reached \$2,966,046. The Town currently has an available fund balance of 41.33% of general fund expenditures, while total fund balance represents 50.64% of the same amount.

At June 30, 2013, the governmental funds of Town of Surf City reported a combined fund balance of \$10,655,248, a 2.78 percent increase over last year. Included in this change in fund balance are decreases in fund balance in the General, Accommodations Tax and non-major funds and increases in the Beach Renourishment Fund.

**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.

Revenues were less than the budgeted amounts primarily because the Town did not receive ad valorem tax and restricted governmental revenue as it originally anticipated. Expenditures were held below budgeted amounts to comply with budgetary requirements.

**Proprietary Funds.** The Town of Surf City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Wastewater Fund at the end of the fiscal year amounted to \$482,808. The total change in net position for the Water and Wastewater Fund was an increase of \$646,008.

### Capital Asset and Debt Administration

**Capital assets.** The Town of Surf City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$58,261,624 (net of accumulated depreciation). These assets include buildings, land, construction in progress, vehicles, infrastructure, and equipment.

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

- Water System acquisition in the Water and Wastewater Fund of \$1,756,370.
- Vehicle acquisitions of \$212,321 in governmental-type activities.

## Management's Discussion and Analysis (Continued)

### The Town of Surf City's Capital Assets

Figure 4

	(Net of depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 8,265,556	\$ 8,136,999	\$ 5,245,933	\$ 5,245,933	\$ 13,511,489	\$ 13,382,932
Construction in Progress	-	-	-	-	-	-
Buildings	4,274,724	4,395,526	-	-	4,274,724	4,395,526
Infrastructure	1,085,937	1,044,064	-	-	1,085,937	1,044,064
Vehicles	584,273	530,337	36,221	23,795	620,494	554,132
Plant and Distribution Equipment	-	-	38,197,261	37,363,795	38,197,261	37,363,795
	507,721	544,388	63,998	37,075	571,719	581,463
<b>Total</b>	<b>\$ 14,718,211</b>	<b>\$ 14,651,314</b>	<b>\$ 43,543,413</b>	<b>\$ 42,670,598</b>	<b>\$ 58,261,624</b>	<b>\$ 57,321,912</b>

Additional information on the Town's capital assets can be found on page 53 in the Notes to the Financial Statements.

**Long-term Debt.** As of June 30, 2013, the Town of Surf City had total long-term debt outstanding of \$27,124,043. Of this, \$-0- is debt backed by the full faith and credit of the Town of Surf City.

### The Town of Surf City's Outstanding Debt Installment Purchases and Capital Leases

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
	Installment purchases	\$ 4,581,675	\$ 5,244,039	\$ 21,963,457	\$ 21,839,329	\$ 26,545,132
Capital Leases	578,911	559,670	-	-	578,911	559,670
<b>Total</b>	<b>\$ 5,160,586</b>	<b>\$ 5,803,709</b>	<b>\$ 21,963,457</b>	<b>\$ 21,839,329</b>	<b>\$ 27,124,043</b>	<b>\$ 27,643,038</b>



## Management's Discussion and Analysis (Continued)

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The Town of Surf City's total debt decreased by \$518,995 (1.83%) 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 Surf City is \$104,394,554. The Town of Surf City does not have any authorized but un-issued debt at June 30, 2013.

Additional information regarding the Town of Surf City's long-term debt can be found beginning on page 60 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.

- Tourism. The Town's economy depends heavily on beach tourism.

### **Budget Highlights for the Fiscal Year Ending June 30, 2014**

**Governmental Activities.** Property taxes and revenues from other taxes are expected to lead budgeted revenue. The Town will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to decrease slightly.

**Business-type Activities.** Utility rates in the Town will remain constant for the next 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:

**Jane Kirk  
Finance Officer  
Town of Surf City  
214 N. New River Drive  
Surf City, NC 28445**



## ***Basic Financial Statements***

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**TOWN OF SURF CITY, NORTH CAROLINA**  
Statement of Net Position  
June 30, 2013

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 9,025,726	\$ 402,940	\$ 9,428,666
Receivables (net):			
Ad Valorem Taxes	212,813	-	212,813
Accommodations Taxes	183,811	-	183,811
Interest	28,436	-	28,436
Accounts	80,795	456,084	536,879
Due from Other Governments	524,218	-	524,218
Restricted Cash and Cash Equivalents	874,537	-	874,537
Total Current Assets	10,930,336	859,024	11,789,360
Noncurrent Assets:			
Capital Assets			
Land, Nondepreciable Improvements, and Construction in Progress	8,265,556	5,245,933	13,511,489
Other Capital Assets, Net of Depreciation	6,452,655	38,297,480	44,750,135
Total Noncurrent Assets	14,718,211	43,543,413	58,261,624
<b>Total Assets</b>	<b>\$ 25,648,547</b>	<b>\$ 44,402,437</b>	<b>\$ 70,050,984</b>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SURF CITY, NORTH CAROLINA**  
Statement of Net Position (Continued)  
June 30, 2013

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Acvtities</u>	
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 31,650	\$ -	\$ 31,650
Customer Deposits	-	326,931	326,931
Current Portion of Long-Term Liabilities	737,619	1,714,135	2,451,754
Total Current Liabilities	769,269	2,041,066	2,810,335
Long-Term Liabilities:			
Due in More Than One year	4,539,846	20,281,205	24,821,051
<b>Total Liabilities</b>	<b>5,309,115</b>	<b>22,322,271</b>	<b>27,631,386</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid Taxes	2,189	-	2,189
Prepaid Utilities	-	17,402	17,402
<b>Total Deferred Inflows of Resources</b>	<b>2,189</b>	<b>17,402</b>	<b>19,591</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,557,625	21,579,956	31,137,581
Restricted for:			
Transportation	229,767	-	229,767
Stabilization by State Statute	544,977	-	544,977
Tourism	819,066	-	819,066
Durg Forfeitures	9,515	-	9,515
Unrestricted	9,176,293	482,808	9,659,101
<b>Total Net Position</b>	<b>\$ 20,337,243</b>	<b>\$ 22,062,764</b>	<b>\$ 42,400,007</b>

The notes to the financial statements are an integral part of this statement.

TOWN OF SURF CITY, NORTH CAROLINA  
Statement of Activities  
For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Governing Body	\$ 92,239	\$ -	\$ -	\$ -
Administration	228,672	45,363	-	-
Finance	249,645	-	-	-
Insurance	227,230	-	-	-
Legal	14,957	-	-	-
Public Buildings	32,847	-	-	-
Public Works	169,487	-	-	-
Police	1,682,105	-	6,983	-
Fire	790,871	-	2,449	-
Community Development	423,653	143,817	-	-
Street Department	395,909	-	73,746	-
Sanitation	727,002	566,862	1,167	-
Parks and Recreation	426,311	-	-	-
Beach and Strand	411,603	-	186,663	-
Tourism	153,624	-	-	-
Interest on long-term debt	206,864	-	-	-
<b>Total Governmental Activities</b>	<b>6,233,019</b>	<b>756,042</b>	<b>271,008</b>	<b>-</b>
<b>Total Primary Government</b>	<b>6,233,019</b>	<b>756,042</b>	<b>271,008</b>	<b>-</b>
<b>Business-Type Activities:</b>				
Water and Wastewater	3,134,298	3,566,912	-	-
<b>Total Business-Type Activities</b>	<b>\$ 3,134,298</b>	<b>\$ 3,566,912</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues:**

Property Taxes, Levied for General Purpose  
Other Taxes and Licenses  
Investment Earnings  
Miscellaneous

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

**Net Position - Beginning of Year**

**Net Position - End of Year**

The notes to the financial statements are an integral part of this statement.

**Net (Expense) Revenue and Changes in Net Position**  
**Primary Government**

Governmental Activities	Business-Type Activities	Totals
\$ (92,239)	\$ -	\$ (92,239)
(183,309)	-	(183,309)
(249,645)	-	(249,645)
(227,230)	-	(227,230)
(14,957)	-	(14,957)
(32,847)	-	(32,847)
(169,487)	-	(169,487)
(1,675,122)	-	(1,675,122)
(788,422)	-	(788,422)
(279,836)	-	(279,836)
(322,163)	-	(322,163)
(158,973)	-	(158,973)
(426,311)	-	(426,311)
(224,940)	-	(224,940)
(153,624)	-	(153,624)
(206,864)	-	(206,864)
(5,205,969)	-	(5,205,969)
(5,205,969)	-	(5,205,969)
-	432,614	432,614
-	432,614	432,614
4,060,634	-	4,060,634
2,171,210	-	2,171,210
4,125	8	4,133
30,285	213,386	243,671
-	-	-
6,266,254	213,394	6,479,648
1,060,285	646,008	1,706,293
19,276,958	21,416,756	40,693,714
\$ 20,337,243	\$ 22,062,764	\$ 42,400,007

**TOWN OF SURF CITY, NORTH CAROLINA**

Balance Sheet  
 Governmental Funds  
 June 30, 2013

	<b>Major Funds</b>			
	<b>General</b>	<b>Beach Renourishment Fund</b>	<b>Accommodation Tax Fund</b>	<b>Total Non-Major Funds</b>
<b>ASSETS</b>				
Cash and Investments	\$ 2,215,626	\$ 5,685,692	\$ -	\$ 1,124,408
Receivables (net):				
Ad Valorem Taxes	212,813	-	-	-
Accommodations Tax	-	-	183,811	-
Accounts	80,795	-	-	-
Due from Other Governments	464,182	60,036	-	-
Restricted Cash and Investments	239,282	-	635,255	-
<b>Total Assets</b>	<b>\$ 3,212,698</b>	<b>\$ 5,745,728</b>	<b>\$ 819,066</b>	<b>\$ 1,124,408</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 31,650	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>31,650</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes Receivable	212,813	-	-	-
Prepaid Taxes	2,189	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>215,002</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Restricted				
State Statute	544,977	-	-	-
Streets - Powell Bill	229,767	-	-	-
Tourism	-	-	819,066	-
Drug Forfeitures	9,515	-	-	-
Assigned				
Beach and Strand	-	5,745,728	-	921,544
Streets	-	-	-	137,864
Public Buildings	-	-	-	65,000
Subsequent Year's Expenditures	672,267	-	-	-
Unassigned	1,509,520	-	-	-
<b>Total Fund Balances</b>	<b>2,966,046</b>	<b>5,745,728</b>	<b>819,066</b>	<b>1,124,408</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,212,698</b>	<b>\$ 5,745,728</b>	<b>\$ 819,066</b>	<b>\$ 1,124,408</b>

The notes to the financial statements are an integral part of this statement.



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**Total  
Governmental  
Funds**

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\$ 9,025,726

212,813

183,811

80,795

524,218

874,537

---

\$ 10,901,900

\$ 31,650

31,650

212,813

2,189

---

215,002

544,977

229,767

819,066

9,515

6,667,272

137,864

65,000

672,267

1,509,520

10,655,248

**TOWN OF SURF CITY, NORTH CAROLINA**  
Balance Sheet (Continued)  
Governmental Funds  
June 30, 2013

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

Total Governmental Fund Balance

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical costs	19,371,572
Accumulated depreciation	<u>(4,653,361)</u>

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	<u>28,436</u>
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Liabilities for earned but deferred revenues in fund statements.

Ad valorem taxes	<u>212,813</u>
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Net pension obligation	3,222
Capital leases	(578,911)
Installment purchases	(4,581,675)
Compensated absences	<u>(120,101)</u>

**Net position of governmental activities.**

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**Total  
Governmental  
Funds**

---

\$ 10,655,248

14,718,211

28,436

212,813

(5,277,465)

\$ 20,337,243

**TOWN OF SURF CITY, NORTH CAROLINA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2013

	<b>Major Funds</b>			
	<b>General Fund</b>	<b>Beach Renourishment Fund</b>	<b>Accommodation Tax Fund</b>	<b>Total Non-Major Funds</b>
<b>Revenues</b>				
Ad Valorem Taxes	\$ 3,371,661	\$ 622,033	\$ -	\$ -
Other Taxes and Licenses	45,363	319,453	-	-
Unrestricted Intergovernmental	1,332,039	-	519,718	-
Restricted Intergovernmental	84,345	136,663	-	50,000
Permits and Fees	143,817	-	-	-
Sales and Services	566,862	-	-	-
Investment Earnings	4,125	-	-	-
Miscellaneous	30,285	-	-	-
<b>Total Revenues</b>	<b>5,578,497</b>	<b>1,078,149</b>	<b>519,718</b>	<b>50,000</b>
<b>Expenditures</b>				
Governing Body	92,239	-	-	-
Administration	228,462	-	-	-
Finance	249,221	-	-	-
Insurance	227,230	-	-	-
Legal	14,957	-	-	-
Public Buildings	28,167	-	-	-
Public Works	169,487	-	-	-
Police	1,330,089	-	-	-
Fire	705,090	-	-	-
Community Development	423,397	-	-	-
Street Department	354,850	-	-	5,849
Sanitation	727,002	-	-	-
Parks And Recreation	422,135	-	-	-
Beach and Strand	-	191,728	212,641	-
Tourism	-	-	153,624	-
Debt Service				
Principal Retirement	562,931	229,000	-	-
Interest and other charges	128,117	78,747	-	-
Capital Outlay				
Police	153,790	-	-	-
Fire	47,337	-	-	-
Community Development	9,807	-	-	-
Street Department	58,531	-	-	84,088
Parks And Recreation	23,660	-	-	-
Tourism	-	-	128,557	-
Beach and Strand	-	-	36,535	9,546
<b>Total Expenditures</b>	<b>5,956,499</b>	<b>499,475</b>	<b>531,357</b>	<b>99,483</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(378,002)</b>	<b>578,674</b>	<b>(11,639)</b>	<b>(49,483)</b>

The notes to the financial statements are an integral part of this statement.

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**Total  
Governmental  
Funds**

---

\$ 3,993,694  
364,816  
1,851,757  
271,008  
143,817  
566,862  
4,125  
30,285

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7,226,364

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92,239  
228,462  
249,221  
227,230  
14,957  
28,167  
169,487  
1,330,089  
705,090  
423,397  
360,699  
727,002  
422,135  
404,369  
153,624

791,931  
206,864

153,790  
47,337  
9,807  
142,619  
23,660  
128,557  
46,081

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7,086,814

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139,550

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**TOWN OF SURF CITY, NORTH CAROLINA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2013

	<b>Major Funds</b>			
	<b>General Fund</b>	<b>Beach Renourishment Fund</b>	<b>Accommodation Tax Fund</b>	<b>Total Non-Major Funds</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	\$ 55,000	\$ -	\$ -	\$ 50,000
Transfers to Other Funds	(50,000)	-	(55,000)	-
Capital Lease Obligation Issued	148,808	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>153,808</b>	<b>-</b>	<b>(55,000)</b>	<b>50,000</b>
<b>Net Change in Fund Balance</b>	<b>(224,194)</b>	<b>578,674</b>	<b>(66,639)</b>	<b>517</b>
<b>Fund Balance - Beginning of Year</b>	<b>3,190,240</b>	<b>5,167,054</b>	<b>885,705</b>	<b>1,123,891</b>
<b>Fund Balance - End of Year</b>	<b>\$ 2,966,046</b>	<b>\$ 5,745,728</b>	<b>\$ 819,066</b>	<b>\$ 1,124,408</b>

The notes to the financial statements are an integral part of this statement.

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**Total  
Governmental  
Funds**

\$	105,000
	(105,000)
	<u>148,808</u>
	<u>148,808</u>
	288,358
	<u>10,366,890</u>
\$	<u><u>10,655,248</u></u>

**TOWN OF SURF CITY, NORTH CAROLINA**  
 Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
 Governmental Funds  
 For the Year Ended June 30, 2013

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

Net changes in fund balances - total governmental funds

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	551,851
Depreciation expense	<u>(484,954)</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Change in deferred revenue for ad valorem tax revenues	56,406
Interest earned on ad valorem taxes	<u>10,534</u>

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 position. 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	(148,808)
Debt retirement	<u>791,931</u>

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:

Net pension obligation	(2,402)
Compensated absences	<u>(2,631)</u>

Total changes in net position of governmental activities



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**Total  
Governmental  
Funds**

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\$ 288,358

66,897

66,940

643,123

(5,033)

\$ 1,060,285

**TOWN OF SURF CITY, NORTH CAROLINA**  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Fiscal Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Ad Valorem Taxes	\$ 3,922,606	\$ 3,922,606	\$ 3,371,661	\$ (550,945)
Other Taxes and Licenses	1,005,000	40,000	45,363	5,363
Unrestricted Intergovernmental	76,500	1,061,000	1,332,039	271,039
Restricted Intergovernmental	207,079	207,079	84,345	(122,734)
Permits and Fees	753,788	114,288	143,817	29,529
Sales and Services	26,000	600,000	566,862	(33,138)
Investment Earnings	5,000	5,000	4,125	(875)
Miscellaneous	20,000	46,500	30,285	(16,215)
<b>Total Revenues</b>	<b>6,015,973</b>	<b>5,996,473</b>	<b>5,578,497</b>	<b>(417,976)</b>
<b>Expenditures</b>				
Governing Body	121,241	121,241	92,239	29,002
Administration	258,729	258,729	228,462	30,267
Elections	6,000	6,000	-	6,000
Finance	310,931	310,931	249,221	61,710
Insurance	213,000	228,000	227,230	770
Legal	20,000	20,000	14,957	5,043
Public Buildings	-	376,000	372,267	3,733
Public Works	26,250	176,250	169,487	6,763
Police	1,626,824	1,701,824	1,700,030	1,794
Fire	863,869	863,869	799,764	64,105
Community Development	291,196	458,196	433,204	24,992
Street Department	677,931	677,933	458,431	219,502
Sanitation	675,250	727,250	727,002	248
Parks And Recreation	639,968	669,968	484,205	185,763
Contingency	25,000	25,000	-	25,000
<b>Total Expenditures</b>	<b>5,756,189</b>	<b>6,621,191</b>	<b>5,956,499</b>	<b>664,692</b>
<b>Revenues Over (Under) Expenditures</b>	<b>259,784</b>	<b>(624,718)</b>	<b>(378,002)</b>	<b>246,716</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	60,000	60,000	55,000	(5,000)
Transfers to Other Funds	(989,033)	(383,839)	(50,000)	333,839
Installment Purchase Obligations	-	148,808	148,808	-
<b>Total Other Financing Sources (Uses)</b>	<b>(929,033)</b>	<b>(175,031)</b>	<b>153,808</b>	<b>328,839</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(669,249)</b>	<b>(799,749)</b>	<b>(224,194)</b>	<b>575,555</b>
<b>Appropriated Fund Balance</b>	<b>669,249</b>	<b>799,749</b>	<b>-</b>	<b>(799,749)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(224,194)</b>	<b>\$ (224,194)</b>
<b>Fund Balance - Beginning of Year</b>			<b>3,190,240</b>	
<b>Fund Balance - End of Year</b>			<b>\$ 2,966,046</b>	

The notes to the financial statements are an integral part of this statement.

**TOWN OF SURF CITY, NORTH CAROLINA**  
Accommodations Tax Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Fiscal Year Ended June 30, 2013

	<b>Accommodations Tax Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Other Taxes and Licenses	\$ 807,502	\$ 887,502	\$ 519,718	\$ (367,784)
<b>Total Revenues</b>	<u>807,502</u>	<u>887,502</u>	<u>519,718</u>	<u>(367,784)</u>
<b>Expenditures</b>				
Beach and Strand	-	269,300	249,176	20,124
Tourism	994,043	335,476	282,181	53,295
<b>Total Expenditures</b>	<u>994,043</u>	<u>604,776</u>	<u>531,357</u>	<u>73,419</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(186,541)</u>	<u>282,726</u>	<u>(11,639)</u>	<u>(294,365)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	(469,267)	(55,000)	414,267
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(469,267)</u>	<u>(55,000)</u>	<u>414,267</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>(186,541)</u>	<u>(186,541)</u>	<u>(66,639)</u>	<u>119,902</u>
<b>Appropriated Fund Balance</b>	<u>186,541</u>	<u>186,541</u>	<u>-</u>	<u>(186,541)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(66,639)</u>	<u>\$ (66,639)</u>
<b>Fund Balance - Beginning of Year</b>			<u>885,705</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 819,066</u>	

**TOWN OF SURF CITY, NORTH CAROLINA**  
Statement of Fund Net Position  
Proprietary Fund  
June 30, 2013

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	<b>Water and Wastewater Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Investments	\$ 402,940
Accounts Receivable (net)	<u>456,084</u>
<b>Total Current Assets</b>	<u>859,024</u>
<b>Noncurrent Assets</b>	
Capital Assets	
Land, Nondepreciable Improvements, and Construction in Progress	5,245,933
Other Capital Assets, Net of Depreciation	<u>38,297,480</u>
Total Capital Assets	<u>43,543,413</u>
<b>Total Noncurrent Assets</b>	<u>43,543,413</u>
<b>Total Assets</b>	<u>\$ 44,402,437</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SURF CITY, NORTH CAROLINA  
Statement of Fund Net Position (Continued)  
Proprietary Fund  
June 30, 2013

	<u>Water and Wastewater Fund</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Liabilities	\$ -
Customer Deposits	326,931
Installment Purchase Obligations Payable	1,714,135
<b>Total Current Liabilities</b>	<u>2,041,066</u>
<b>Noncurrent Liabilities</b>	
Installment Purchase Obligations Payable	20,249,322
Compensated Absences Payable	31,883
<b>Total Noncurrent Liabilities</b>	<u>20,281,205</u>
<b>Total Liabilities</b>	<u>22,322,271</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid Utilities	<u>17,402</u>
<b>Total Deferred Inflows of Resources</b>	<u>17,402</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	21,579,956
Unrestricted	<u>482,808</u>
<b>Total Net Position</b>	<u>\$ 22,062,764</u>

The notes to the financial statements are an integral part of this statement.



**TOWN OF SURF CITY, NORTH CAROLINA**  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2013

	<b>Water and Wastewater Fund</b>
<b>Operating Revenues</b>	
Water Charges	\$ 1,089,297
Wastewater Charges	1,875,305
Taps	38,779
Impact Fees	562,740
Assessments	791
<b>Total Operating Revenues</b>	<u>3,566,912</u>
<b>Operating Expenses</b>	
Administration	227,240
Insurance	59,459
Water Operations	93,930
Wastewater Collection	554,931
Wastewater Treatment	555,351
Depreciation	942,724
<b>Total Operating Expenses</b>	<u>2,433,635</u>
<b>Operating Income (Loss)</b>	<u>1,133,277</u>
<b>Nonoperating Revenues (Expenses)</b>	
Investment Earnings	8
Miscellaneous Income	213,386
Interest Expense	(700,663)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(487,269)</u>
<b>Total Income (Loss) Before Transfers</b>	646,008
<b>Transfers from Other Funds</b>	<u>-</u>
<b>Change in Net Position</b>	646,008
<b>Net Position - Beginning of Year</b>	<u>21,416,756</u>
<b>Net Position - End of Year</b>	<u><u>\$ 22,062,764</u></u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SURF CITY, NORTH CAROLINA**  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2013

	<b>Water and Wastewater Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers and Users	\$ 3,654,863
Cash Paid for Goods and Services	(746,714)
Cash Paid to Employees for Services	(738,035)
Customer Deposits Received	23,418
Customer Deposits Returned	(1,750)
Miscellaneous Income	213,386
<b>Net Cash Provided(Used) by Operating Activities</b>	<u>2,405,168</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers in	-
<b>Net Cash Provided(Used) by Noncapital Financing Activities</b>	<u>-</u>
<b>Cash Flows from Capital Financing Activities</b>	
Installment Purchase Obligations Issued	1,542,741
Acquisition of Capital Assets	(1,815,539)
Interest Paid on Debt	(700,663)
Principal Paid on Debt	(1,418,613)
<b>Net Cash Provided(Used) by Capital Financing Activities</b>	<u>(2,392,074)</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	8
<b>Net Increase(Decrease) in Cash and Cash Equivalents</b>	13,102
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>389,838</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 402,940</u>

The notes to the financial statements are an integral part of this statement.



**TOWN OF SURF CITY, NORTH CAROLINA**  
Statement of Cash Flows (Continued)  
Proprietary Fund  
For the Year Ended June 30, 2013

	<u>Water and Wastewater Fund</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income	\$ 1,133,277
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Depreciation	942,724
Miscellaneous Income	213,386
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	93,983
Increase (Decrease) in Accounts Payable and Accrued Liabilities	-
Increase (Decrease) in Customer Deposits	21,668
Increase (Decrease) in Unearned Revenue	(6,032)
Increase (Decrease) in Compensated Absences Payable	6,162
<b>Total Adjustments</b>	<u>1,271,891</u>
<b>Net Cash Provided(Used) by Operating Activities</b>	<u>\$ 2,405,168</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SURF CITY, NORTH CAROLINA**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013

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	<u>Pension Trust Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u>\$ 117,935</u>
<b>Total Assets</b>	<u><u>\$ 117,935</u></u>
<b>Net Position</b>	
<b>Net Position</b>	
Assets Held in Trust for Pension Benefits	<u>\$ 117,935</u>
<b>Total Net Position</b>	<u><u>\$ 117,935</u></u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF SURF CITY, NORTH CAROLINA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Pension Trust Fund</u>
<b>Additions</b>	
Employer Contributions	\$ -
Investment Earnings	
Interest	<u>-</u>
<b>Total Additions</b>	-
<b>Deductions</b>	
Benefits	<u>-</u>
<b>Change in Net Position</b>	-
<b>Net Position - Beginning of Year</b>	<u>117,935</u>
<b>Net Position - End of Year</b>	<u><u>\$ 117,935</u></u>

The notes to the financial statements are an integral part of this statement.

## TOWN OF SURF CITY, NORTH CAROLINA

Notes to the Financial Statements  
For the Year Ended June 30, 2013

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Surf City 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 Surf City 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 position 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, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

**Beach Renourishment Fund.** This fund is used to account for the renourishment of the Town's beach front.

**Accommodations Tax Fund.** This fund is used to account for tourism related projects

The Town reports the following non-major governmental funds:

**Disaster Recovery Fund.** This fund is used to account for related costs in relation to a natural disaster.

**Capital Reserve Fund.** This fund is to accumulate resources to acquire fixed assets.

**Community Center Fund.** This fund is used to account for construction of a community center.

**Sidewalk Capital Project Fund.** This fund is used to account for construction of sidewalks.

**Town Hall Capital Project Fund.** This fund is used to account for costs of a new town hall.

The Town reports the following major enterprise fund:

**Water and Wastewater Fund.** This fund is used to account for the Town's water and wastewater operations.

The Town reports the following fund types:

**Pension Trust Fund.** The town maintains a Pension Trust Fund – the Special Separation Allowance Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Special Separation Allowance Fund, which accounts for the Law Enforcement Officers' Special Separation Allowance, is a single-employer, public employee retirement system.

C. Measurement Focus and Basis of Accounting

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

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise fund is charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a 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, Pender and Onslow County are responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the Counties, including the Town of Surf City. 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 Pender and 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 deferred inflows of resources.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Beach Renourishment Fund, Accommodations Tax Fund, Capital Reserve Fund, Sidewalk Capital Project Fund, Community Center Fund, Disaster Recovery Fund, Town Hall Capital Project Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. 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.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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 136-41.1. Cash collected for drug forfeitures and seizures are classified as restricted assets because their use is completely restricted by the U.S. Department of Justice, to the purpose for which they were received. Unexpended accommodation taxes are classified as restricted cash because it can be expended only for the purpose of promoting tourism and development.

**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. 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 as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$10,000. 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, 2004, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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.



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and Fixtures	10
Equipment	10
Computer Equipment	3
Software	3

**7. 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. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – prepaid taxes and property taxes receivable.

**8. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**9. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

**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.

*Inventories* - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not spendable resources.

**Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(s)]

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.

Restricted for Drug Forfeitures and Seizures – portion of fund balance that is restricted by the U.S. Department of Justice.

Restricted for Tourism – portion of fund balance that is restricted for the purpose of promoting tourism and development. Restricted balance represents unexpended accommodation taxes collected and receivable.

**Committed Fund Balance** – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Surf City's governing body (high level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**10. Net Position/Fund Balances (Continued)**

Assigned Fund Balance – portion of fund balance that Town of Surf City intends to use for specific purposes.

Assigned for Beach and Strand – portion of fund balance that has been budgeted by the Board for Beach and Strand improvements and maintenance.

Assigned for Streets – portion of fund balance that has been budgeted by the Board for the streets improvement and maintenance.

Assigned for Public Buildings – portion of fund balance that has been budgeted by the Board for acquisition and construction of buildings.

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

**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.

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**1. Deposits (Continued)**

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, 2013, the Town's deposits had a carrying amount of \$3,159,529 and a bank balance of \$3,283,494. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2013, the Town's petty cash funds totaled \$250.

**2. Investments**

At June 30, 2013, the Town of Surf City had \$7,261,359 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

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

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2013 are net of the following allowances for doubtful accounts:

Fund	06/30/2013
General Fund:	
Taxes receivable	\$ 24,000
Total	\$ 24,000

**TOWN OF SURF CITY, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2013

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**4. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2013, was 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	\$ 8,136,999	\$ 128,557	\$ -	\$ 8,265,556
<b>Capital assets being depreciated:</b>				
Buildings	6,040,106	-	-	6,040,106
Equipment	1,422,366	126,885	-	1,549,251
Vehicles	1,953,803	212,321	-	2,166,124
Infrastructure	1,266,447	84,088	-	1,350,535
Total capital assets being depreciated	<u>10,682,722</u>	<u>423,294</u>	<u>-</u>	<u>11,106,016</u>
<b>Less accumulated depreciation for:</b>				
Buildings	1,644,580	120,802	-	1,765,382
Equipment	877,978	163,552	-	1,041,530
Vehicles	1,423,466	158,385	-	1,581,851
Infrastructure	222,383	42,215	-	264,598
Total accumulated depreciation	<u>4,168,407</u>	<u>484,954</u>	<u>-</u>	<u>4,653,361</u>
Total capital assets being depreciated, net	<u>6,514,315</u>			<u>6,452,655</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 14,651,314</u>			<u>\$ 14,718,211</u>

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

Fire	\$ 85,182
Parks and Recreation	4,052
Police	348,596
Public Buildings	4,680
Street Department	35,210
Beach and Strand	7,234
Total	<u>\$ 484,954</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Water and Wastewater Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 5,245,933	\$ -	\$ -	\$ 5,245,933
<b>Capital assets being depreciated:</b>				
Buildings	-	-	-	-
Equipment	128,298	35,403	-	163,701
Vehicles	110,098	23,766	-	133,864
Water System	46,016,147	1,756,370	-	47,772,517
Total capital assets being depreciated	46,254,543	1,815,539	-	48,070,082
<b>Less accumulated depreciation for:</b>				
Buildings	-	-	-	-
Equipment	91,224	8,479	-	99,703
Vehicles	86,302	11,341	-	97,643
Water System	8,652,352	922,904	-	9,575,256
Total accumulated depreciation	8,829,878	942,724	-	9,772,602
Total capital assets being depreciated, net	37,424,665			38,297,480
<b>Water and Wastewater Fund capital assets, net</b>	<b>\$ 42,670,598</b>			<b>\$ 43,543,413</b>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Surf City 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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 9.73% and 9.81%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Surf City 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 \$143,209, \$240,203, and \$222,653, 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 Surf City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retired Members	1
Active plan members	17
Total	<u>18</u>

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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

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 was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases from 4.25 to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post employment benefit increases.

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

Annual required contribution	\$	22,036
Interest on net pension obligation		(281)
Adjustment to annual required contribution		350
Annual pension cost		<u>22,105</u>
Contributions made		<u>19,703</u>
Increase (decrease) in net pension obligation		2,402
Net pension obligation beginning of year		<u>(5,624)</u>
Net pension obligation end of year	\$	<u><u>(3,222)</u></u>

For Year Ended June 30	3 Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 16,430	97.38%	\$ (6,515)
2012	16,891	94.73	(5,624)
2013	22,105	89.13	(3,222)

4. Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 57.96 percent funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$85,547. The covered payroll (annual payroll of active employees covered by the plan) was \$774,336, and the ratio of UAAL to the covered payroll was 11.05 percent.



II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

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.

*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, 2013 were \$54,052, which consisted of \$39,737 from the Town and \$14,315 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 pays \$20 per pay period for each participating employee. For the year ended June 30, 2013, total contributions to the plan equaled \$49,785, which consisted of \$16,220 from the Town and \$33,565 from the participating employees.

d. Firemen's and Rescue Squad Workers' Pension Fund

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Surf City, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Firemen's and Rescue Squad Workers' Pension Fund (Continued)

*Funding Policy.* Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town contributes the entire amount to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

e. 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 month's 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.

3. Deferred Outflows and Inflows of Resources

Deferred inflows of resources at year-end are composed of the following:

	Unavailable Revenue	Unearned Revenue
Prepaid taxes (General Fund)	\$ -	\$ 2,189
Taxes receivable (General Fund)	212,813	-
Prepaid utility billings (Water and Wastewater Fund)	-	17,402
Total	\$ 212,813	\$ 19,591

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**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, auto liability, public officials' liability, law enforcement liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, 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 carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance for another \$1,500,000 of coverage per structure.

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 and tax collector are each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

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

At June 30, 2013, the Town did not have any litigation pending.

**6. Long-Term Obligations**

**a. Capital Leases**

The Town has entered into agreements to lease certain equipment and vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

a. Capital Leases (Continued)

The first agreement was executed on March 26, 2011 to lease equipment, and requires 8 semiannual payments of \$17,166. The second agreement was executed on July 7, 2011 to lease equipment, and requires 12 annual payments of \$47,337. The third agreement was executed on October 4, 2012 to lease vehicles, and requires 3 annual payments of \$52,042. In all agreements, title passes to the Town at the end of the lease term.

The following is an analysis of the assets recorded under capital leases at June 30, 2013:

Governmental Activities:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles	\$ 614,696	\$ 171,146	\$ 443,550
Equipment	121,460	73,734	47,726
Total	\$ 736,156	\$ 848,246	\$ 491,276

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Year Ending June 30	
2014	\$ 133,710
2015	116,544
2016	47,337
2017	47,337
2018	47,337
2019-2023	236,681
2024-2028	47,337
Total minimum lease payments	676,283
Less: amount representing interest	97,372
Present value of the minimum lease payments	\$ 578,911

b. Installment Purchases

Serviced by the General Fund:

In October 2003, the Town entered into \$319,936 in certificates of participation to finance the purchase of land for a park. The financing contract requires principal payments beginning fiscal year 2004 with an interest rate of 4.40%.

In August 2005, the Town entered into \$1,358,700 in certificates of participation to finance the construction of a community center. The financing contract requires principal payments beginning fiscal year 2006 with an interest rate of 3.46%.

## II. DETAIL NOTES ON ALL FUNDS (Continued)

### B. Liabilities (Continued)

#### 6. Long-Term Obligations (Continued)

##### a. Installment Purchases (Continued)

In January 2006, the Town entered into \$2,900,000 in certificates of participation to finance the construction of parking facilities. The financing contract requires principal payments beginning fiscal year 2007 with an interest rate of 3.93%.

In January 2006, the Town entered into \$535,000 in certificates of participation to finance the construction of parking facilities. The financing contract requires principal payments beginning fiscal year 2007 with an interest rate of 3.93%.

In January 2007, the Town entered into \$1,800,000 in certificates of participation to finance the construction of a police station. The financing contract requires principal payments beginning fiscal year 2008 with an interest rate of 3.77%.

In December 2007, the Town entered into \$2,100,000 in certificates of participation to finance the purchase of land for the Town Hall. The financing contract requires principal payments beginning fiscal year 2008 with an interest rate of 3.69%.

Serviced by the Water and Wastewater Fund:

In August 2005, the Town entered into \$1,448,840 in certificates of participation to finance the construction of a water tower. The financing contract requires principal payments beginning fiscal year 2006 with an interest rate of 3.59%.

In June 2006, the Town entered into \$1,000,000 in certificates of participation to finance the construction of sewer lines. The financing contract requires principal payments beginning fiscal year 2007 with an interest rate of 3.93%.

In June 2006, the Town entered into \$4,000,000 in certificates of participation to finance the purchase of land. The financing contract requires principal payments beginning fiscal year 2007 with an interest rate of 4.12%.

In May 2007, the Town entered into \$6,000,000 in certificates of participation to finance the construction of a water treatment plant. The financing contract requires principal payments beginning fiscal year 2008 with an interest rate of 3.91%.

In February 2008, the Town entered into \$10,000,000 in certificates of participation to finance the construction of a waste water treatment facility. The financing contract requires principal payments beginning fiscal year 2009 with an interest rate of 3.94%.

In June 2009, the Town entered into \$38,300 in certificates of participation to finance the acquisition and installation of solar mixers. The financing contract requires principal payments beginning fiscal year 2011 with an interest rate of 0.00%.

In May 2010, the Town entered into \$1,905,236 in certificates of participation to finance the construction of a pump station. The financing contract requires principal payments beginning fiscal year 2011 with an interest rate of 3.59%.

**TOWN OF SURF CITY, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Year Ended June 30, 2013

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

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

**a. Installment Purchases (Continued)**

In November 2012, the Town entered into \$5,513,168 in certificates of participation to finance the construction of the first phase of the irrigation system at Juniper Swamp. The financing contract requires principal payments beginning fiscal year 2014 with an interest rate of 2.455%.

Annual debt service payments of the installment purchases as of June 30, 2013, including \$5,302,656 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 624,870	\$ 119,910	\$ 1,714,136	\$ 843,753
2015	624,870	101,685	1,734,805	718,494
2016	556,935	83,461	1,756,274	654,918
2017	489,000	68,762	4,082,548	541,025
2018	489,000	55,238	1,599,060	432,385
2019-2023	1,797,000	146,082	6,223,093	1,380,053
2024-2028	-	-	3,887,820	55,380
2026-2028	-	-	965,721	11,511
<b>Total</b>	<b>\$ 4,581,675</b>	<b>\$ 575,138</b>	<b>\$ 21,963,457</b>	<b>\$ 4,637,519</b>

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

	Balance 07/01/12	Increases	Decreases	Balance 06/30/13	Current Portion of Balance
<b>Governmental activities:</b>					
Installment purchases	\$ 5,244,039	\$ -	\$ (662,364)	\$ 4,581,675	\$ 624,870
Capitalized leases	559,670	148,808	(129,567)	578,911	112,749
Compensated absences	117,470	2,631	-	120,101	-
Net pension obligation	(5,624)	2,402	-	(3,222)	-
Governmental activity long-term liabilities	<u>\$ 5,915,555</u>	<u>\$ 153,841</u>	<u>\$ (791,931)</u>	<u>\$ 5,277,465</u>	<u>\$ 737,619</u>
<b>Business-type activities:</b>					
Installment purchases	\$ 21,839,329	\$ 1,542,741	\$ (1,418,613)	\$ 21,963,457	\$ 1,714,135
Capital leases	-	-	-	-	-
Compensated absences	25,721	6,162	-	31,883	-
Business-type activity long-term liabilities	<u>\$ 21,865,050</u>	<u>\$ 1,548,903</u>	<u>\$ (1,418,613)</u>	<u>\$ 21,995,340</u>	<u>\$ 1,714,135</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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity

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

From the Accommodations Tax Special Fund to the General Fund	\$ 55,000
From the General Fund to the Sidewalk Capital Project Fund	50,000
From the Water Capital Reserve Fund to the Water and Wastewater Fund	250,000
From the Wastewater Capital Reserve Fund to the Water and Wastewater Fund	250,000
Total	<u>\$ 595,000</u>

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

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, the Town of Surf City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$272 for the 9 employed firemen who perform firefighting duties for the town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by \$10 monthly contribution paid by each member, investment income, and a State appropriation.

E. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 2,966,046
Less:	
Stabilization by State Statute	544,977
Streets – Powell Bill	229,767
Drug Forfeitures	9,515
Appropriated Fund Balance in 2014 budget	672,267
Remaining Fund Balance	1,509,520

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contract that remain unperformed at year-end.

<i>Encumbrances</i>	General Fund	Non-Major Funds
-	\$ -	\$ -

### **III. 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.

### **IV. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

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



***Required Supplementary***

***Financial Data***

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**TOWN OF SURF CITY, NORTH CAROLINA**  
 Law Enforcement Officers' Special Separation Allowance  
 Required Supplementary Information  
 Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
12/31/2005	\$ 11,935	\$ 56,842	\$ 44,907	21.00%	\$ 482,495	9.31%
12/31/2006	23,935	68,660	44,725	34.86%	592,242	7.55%
12/31/2008	69,935	95,392	25,457	73.31%	639,466	3.98%
12/31/2009	85,935	141,955	56,020	60.54%	699,700	8.01%
12/31/2010	85,935	150,750	64,815	57.01%	687,024	9.43%
12/31/2011	101,935	203,151	101,216	50.18%	851,110	11.89%
12/31/2012	117,935	203,482	85,547	57.96%	774,336	11.05%

**TOWN OF SURF CITY, NORTH CAROLINA**  
 Law Enforcement Officers' Special Separation Allowance  
 Required Supplementary Information  
 Schedule of Employer Contributions

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<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2011	\$ 16,430	97.38%
2012	16,891	94.73%
2013	22,105	89.13%

Notes to the Required Schedules:

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

Valuation Date	12/31/2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Closed
Remaining Amortization Period	18 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.00%
Projected Salary Increases	4.25% - 7.85%
Includes Inflation at	3.00%
Cost of Living Adjustments	N/A



***Major Governmental Funds***

***General Fund***

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**TOWN OF SURF CITY, NORTH CAROLINA**  
 General Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Taxes		\$ 3,350,412	
Penalties and Interest		21,249	
<b>Total Ad Valorem Taxes</b>	<b>\$ 3,922,606</b>	<b>3,371,661</b>	<b>\$ (550,945)</b>
<b>Other Taxes and Licenses</b>			
Privilege Licenses		45,363	
<b>Total Other Taxes and Licenses</b>	<b>40,000</b>	<b>45,363</b>	<b>5,363</b>
<b>Unrestricted Intergovernmental</b>			
Local Option Sales Tax		1,033,117	
Utility Franchise Tax		145,283	
Telecommunications Tax		22,080	
Video Franchise Tax		69,315	
Beer and Wine Tax		7,667	
ABC Profit Distribution		54,577	
<b>Total Unrestricted Intergovernmental</b>	<b>1,061,000</b>	<b>1,332,039</b>	<b>271,039</b>
<b>Restricted Intergovernmental</b>			
Powell Bill Allocation		73,746	
Controlled Substance Tax		1,042	
Drug Seizures and Forfeitures		5,941	
On-Behalf of Payments - Fire Department		2,449	
Solid Waste Disposal Tax		1,167	
<b>Total Restricted Intergovernmental</b>	<b>207,079</b>	<b>84,345</b>	<b>(122,734)</b>
<b>Permits and Fees</b>			
Building Permits		140,462	
Court Costs and Fees		1,105	
Beach Access		2,250	
<b>Total Permits and Fees</b>	<b>114,288</b>	<b>143,817</b>	<b>29,529</b>
<b>Sales and Services</b>			
Solid Waste		566,862	
<b>Total Sales and Services</b>	<b>600,000</b>	<b>566,862</b>	<b>(33,138)</b>
<b>Investment Earnings</b>			
General		4,125	
<b>Total Investment Earnings</b>	<b>5,000</b>	<b>4,125</b>	<b>(875)</b>
<b>Miscellaneous</b>			
Other		30,285	
<b>Total Miscellaneous</b>	<b>46,500</b>	<b>30,285</b>	<b>(16,215)</b>
<b>Total Revenues</b>	<b>5,996,473</b>	<b>5,578,497</b>	<b>(417,976)</b>

**TOWN OF SURF CITY, NORTH CAROLINA**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
<b>Expenditures</b>			
<b>Governing Body</b>			
Salaries and Employee Benefits		\$ 21,851	
Other Expenditures		70,388	
<b>Total Governing Body</b>	<b>\$ 121,241</b>	<b>92,239</b>	<b>\$ 29,002</b>
<b>Administration</b>			
Salaries and Employee Benefits		191,837	
Other Expenditures		36,625	
<b>Total Administration</b>	<b>258,729</b>	<b>228,462</b>	<b>30,267</b>
<b>Elections</b>			
Other Expenditures		-	
<b>Total Elections</b>	<b>6,000</b>	<b>-</b>	<b>6,000</b>
<b>Finance</b>			
Salaries and Employee Benefits		211,808	
Other Expenditures		37,413	
<b>Total Finance</b>	<b>310,931</b>	<b>249,221</b>	<b>61,710</b>
<b>Insurance</b>			
Other Expenditures		227,230	
<b>Total Insurance</b>	<b>228,000</b>	<b>227,230</b>	<b>770</b>
<b>Legal</b>			
Other Expenditures		14,957	
<b>Total Legal</b>	<b>20,000</b>	<b>14,957</b>	<b>5,043</b>
<b>Public Buildings</b>			
Salaries and Employee Benefits		13,892	
Other Expenditures		14,275	
Debt Service:			
Principal Retirement		275,870	
Interest and Other Charges		68,230	
<b>Total Public Buildings</b>	<b>376,000</b>	<b>372,267</b>	<b>3,733</b>
<b>Public Works</b>			
Other Expenditures		169,487	
<b>Total Public Works</b>	<b>176,250</b>	<b>169,487</b>	<b>6,763</b>
<b>Police</b>			
Salaries and Employee Benefits		1,177,944	
Other Expenditures		152,145	
Capital Outlay		153,790	
Debt Service:			
Principal Retirement		172,042	
Interest and Other Charges		44,109	
<b>Total Police</b>	<b>1,701,824</b>	<b>1,700,030</b>	<b>1,794</b>

**TOWN OF SURF CITY, NORTH CAROLINA**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
<b>Fire</b>			
Salaries and Employee Benefits		\$ 586,922	
Other Expenditures		118,168	
Capital Outlay		47,337	
Debt Service:			
Principal Retirement		32,475	
Interest and Other Charges		14,862	
<b>Total Fire</b>	<b>\$ 863,869</b>	<b>799,764</b>	<b>\$ 64,105</b>
<b>Community Development</b>			
Salaries and Employee Benefits		231,351	
Other Expenditures		192,046	
Capital Outlay		9,807	
<b>Total Community Development</b>	<b>458,196</b>	<b>433,204</b>	<b>24,992</b>
<b>Street Department</b>			
Salaries and Employee Benefits		220,736	
Other Expenditures		134,114	
Capital Outlay		58,531	
Debt Service:			
Principal Retirement		45,050	
Interest and Other Charges		-	
<b>Total Street Department</b>	<b>677,933</b>	<b>458,431</b>	<b>219,502</b>
<b>Sanitation</b>			
Other Expenditures		727,002	
<b>Total Sanitation</b>	<b>727,250</b>	<b>727,002</b>	<b>248</b>
<b>Parks and Recreation</b>			
Salaries and Employee Benefits		276,346	
Other Expenditures		145,789	
Capital Outlay		23,660	
Debt Service:			
Principal Retirement		37,494	
Interest and Other Charges		916	
<b>Total Parks and Recreation</b>	<b>669,968</b>	<b>484,205</b>	<b>185,763</b>
<b>Contingency</b>			
Other Expenditures		-	
<b>Total Contingency</b>	<b>25,000</b>	<b>-</b>	<b>25,000</b>
<b>Total Expenditures</b>	<b>6,621,191</b>	<b>5,956,499</b>	<b>664,692</b>



**TOWN OF SURF CITY, NORTH CAROLINA**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Fiscal Year Ended June 30, 2013

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	\$ (624,718)	\$ (378,002)	\$ 246,716
<b>Other Financing Sources (Uses)</b>			
Transfers In:			
Accommodations Tax Fund	60,000	55,000	(5,000)
Transfers Out:			
Sidewalk Capital Project Fund	(383,839)	(50,000)	333,839
Capital Lease Obligations Issued	148,808	148,808	
<b>Total Other Financing Sources (Uses)</b>	<u>(175,031)</u>	<u>153,808</u>	<u>328,839</u>
<b>Fund Balance Appropriated</b>	<u>799,749</u>	<u>-</u>	<u>(799,749)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>(224,194)</u>	<u>\$ (224,194)</u>
<b>Fund Balance - Beginning of Year</b>		<u>3,190,240</u>	
<b>Fund Balance - End of Year</b>		<u>\$ 2,966,046</u>	



***Major Governmental Funds***

***Capital Project Funds***

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**TOWN OF SURF CITY, NORTH CAROLINA**  
 Beach Renourishment Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Fiscal Year Ended June 30, 2013

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Taxes		\$ 622,033	
<b>Total Ad Valorem Taxes</b>	<b>\$ 4,907,435</b>	<b>622,033</b>	<b>\$ (4,285,402)</b>
<b>Other Taxes and Licenses</b>			
Accommodations Tax		319,453	
<b>Total Other Taxes and Licenses</b>	<b>3,454,498</b>	<b>319,453</b>	<b>(3,135,045)</b>
<b>Restricted Intergovernmental</b>			
State Grants		5,413	
County Grants		131,250	
<b>Total Restricted Intergovernmental</b>	<b>1,820,577</b>	<b>136,663</b>	<b>(1,683,914)</b>
<b>Total Revenues</b>	<b>10,182,510</b>	<b>1,078,149</b>	<b>(9,104,361)</b>
<b>Expenditures</b>			
<b>Beach and Strand</b>			
Other Expenditures		191,728	
Debt Service:			
Principal Retirement		229,000	
Interest and Other Charges		78,747	
<b>Total Beach and Strand</b>	<b>10,775,967</b>	<b>499,475</b>	<b>10,276,492</b>
<b>Total Expenditures</b>	<b>10,775,967</b>	<b>499,475</b>	<b>10,276,492</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(593,457)</b>	<b>578,674</b>	<b>1,172,131</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In:			
General Fund	500,000	-	(500,000)
Installment Purchase Obligations	23,600	-	(23,600)
Capital Lease Obligations	69,857	-	(69,857)
<b>Total Other Financing Sources (Uses)</b>	<b>593,457</b>	<b>-</b>	<b>(593,457)</b>
<b>Fund Balance Appropriated</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 578,674</b>	<b>\$ 578,674</b>
<b>Fund Balance - Beginning of Year</b>		<b>5,167,054</b>	
<b>Fund Balance - End of Year</b>		<b>\$ 5,745,728</b>	

***Major Governmental Funds***

***Special Revenue Funds***

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**TOWN OF SURF CITY, NORTH CAROLINA**  
Accommodations Tax Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Fiscal Year Ended June 30, 2013

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Other Taxes and Licenses</b>			
Accommodations Tax		\$ 519,718	
<b>Total Other Taxes and Licenses</b>	<b>\$ 887,502</b>	<b>519,718</b>	<b>\$ (367,784)</b>
<b>Total Revenues</b>	<b>887,502</b>	<b>519,718</b>	<b>(367,784)</b>
<b>Expenditures</b>			
<b>Beach and Strand</b>			
Salaries and Employee Benefits		36,655	
Other Expenditures		175,986	
Capital Outlay		36,535	
<b>Total Beach and Strand</b>	<b>269,300</b>	<b>249,176</b>	<b>20,124</b>
<b>Tourism</b>			
Salaries and Employee Benefits		110,698	
Other Expenditures		42,926	
Capital Outlay		128,557	
<b>Total Tourism</b>	<b>335,476</b>	<b>282,181</b>	<b>53,295</b>
<b>Total Expenditures</b>	<b>604,776</b>	<b>531,357</b>	<b>73,419</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>282,726</b>	<b>(11,639)</b>	<b>(294,365)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers Out:			
General Fund	(469,267)	(55,000)	414,267
<b>Total Other Financing Sources (Uses)</b>	<b>(469,267)</b>	<b>(55,000)</b>	<b>414,267</b>
<b>Fund Balance Appropriated</b>	<b>186,541</b>	<b>-</b>	<b>(186,541)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>(66,639)</b>	<b>\$ (66,639)</b>
<b>Fund Balance - Beginning of Year</b>		<b>885,705</b>	
<b>Fund Balance - End of Year</b>		<b>\$ 819,066</b>	

***Nonmajor Governmental Funds***

***Capital Project Funds***

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**TOWN OF SURF CITY, NORTH CAROLINA**  
 Combining Balance Sheet  
 Nonmajor Capital Project Funds  
 June 30, 2013

	<b>Capital Reserve Fund</b>	<b>Sidewalk Capital Project Fund</b>	<b>Community Center Fund</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 140,000	\$ 137,864	\$ 36,544
<b>Total Assets</b>	<b>\$ 140,000</b>	<b>\$ 137,864</b>	<b>\$ 36,544</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>			
Assigned			
Beach and Strand	140,000	-	36,544
Street Department	-	137,864	-
Public Buildings	-	-	-
<b>Total Fund Balances</b>	<b>140,000</b>	<b>137,864</b>	<b>36,544</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 140,000</b>	<b>\$ 137,864</b>	<b>\$ 36,544</b>





<b>Disaster Recovery Fund</b>	<b>Town Hall Capital Project Fund</b>	<b>Total</b>
\$ 745,000	\$ 65,000	\$ 1,124,408
<u>\$ 745,000</u>	<u>\$ 65,000</u>	<u>\$ 1,124,408</u>

\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>

745,000	-	921,544
-	-	137,864
-	65,000	65,000
<u>745,000</u>	<u>65,000</u>	<u>1,124,408</u>
<u>\$ 745,000</u>	<u>\$ 65,000</u>	<u>\$ 1,124,408</u>

**TOWN OF SURF CITY, NORTH CAROLINA**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Capital Project Funds

For the Fiscal Year Ended June 30, 2013

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	<b>Capital Reserve Fund</b>	<b>Sidewalk Capital Project Fund</b>	<b>Community Center Fund</b>
<b>Revenues</b>			
Restricted Intergovernmental	\$ -	\$ 50,000	\$ -
<b>Expenditures</b>			
Beach and Strand	-	-	9,546
Street Department	-	89,937	-
<b>Total Expenditures</b>	-	89,937	9,546
<b>Revenues Over (Under) Expenditures</b>	-	(39,937)	(9,546)
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	-	50,000	-
Transfers to Other Funds	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	50,000	-
<b>Net Change in Fund Balance</b>	-	10,063	(9,546)
<b>Fund Balance - Beginning of Year</b>	140,000	127,801	46,090
<b>Fund Balance - End of Year</b>	\$ 140,000	\$ 137,864	\$ 36,544

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Disaster Recovery Fund	Town Hall Capital Project Fund	Total
\$ -	\$ -	\$ 50,000
-	-	9,546
-	-	89,937
-	-	99,483
-	-	(49,483)
-	-	50,000
-	-	-
-	-	50,000
-	-	517
745,000	65,000	1,123,891
\$ 745,000	\$ 65,000	\$ 1,124,408

**TOWN OF SURF CITY, NORTH CAROLINA**  
 Capital Reserve Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Investment Earnings	\$ -	-	\$ -
<b>Expenditures</b>			
<b>Beach and Strand</b>			
Capital Outlay		-	
<b>Total Beach and Strand</b>	-	-	-
<b>Total Expenditures</b>	-	-	-
<b>Revenues Over (Under) Expenditures</b>	-	-	-
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
General Fund	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund Balance - Beginning</b>		<u>140,000</u>	
<b>Fund Balance - Ending</b>		<u>\$ 140,000</u>	

**TOWN OF SURF CITY, NORTH CAROLINA**  
Sidewalk Capital Project Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Fiscal Year Ended June 30, 2013

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
State Grants	\$ -	50,000	\$ 50,000
<b>Expenditures</b>			
<b>Street Department</b>			
Other Expenditures		5,849	
Capital Outlay		84,088	
<b>Total Street Department</b>	423,500	89,937	333,563
<b>Total Expenditures</b>	423,500	89,937	333,563
<b>Revenues Over (Under) Expenditures</b>	(423,500)	(39,937)	383,563
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
General Fund	423,500	50,000	(373,500)
Transfers out:			
General Fund	-	-	-
<b>Total Other Financing Sources (Uses)</b>	423,500	50,000	(373,500)
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	10,063	<u>\$ 10,063</u>
<b>Fund Balance - Beginning</b>		<u>127,801</u>	
<b>Fund Balance - Ending</b>		<u>\$ 137,864</u>	

**TOWN OF SURF CITY, NORTH CAROLINA**  
Community Center Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Fiscal Year Ended June 30, 2013

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Restricted Intergovernmental</b>			
State Grants		\$ -	
<b>Total Restricted Intergovernmental</b>	<b>\$ 462,950</b>	<b>-</b>	<b>\$ (462,950)</b>
<b>Miscellaneous</b>			
Other		-	
<b>Total Miscellaneous</b>	<b>31,500</b>	<b>-</b>	<b>(31,500)</b>
<b>Total Revenues</b>	<b>494,450</b>	<b>-</b>	<b>(494,450)</b>
<b>Expenditures</b>			
<b>Beach and Strand</b>			
Capital Outlay		9,546	
<b>Total Beach and Strand</b>	<b>2,798,150</b>	<b>9,546</b>	<b>2,788,604</b>
<b>Total Expenditures</b>	<b>2,798,150</b>	<b>9,546</b>	<b>2,788,604</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(2,303,700)</b>	<b>(9,546)</b>	<b>2,294,154</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
General Fund	945,000	-	(945,000)
Installment Purchase Obligations	1,358,700	-	(1,358,700)
<b>Total Other Financing Sources (Uses)</b>	<b>2,303,700</b>	<b>-</b>	<b>(2,303,700)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>(9,546)</b>	<b>\$ (9,546)</b>
<b>Fund Balance - Beginning</b>		<b>46,090</b>	
<b>Fund Balance - Ending</b>		<b>\$ 36,544</b>	

**TOWN OF SURF CITY, NORTH CAROLINA**  
 Disaster Recovery Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Investment Earnings	\$ -	\$ -	\$ -
<b>Expenditures</b>			
<b>Beach and Strand</b>			
Other Expenditures		-	
<b>Total Beach and Strand</b>	-	-	-
<b>Total Expenditures</b>	-	-	-
<b>Revenues Over (Under) Expenditures</b>	-	-	-
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
General Fund	11,450	-	(11,450)
Transfers out:			
General Fund	(11,450)	-	11,450
<b>Total Other Financing Sources (Uses)</b>	-	-	-
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund Balance - Beginning</b>		<u>745,000</u>	
<b>Fund Balance - Ending</b>		<u>\$ 745,000</u>	

**TOWN OF SURF CITY, NORTH CAROLINA**  
Town Hall Capital Project Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
From Inception and for the Fiscal Year Ended June 30, 2010

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Investment Earnings	\$ -	\$ -	\$ -
<b>Expenditures</b>			
<b>Public Buildings</b>			
Capital Outlay		-	
<b>Total Public Buildings</b>	2,382,436	-	2,382,436
<b>Total Expenditures</b>	2,382,436	-	2,382,436
<b>Revenues Over (Under) Expenditures</b>	(2,382,436)	-	2,382,436
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
General Fund	282,436	-	(282,436)
Transfers out:			
General Fund	-	-	-
Installment Purchase Obligations	2,100,000	-	2,100,000
<b>Total Other Financing Sources (Uses)</b>	2,382,436	-	(282,436)
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	-	<u>\$ 2,100,000</u>
<b>Fund Balance - Beginning</b>		<u>65,000</u>	
<b>Fund Balance - Ending</b>		<u>\$ 65,000</u>	



## ***Enterprise Funds***

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**TOWN OF SURF CITY, NORTH CAROLINA**  
 Water and Wastewater Fund  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<b>Operating Revenues</b>			
Water Charges		\$ 1,089,297	
Wastewater Charges		1,875,305	
Tap Fees		38,779	
<b>Total Operating Revenues</b>	<b>\$ 3,102,400</b>	<b>3,003,381</b>	<b>\$ (99,019)</b>
<b>Investment Earnings</b>			
Investment Earnings		5	
<b>Total Investment Earnings</b>	<b>600</b>	<b>5</b>	<b>(595)</b>
<b>Miscellaneous</b>			
Other		147,706	
<b>Total Miscellaneous</b>	<b>175,000</b>	<b>147,706</b>	<b>(27,294)</b>
<b>Total Revenues</b>	<b>3,278,000</b>	<b>3,151,092</b>	<b>(126,908)</b>
<b>Expenditures</b>			
<b>Administration</b>			
Salaries and Employee Benefits		196,365	
Other Expenditures		29,992	
Capital Outlay		22,912	
<b>Total Administration</b>	<b>254,198</b>	<b>249,269</b>	<b>4,929</b>
<b>Insurance</b>			
Other Expenditures		59,459	
<b>Total Treatment and Distribution</b>	<b>77,000</b>	<b>59,459</b>	<b>17,541</b>
<b>Water Operations</b>			
Salaries and Employee Benefits		60,943	
Other Expenditures		23,852	
Repairs and Maintenance		6,852	
Capital Outlay		50,214	
Debt Service			
Principal Retirement		401,906	
Interest Expense		152,164	
<b>Total Water Operations</b>	<b>732,940</b>	<b>695,931</b>	<b>37,009</b>

**TOWN OF SURF CITY, NORTH CAROLINA**  
Water and Wastewater Fund  
Schedule of Revenues and Expenditures (Continued)  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
<b>Expenditures (Continued)</b>			
<b>Wastewater Collection</b>			
Salaries and Employee Benefits		\$ 227,988	
Repairs and Maintenance		185,251	
Other Expenditures		139,227	
Capital Outlay		36,257	
Debt Service			
Principal Retirement		351,420	
Interest Expense		79,821	
<b>Total Wastewater Collection</b>	<b>\$ 1,069,341</b>	<b>1,019,964</b>	<b>\$ 49,377</b>
<b>Wastewater Treatment</b>			
Salaries and Employee Benefits		258,901	
Repairs and Maintenance		42,968	
Other Expenditures		252,951	
Capital Outlay		125,461	
Debt Service			
Principal Retirement		665,288	
Interest Expense		468,678	
<b>Total Wastewater Treatment</b>	<b>2,066,888</b>	<b>1,814,247</b>	<b>252,641</b>
<b>Contingency</b>	<b>50,000</b>	<b>-</b>	<b>50,000</b>
<b>Total Expenditures</b>	<b>4,250,367</b>	<b>3,838,870</b>	<b>411,497</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(972,367)</b>	<b>(687,778)</b>	<b>284,589</b>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance	108,067	-	(108,067)
Transfers In:			
Water Capital Reserve Fund	580,000	250,000	(330,000)
Wastewater Capital Project Fund	250,000	250,000	-
Installment Purchase Obligations	34,300	34,300	-
<b>Total Other Financing Sources (Uses)</b>	<b>972,367</b>	<b>534,300</b>	<b>(438,067)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (153,478)</b>	<b>\$ (153,478)</b>

**TOWN OF SURF CITY, NORTH CAROLINA**  
 Water and Wastewater Fund  
 Schedule of Revenues and Expenditures (Continued)  
 Budget and Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2013

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Net Change in Fund Balance		\$ (153,478)	
Reconciling Items:			
Depreciation Expense		(942,724)	
Capital Outlay		234,844	
Principal Retirement		1,418,614	
Increase in Accrued Vacation		(6,162)	
Transfers In			
Water Capital Reserve Fund		(250,000)	
Wastewater Capital Reserve Fund		(250,000)	
Installment Loan Proceeds			
Water and Sewer Fund		(34,300)	
Impact Fees			
Water Capital Reserve Fund		265,274	
Wastewater Capital Reserve Fund		297,466	
Assessments			
Wastewater Capital Reserve Fund		791	
Other Revenues			
Wastewater Capital Project Fund		65,680	
Interest Income			
Water Capital Reserve Fund		2	
Wastewater Capital Reserve Fund		1	
Total Reconciling Items		<u>799,486</u>	
<b>Change in Net Position</b>		<u>\$ 646,008</u>	

**TOWN OF SURF CITY, NORTH CAROLINA**  
Water Capital Reserve Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2013

	Actual		Totals to Date	Variance Positive (Negative)	
	Project Authorization	Prior Year			Current Year
<b>Revenues</b>					
Operating Revenues					
Impact Fees	\$ 2,774,500	\$ 2,719,758	\$ 265,274	\$ 2,985,032	\$ 210,532
Assessments	1,850	1,850	-	1,850	
<b>Total Operating Revenues</b>	<b>2,776,350</b>	<b>2,721,608</b>	<b>265,274</b>	<b>2,986,882</b>	<b>210,532</b>
Investment Earnings					
Interest	44,000	45,254	2	45,256	1,256
<b>Total Revenues</b>	<b>2,820,350</b>	<b>2,766,862</b>	<b>265,276</b>	<b>3,032,138</b>	<b>211,788</b>
<b>Expenditures</b>					
Water					
Contingency	40,562	-	-	-	40,562
<b>Total Expenditures</b>	<b>40,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,562</b>
<b>Revenues Over (Under) Expenditures</b>	<b>2,779,788</b>	<b>2,766,862</b>	<b>265,276</b>	<b>3,032,138</b>	<b>252,350</b>
<b>Other Financing Sources (Uses)</b>					
Appropriated Fund Balance	100,000	-	-	-	(100,000)
Transfers in:					
Water and Wastewater Fund	144,260	-	-	-	(144,260)
Wastewater Capital Reserve Fund	115,000	-	-	-	(115,000)
Transfers out:					
Water and Wastewater Fund	(2,705,048)	(3,007,217)	(250,000)	(3,257,217)	(552,169)
Water Supply Development Capital Project Fund	(269,000)	283,248	-	283,248	552,248
Installment Purchase Obligations	(165,000)	-	-	-	165,000
<b>Total Other Financing Sources (Uses)</b>	<b>(2,779,788)</b>	<b>(2,723,969)</b>	<b>(250,000)</b>	<b>(2,973,969)</b>	<b>(194,181)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 42,893</b>	<b>\$ 15,276</b>	<b>\$ 58,169</b>	<b>\$ 58,169</b>

**TOWN OF SURF CITY, NORTH CAROLINA**  
Wastewater Capital Reserve Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues</b>					
Operating Revenues					
Impact Fees	\$ 3,446,485	\$ 3,653,145	\$ 297,466	\$ 3,950,611	\$ 504,126
Assessments	409,600	16,833	791	17,624	(391,976)
<b>Total Operating Revenues</b>	<b>3,856,085</b>	<b>3,669,978</b>	<b>298,257</b>	<b>3,968,235</b>	<b>112,150</b>
Investment Earnings					
Interest	86,000	61,748	1	61,749	(24,251)
<b>Total Revenues</b>	<b>3,942,085</b>	<b>3,731,726</b>	<b>298,258</b>	<b>4,029,984</b>	<b>87,899</b>
<b>Expenditures</b>					
Wastewater					
Contingency	7,006	-	-	-	7,006
<b>Total Expenditures</b>	<b>7,006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,006</b>
<b>Revenues Over (Under) Expenditures</b>	<b>3,935,079</b>	<b>3,731,726</b>	<b>298,258</b>	<b>4,029,984</b>	<b>94,905</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in:					
Wastewater Capital Project Fund	379,000	182,000	-	182,000	(197,000)
Transfers out:					
Water and Wastewater Fund	(1,865,379)	(3,880,679)	(250,000)	(4,130,679)	(2,265,300)
Wastewater Capital Project Fund	(2,448,700)	-	-	-	2,448,700
<b>Total Other Financing Sources (Uses)</b>	<b>(3,935,079)</b>	<b>(3,698,679)</b>	<b>(250,000)</b>	<b>(3,948,679)</b>	<b>(13,600)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 33,047</b>	<b>\$ 48,258</b>	<b>\$ 81,305</b>	<b>\$ 81,305</b>

**TOWN OF SURF CITY, NORTH CAROLINA**  
Wastewater Capital Project Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2013

			Actual		Variance Positive (Negative)
	Project Authorization	Prior Year	Current Year	Totals to Date	
<b>Revenues</b>					
Investment Earnings					
Interest	\$ 35,000	\$ 12,122	\$ -	\$ 12,122	\$ (22,878)
Nonoperating Revenues					
Capital Contributions-					
Federal Grants	2,000,000	2,000,000	-	2,000,000	-
Rent	20,000	20,187	-	20,187	187
Other	299,627	375,416	65,680	441,096	141,469
Total Nonoperating Revenues	2,319,627	2,395,603	65,680	2,461,283	141,656
<b>Total Revenues</b>	2,354,627	2,407,725	65,680	2,473,405	118,778
<b>Expenditures</b>					
Wastewater					
Wastewater Construction	28,143,301	25,035,595	1,580,695	26,616,290	1,527,011
<b>Total Expenditures</b>	28,143,301	25,035,595	1,580,695	26,616,290	1,527,011
<b>Revenues Over (Under)</b>					
<b>Expenditures</b>	(25,788,674)	(22,627,870)	(1,515,015)	(24,142,885)	1,645,789
<b>Other Financing Sources (Uses)</b>					
Appropriated Fund Balance	414,500	-	-	-	(414,500)
Transfers in:					
General Fund	120,000	120,000	-	120,000	-
Sea Wall Capital Project Fund	14,000	-	-	-	(14,000)
Water Supply Development					
Capital Project Fund	-	2,369,686	-	2,369,686	2,369,686
Wastewater Capital Reserve Fund	2,521,770	-	-	-	(2,521,770)
Water and Wastewater Fund	300,000	-	-	-	(300,000)
Transfers out:					
Wastewater Capital Reserve Fund	-	(182,000)	-	(182,000)	(182,000)
Installment Purchase Obligations	22,418,404	20,493,616	1,508,441	22,002,057	(416,347)
<b>Total Other Financing Sources (Uses)</b>	25,788,674	22,801,302	1,508,441	24,309,743	(1,478,931)
<b>Net Change in Fund Balance</b>	\$ -	\$ 173,432	\$ (6,574)	\$ 166,858	\$ 166,858





## ***Other Schedules***

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**TOWN OF SURF CITY, NORTH CAROLINA**  
 General Fund  
 Schedule of Ad Valorem Taxes Receivable  
 June 30, 2013

Fiscal Year	Uncollected Balance 7-1-12	Additions and Adjustments	Collections and Credits	Uncollected Balance 6-30-13
2012-13	\$ -	\$ 4,037,007	\$ 3,917,806	\$ 119,201
2011-12	95,725	-	38,527	57,198
2010-11	56,796	-	14,895	41,901
2009-10	6,937	-	1,612	5,325
2008-09	4,463	-	(335)	4,798
2007-08	3,793	-	41	3,752
2006-07	1,512	-	-	1,512
2005-06	1,542	-	149	1,393
2004-05	1,192	-	59	1,133
2003-04	714	-	114	600
2002-03	733	-	733	-
	\$ 173,407	\$ 4,037,007	\$ 3,973,601	236,813
Less: Allowance for Uncollectible Accounts:				
General Fund				24,000
Ad Valorem Taxes Receivable - Net				212,813
 <u>Reconciliation with Revenues</u>				
Ad Valorem Taxes - General Fund				3,371,661
Ad Valorem Taxes - Beach Renourishment Fund				622,033
Reconciling Items:				
Interest and Penalties Collected				(21,249)
Taxes Released				423
Taxes Written Off				733
Total Collections and Credits				\$ 3,973,601

**TOWN OF SURF CITY, NORTH CAROLINA**

Analysis of Current Tax Levy

Town-Wide Levy

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 Rate	\$ 1,303,596,171	0.310	\$ 4,041,148	\$ 3,970,919	\$ 70,229
Penalties	-		-	-	-
	<u>1,303,596,171</u>		<u>4,041,148</u>	<u>3,970,919</u>	<u>70,229</u>
<b>Discoveries:</b>					
Current Year Taxes	-	0.310	-	-	-
Penalties	-		-	-	-
	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Abatements:</b>					
Property Taxes -					
Current Year's Rate	1,335,748	0.310	(4,141)	-	(4,141)
Penalties	-		-	-	-
	<u>1,335,748</u>		<u>(4,141)</u>	<u>-</u>	<u>(4,141)</u>
<b>Total Property Valuations</b>	<u><u>\$ 1,304,931,919</u></u>				
<b>Net Levy</b>			4,037,007	3,970,919	66,088
<b>Uncollected Taxes at June 30, 2013</b>			<u>119,201</u>	<u>110,189</u>	<u>9,012</u>
<b>Current Year's Taxes Collected</b>			<u><u>\$ 3,917,806</u></u>	<u><u>\$ 3,860,730</u></u>	<u><u>\$ 57,076</u></u>
<b>Current Levy Collection Percentage</b>			<u><u>97.05%</u></u>	<u><u>97.23%</u></u>	<u><u>86.36%</u></u>



## ***Compliance Section***

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

**Independent Auditor's Report**

To the Honorable Mayor  
And the Town Council  
Town of Surf City, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surf City, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Town of Surf City's basic financial statements, and have issued our report thereon dated September 10, 2013.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Surf City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*W Greene & Company PLLC*

Whiteville, North Carolina  
September 10, 2013

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**Report on Compliance for Each Major State Program and on Internal Control Over Compliance;  
In Accordance with OMB Circular A-133 and the  
State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Honorable Mayor  
And the Town Council  
Town of Surf City, North Carolina

**Report on Compliance for Each Major State Program**

We have audited the Town of Surf City, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Surf City's major state programs for the year ended June 30, 2013. The Town of Surf City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Surf City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Surf City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Surf City's compliance.



## **Opinion on Each Major State Program**

In our opinion, the Town of Surf City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of the Town of Surf City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Surf City's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*W Greene & Company PLLC*

Whiteville, North Carolina  
September 10, 2013

**TOWN OF SURF CITY, NORTH CAROLINA**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2013

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<b>SECTION I. SUMMARY OF AUDITOR'S RESULTS</b>
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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ X No

Significant deficiency(s) identified that are not considered to be material weaknesses \_\_\_\_\_ Yes \_\_\_\_\_ X None

Noncompliance material to financial statements noted \_\_\_\_\_ Yes \_\_\_\_\_ X No



**TOWN OF SURF CITY, NORTH CAROLINA**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2013

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<b>SECTION II. FINANCIAL STATEMENT FINDINGS</b>
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*None Reported.*

**TOWN OF SURF CITY, NORTH CAROLINA**  
Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2013

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<b>SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS</b>
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*None Reported.*

**TOWN OF SURF CITY, NORTH CAROLINA**

Corrective Action Plan

For the Fiscal Year Ended June 30, 2013



**SECTION II. FINANCIAL STATEMENT FINDINGS**

*None Reported*

**SECTION III. STATE AWARD FINDINGS AND QUESTIONED COSTS**

*None Reported*

**TOWN OF SURF CITY, NORTH CAROLINA**  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2013

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*None Reported.*

**TOWN OF SURF CITY, NORTH CAROLINA**  
 Schedule of Expenditures of Federal and State Awards  
 For the Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantors Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Awards:</b>					
<u>U.S. Department of Transportation</u>					
<i>Passed thru N.C. Department of Transportation</i>					
Enhancement Programs: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)					
	20.205-2	-	\$ 50,000	\$ -	\$ -
<b>Total Federal Awards</b>			50,000	-	-
<b>State Awards:</b>					
<u>N.C. Department of Transportation</u>					
Non-State System Street-Aid Allocation (Powell Bill)					
	-	DOT-4	-	40,679	-
<u>N.C. Department of Environment and Natural Resources</u>					
<i>Division of Water Quality</i>					
NC Clean Water Revolving Loan & Grant Program					
	-	-	-	1,508,441	-
<b>Total State Awards</b>			-	1,549,120	-
<b>Total Federal and State Awards</b>			\$ 50,000	\$ 1,549,120	\$ -



**TOWN OF SURF CITY, NORTH CAROLINA**

Notes to Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2013

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**I. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Town of Surf City, North Carolina and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

