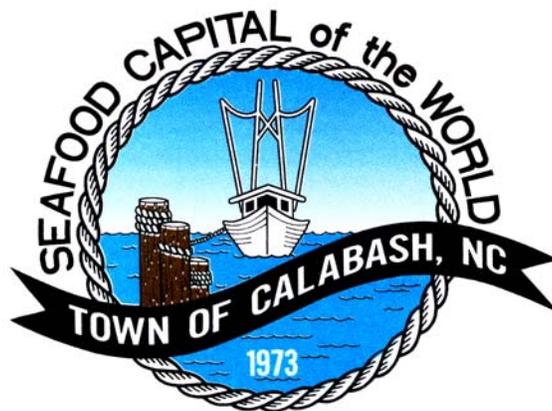


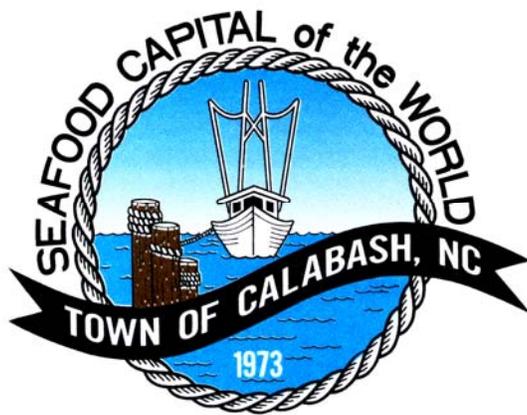
TOWN OF CALABASH, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2011



S. PRESTON DOUGLAS & ASSOCIATES, LLP
Certified Public Accountants



	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report.....	5
Management's Discussion and Analysis.....	7
<i>Basic Financial Statements</i>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Assets.....	16
Statement of Activities	18
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	24
Notes to the Financial Statements.....	26
<i>Major Governmental Funds – General Fund</i>	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	42
<i>Special Revenue Funds Consolidated With General Fund</i>	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Sewer Expansion Fund	48
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Future Police Department Fund.....	49
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Improvement Fund	50

TOWN OF CALABASH, NORTH CAROLINA

Table of Contents (Continued)

Nonmajor Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	53
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Park Grant Project Fund	54

Other Schedules

Schedule of Ad Valorem Taxes Receivable – General Fund.....	56
Analysis of Current Tax Levy.....	57



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
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Independent Auditor's Report

To the Honorable Mayor
and Board of Commissioners
Calabash, North Carolina

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of the Town of Calabash, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Calabash's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit and each major fund of the Town of Calabash, North Carolina as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

S. Preston Douglas & Associates, LLP

July 11, 2011

Management's Discussion and Analysis

As management of the Town of Calabash, we offer readers of the Town of Calabash's financial statements this narrative overview and analysis of the financial activities of the Town of Calabash for the fiscal year ended June 30, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

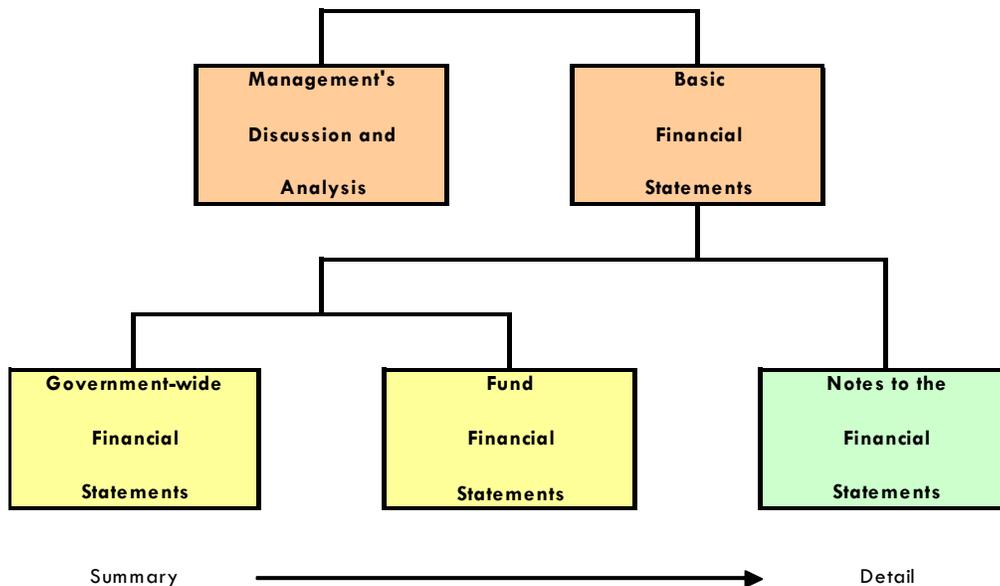
- The assets of the Town of Calabash exceeded its liabilities at the close of the fiscal year by \$2,270,657.
- The government's total net assets decreased by \$14,108, due to decreases in the governmental revenues.
- As of the close of the current fiscal year, the Town of Calabash's governmental funds reported combined ending fund balances of \$1,512,464 an increase of \$7,266 in comparison with the prior year. Approximately 87 percent of this total amount, or \$1,318,267 is available for spending at the government's discretion.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 16 through 19) 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 20 through 25) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) component units. The governmental activities include most of the Town's basic services such as administration, streets and highways, and inspections. Property taxes and state and federal grant funds finance most of these activities. The final category is the component unit. Although legally separate from the Town, the Calabash ABC Board is important to the Town because the Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on pages 16 through 19 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 Calabash, 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 Calabash can be divided into one category: governmental funds.

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

Management's Discussion and Analysis (Continued)

The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Calabash adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 26 through 39 of this report.

Management's Discussion and Analysis (Continued)

Government-Wide Financial Analysis

The Town of Calabash's Net Assets

Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 1,537,147	\$ 1,514,229	\$ -	\$ -	\$ 1,537,147	\$ 1,514,229
Capital assets	745,934	778,195	-	-	745,934	778,195
Total assets	<u>2,283,081</u>	<u>2,292,424</u>	<u>-</u>	<u>-</u>	<u>2,283,081</u>	<u>2,292,424</u>
Long-term liabilities outstanding	7,949	6,751	-	-	7,949	6,751
Other liabilities	4,475	908	-	-	4,475	908
Total liabilities	<u>12,424</u>	<u>7,659</u>	<u>-</u>	<u>-</u>	<u>12,424</u>	<u>7,659</u>
Net assets:						
Invested in capital assets, net of related debt	745,934	778,195	-	-	745,934	778,195
Restricted	301,196	86,778	-	-	301,196	86,778
Unrestricted	<u>1,223,527</u>	<u>1,419,792</u>	<u>-</u>	<u>-</u>	<u>1,223,527</u>	<u>1,419,792</u>
Total net assets	<u>\$ 2,270,657</u>	<u>\$ 2,284,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,270,657</u>	<u>\$ 2,284,765</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Calabash exceeded liabilities by \$2,270,657 as of June 30, 2011. The Town's net assets decreased by \$14,108 for the fiscal year ended June 30, 2011. However, the second largest portion (33%) 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 Calabash uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Calabash'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 Calabash's net assets (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (64%) or \$1,223,527 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 94.34%.
- ABC profit distributions by \$66,789.

Management's Discussion and Analysis (Continued)

The Town of Calabash's Changes in Net Assets

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 121,831	\$ 246,621	\$ -	\$ -	\$ 121,831	\$ 246,621
Operating grants and contributions	55,863	52,343	-	-	55,863	52,343
Capital grants and contributions	-	-	-	-	-	-
General Revenues						
Property taxes	255,792	253,087	-	-	255,792	253,087
Local Option Sales Taxes	349,520	338,272	-	-	349,520	338,272
Other taxes	131,135	111,939	-	-	131,135	111,939
ABC Profit Distribution	66,789	107,298	-	-	66,789	107,298
Other	8,890	24,716	-	-	8,890	24,716
Total revenues	989,820	1,134,276	-	-	989,820	1,134,276
Expenses:						
Governing body	11,637	13,118	-	-	11,637	13,118
Administration	272,449	272,554	-	-	272,449	272,554
Elections	-	1,052	-	-	-	1,052
Public buildings	44,148	29,166	-	-	44,148	29,166
Fire and rescue	4,977	7,706	-	-	4,977	7,706
Inspections	118,646	105,505	-	-	118,646	105,505
Streets and highways	339,010	509,435	-	-	339,010	509,435
Powell Bill	83,823	46,036	-	-	83,823	46,036
Sanitation	37,850	32,564	-	-	37,850	32,564
Drainage and watershed	19,354	8,125	-	-	19,354	8,125
Planning and zoning	4,073	7,823	-	-	4,073	7,823
Town beautification	67,961	53,697	-	-	67,961	53,697
Interest on long-term debt	-	-	-	-	-	-
Total expenses	1,003,928	1,086,781	-	-	1,003,928	1,086,781
Increase(Decrease) in net assets before transfers	(14,108)	47,495	-	-	(14,108)	47,495
Transfers	-	-	-	-	-	-
Change in net assets	(14,108)	47,495	-	-	(14,108)	47,495
Net assets, July 1	2,284,765	2,237,270	-	-	2,284,765	2,237,270
Net assets, June 30	\$ 2,270,657	\$ 2,284,765	\$ -	\$ -	\$ 2,270,657	\$ 2,284,765

Governmental activities. Governmental activities decreased the Town's net assets by \$14,108, thereby accounting for 100% of the total decrease in the net assets of the Town of Calabash. Key elements of this increase is as follows:

- ABC Board profit distributions decreased during the year.
- Permits and fees decreased during the year.

Management's Discussion and Analysis (Continued)

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Calabash'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 Calabash's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Calabash. At the end of the current fiscal year, Town of Calabash's fund balance available in the General Funds was \$1,270,060, while total fund balance reached \$1,405,465. The Town currently has a available fund balance of 131.89% of general fund expenditures, while total fund balance represents 145.96 % of the same amount.

At June 30, 2011, the governmental funds of Town of Calabash reported a combined fund balance of \$1,512,464, a .48 percent increase over last year. Included in this change in fund balance are increases in fund balance in the General and Special Revenue Funds.

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 more than the budgeted amounts primarily because of an increase in State shared revenues that the Town originally had not expected to receive. However, expenditures were held below budget and the Town was able to comply with its budgetary requirements.

Capital Asset and Debt Administration

Capital assets. The Town of Calabash's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totals \$745,934 (net of accumulated depreciation). These assets include buildings, land, and equipment.

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

- Building additions totaling \$7,350
- Equipment purchases totaling \$7,214

Management's Discussion and Analysis (Continued)

The Town of Calabash's Capital Assets

Figure 4

(Net of depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 385,013	\$ 385,013	\$ -	\$ -	\$ 385,013	\$ 385,013
Buildings	330,456	337,936	-	-	330,456	337,936
Vehicles	16,206	33,931	-	-	16,206	33,931
Equipment	14,259	21,315	-	-	14,259	21,315
Total	\$ 745,934	\$ 778,195	\$ -	\$ -	\$ 745,934	\$ 778,195

Additional information on the Town's capital assets can be found in Note I of the Basic Financial Statements.

Long-term Debt. As of June 30, 2011, the Town of Calabash had the following long-term debt outstanding.

The Town of Calabash's Outstanding Debt

Figure 5

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Compensated absences	\$ 7,949	\$ 6,751	\$ -	\$ -	\$ 7,949	\$ 6,751
Total	\$ 7,949	\$ 6,751	\$ -	\$ -	\$ 7,949	\$ 6,751

The Town of Calabash's total debt increased by \$1,198 (17%) 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 Calabash is \$29,236,757. The Town of Calabash does not have any authorized but un-issued debt at June 30, 2011.

Additional information regarding the Town of Calabash's long-term debt can be found in Note II beginning on page 38 of this report.

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

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

- Population growth is expected to increase in the next fiscal year. This projection is based upon two major factors: 1) by September 1, 2011 a total of 160 apartment units will be ready for lease and 2) Brunswick County Public Utilities have completed a sewer service extension to about half of Calabash's residential areas. This will allow previously unbuildable lots the opportunity for development.
- 2011 was a property tax re-evaluation year in Brunswick County. Overall, the Town of Calabash has experienced approximately a 17% decrease in property value. The Board of Commissioners have adopted a "revenue Neutral" tax rate of \$0.0875 which yields an increase of \$0.0175 from last year's tax rate.

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities: Property taxes (benefiting from the economic growth) and local option sales taxes are expected to lead the budgeted revenue although state shared revenues are expected to decrease 20%-30%; the 2011-2012 budget represents a 25% decrease, respectfully.

Budgeted expenditures in the General Fund are expected to decrease 14%.

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:

**Kelly Southward
Town Clerk
Post Office Box 4967
882 Persimmon Road
Calabash, NC 28467
Telephone: (910) 579-6747
Fax: (910) 579-5494
Email: towncalabash@atmc.net**

Basic Financial Statements

TOWN OF CALABASH, NORTH CAROLINA

Statement of Net Assets

June 30, 2011

	Primary Government		Calabash ABC Board
	Governmental Activities	Total	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,322,742	\$ 1,322,742	\$ 335,333
Receivables (net):			
Ad Valorem Taxes	18,007	18,007	-
Accrued Interest - Taxes	2,201	2,201	-
Inventory	-	-	140,623
Due from Component Unit	47,027	47,027	-
Due from Other Governments	88,378	88,378	-
Restricted Cash and Cash Equivalents	58,792	58,792	-
Total Current Assets	1,537,147	1,537,147	475,956
Noncurrent Assets:			
Capital Assets			
Land, Nondepreciable Improvements, and Construction in Progress	385,013	385,013	121,201
Other Capital Assets, Net of Depreciation	360,921	360,921	110,655
Total Capital Assets	745,934	745,934	231,856
Total Assets	\$ 2,283,081	\$ 2,283,081	\$ 707,812

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

TOWN OF CALABASH, NORTH CAROLINA

Statement of Net Assets (Continued)

June 30, 2011

	<u>Primary Government</u>		<u>Calabash ABC Board</u>
	<u>Governmental Activities</u>	<u>Total</u>	
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 4,475	\$ 4,475	\$ 68,609
Distributions Payable	-	-	20,154
Due to Primary Government	-	-	47,027
Current Portion of Long-Term Liabilities	-	-	-
Total Current Liabilities	4,475	4,475	135,790
Long-Term Liabilities:			
Due in More Than One year	7,949	7,949	-
Total Liabilities	12,424	12,424	135,790
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	745,934	745,934	244,849
Restricted For:			
Stabilization by State Statute	135,405	135,405	-
Streets	58,792	58,792	-
Town Beautification	106,999	106,999	-
Working Capital	-	-	39,250
Unrestricted	1,223,527	1,223,527	300,916
Total Net Assets	\$ 2,270,657	\$ 2,270,657	\$ 572,022

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

TOWN OF CALABASH, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governing Body	\$ 11,637	\$ -	\$ -	\$ -
Administration	272,449	46,636	-	-
Elections	-	-	-	-
Public Buildings	44,148	-	-	-
Fire and Rescue	4,977	-	-	-
Inspections	118,646	75,195	-	-
Streets and Highways	339,010	-	-	-
Powell Bill	83,823	-	55,808	-
Sanitation	37,850	-	-	-
Drainage and Watershed	19,354	-	55	-
Planning and Zoning	4,073	-	-	-
Town Beautification	67,961	-	-	-
Interest on Long-Term Debt	-	-	-	-
Total Governmental Activities	1,003,928	121,831	55,863	-
Total Primary Government	1,003,928	121,831	55,863	-
Component Units:				
Calabash ABC Board	1,356,921	1,337,132	-	-
Total Component Units	\$ 1,356,921	\$ 1,337,132	\$ -	\$ -

General Revenues:

- Property Taxes, Levied for General Purpose
- Local Option Sales Tax
- Utility Franchise Tax
- Telecommunications Tax
- Video Franchise Fee
- Beer and Wine Tax
- ABC Profit Distribution
- Unrestricted Investment Earnings
- Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Total	Calabash ABC Board
\$ (11,637)	\$ (11,637)	\$ -
(225,813)	(225,813)	-
-	-	-
(44,148)	(44,148)	-
(4,977)	(4,977)	-
(43,451)	(43,451)	-
(339,010)	(339,010)	-
(28,015)	(28,015)	-
(37,850)	(37,850)	-
(19,299)	(19,299)	-
(4,073)	(4,073)	-
(67,961)	(67,961)	-
-	-	-
(826,234)	(826,234)	-
(826,234)	(826,234)	-
-	-	(19,789)
-	-	(19,789)
255,792	255,792	-
349,520	349,520	-
99,995	99,995	-
15,651	15,651	-
7,419	7,419	-
8,070	8,070	-
66,789	66,789	-
5,286	5,286	2,841
3,604	3,604	-
-	-	-
812,126	812,126	2,841
(14,108)	(14,108)	(16,948)
2,284,765	2,284,765	588,970
\$ 2,270,657	\$ 2,270,657	\$ 572,022

TOWN OF CALABASH, NORTH CAROLINABalance Sheet
Governmental Funds
June 30, 2011

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Investments	\$ 1,215,743	\$ 106,999	\$ 1,322,742
Receivables (net):			
Ad Valorem Taxes	18,007	-	18,007
Due from Component Unit	47,027	-	47,027
Due from Other Governments	88,378	-	88,378
Restricted Cash and Investments	58,792	-	58,792
Total Assets	<u>\$ 1,427,947</u>	<u>\$ 106,999</u>	<u>\$ 1,534,946</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 4,475	\$ -	\$ 4,475
Deferred Revenues	18,007	-	18,007
Total Liabilities	<u>22,482</u>	<u>-</u>	<u>22,482</u>
Fund Balances:			
Restricted			
Stabilization by State Statute	135,405	-	135,405
Streets	58,792	-	58,792
Committed			
Town Beautification	-	106,999	106,999
Assigned			
Public Safety	66,945	-	66,945
Stormwater	116,145	-	116,145
Subsequent Year's Expenditures	205,755	-	205,755
Unassigned	822,423	-	822,423
Total Fund Balances	<u>1,405,465</u>	<u>106,999</u>	<u>1,512,464</u>
Total Liabilities and Fund Balances	<u>\$ 1,427,947</u>	<u>\$ 106,999</u>	<u>\$ 1,534,946</u>

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

TOWN OF CALABASH, NORTH CAROLINA

Balance Sheet (Continued)

Governmental Funds

June 30, 2011

		Total Governmental Funds
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical costs	\$ 959,153	
Accumulated depreciation	<u>(213,219)</u>	\$ 745,934
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>2,201</u>	2,201
Liabilities for earned but deferred revenues in fund statements.		
Ad valorem taxes	<u>18,007</u>	18,007
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment purchases	-	
Compensated absences	<u>(7,949)</u>	(7,949)
Net assets of governmental activities.		<u>\$ 2,270,657</u>

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

TOWN OF CALABASH, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended June 30, 2011

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad Valorem Taxes	\$ 243,707	\$ -	\$ 243,707
Other Taxes and Licenses	46,636	-	46,636
Unrestricted Intergovernmental	548,667	-	548,667
Restricted Intergovernmental	55,863	-	55,863
Permits and Fees	75,195	-	75,195
Investment Earnings	5,286	-	5,286
Miscellaneous	1,249	1,131	2,380
Total Revenues	<u>976,603</u>	<u>1,131</u>	<u>977,734</u>
Expenditures			
Governing Body	11,637	-	11,637
Administration	272,316	-	272,316
Elections	-	-	-
Public Buildings	31,442	-	31,442
Fire and Rescue	4,977	-	4,977
Inspections	113,239	-	113,239
Streets and Highways	333,214	-	333,214
Powell Bill	83,823	-	83,823
Sanitation	28,432	-	28,432
Drainage and Watershed	19,354	-	19,354
Planning and Zoning	4,073	-	4,073
Town Beautification	60,429	7,532	67,961
Total Expenditures	<u>962,936</u>	<u>7,532</u>	<u>970,468</u>
Revenues Over (Under) Expenditures	<u>13,667</u>	<u>(6,401)</u>	<u>7,266</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	-	113,400	113,400
Transfers to Other Funds	(113,400)	-	(113,400)
Total Other Financing Sources (Uses)	<u>(113,400)</u>	<u>113,400</u>	<u>-</u>
Net Change in Fund Balance	<u>(99,733)</u>	<u>106,999</u>	<u>7,266</u>
Fund Balance - Beginning of Year (Consolidated)	<u>1,505,198</u>	<u>-</u>	<u>1,505,198</u>
Fund Balance - End of Year	<u>\$ 1,405,465</u>	<u>\$ 106,999</u>	<u>\$ 1,512,464</u>

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

TOWN OF CALABASH, NORTH CAROLINA

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

Governmental Funds

For the Year Ended June 30, 2011

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

Net changes in fund balances - total governmental funds \$ 7,266

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	\$ 14,564	
Depreciation expense	<u>(46,825)</u>	(32,261)

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	11,184	
Interest earned on ad valorem taxes	<u>901</u>	12,085

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

Debt issuance	-	
Debt retirement	<u>-</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:

Compensated absences	<u>(1,198)</u>	(1,198)
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Total changes in net assets of governmental activities \$ (14,108)

TOWN OF CALABASH, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2011

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Ad Valorem Taxes	\$ 241,000	\$ 241,000	\$ 243,707	\$ 2,707
Other Taxes and Licenses	4,025	4,025	46,636	42,611
Unrestricted Intergovernmental	510,000	510,000	548,667	38,667
Restricted Intergovernmental	48,000	48,000	55,863	7,863
Permits and Fees	36,900	36,900	75,195	38,295
Investment Earnings	2,900	2,900	5,286	2,386
Miscellaneous	57,700	1,000	1,249	249
Total Revenues	900,525	843,825	976,603	132,778
Expenditures				
Governing Body	14,600	14,600	11,637	2,963
Administration	345,750	339,750	272,316	67,434
Elections	-	-	-	-
Public Buildings	145,500	38,100	31,442	6,658
Fire and Rescue	7,400	7,400	4,977	2,423
Inspections	102,000	122,000	113,239	8,761
Streets and Highways	190,850	190,850	183,214	7,636
Powell Bill	73,400	97,400	83,823	13,577
Sanitation	18,000	18,000	28,432	(10,432)
Drainage and Watershed	28,575	28,575	19,354	9,221
Planning and Zoning	5,850	5,850	4,073	1,777
Town Beautification	60,375	60,375	60,429	(54)
Contingency	16,033	16,034	-	16,034
Total Expenditures	1,008,333	938,934	812,936	125,998
Revenues Over (Under) Expenditures	(107,808)	(95,109)	163,667	258,776
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(150,000)	(263,400)	(263,400)	-
Total Other Financing Sources (Uses)	(150,000)	(263,400)	(263,400)	-
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(257,808)	(358,509)	(99,733)	258,776
Appropriated Fund Balance	257,808	358,509	-	(358,509)
Net Change in Fund Balance	\$ -	\$ -	(99,733)	\$ (99,733)
Fund Balance - Beginning of Year			<u>1,322,108</u>	
Fund Balance - End of Year			<u>\$ 1,222,375</u>	

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

TOWN OF CALABASH, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2011

Fund Balance - End of Year	<u>\$ 1,222,375</u>
A legally budgeted Sewer Expansion Fund is	
Consolidated into the General Fund for Reporting Purposes	
Transfer from General Fund	150,000
Expenditures	(150,000)
Fund Balance - Beginning	<u>-</u>
	<u>-</u>
A legally budgeted Future Police Department Fund is	
Consolidated into the General Fund for Reporting Purposes	
Fund Balance - Beginning	66,945
	<u>66,945</u>
A legally budgeted Capital Improvement Fund is	
Consolidated into the General Fund for Reporting Purposes	
Fund Balance - Beginning	116,145
	<u>116,145</u>
Fund Balance - End of Year (Consolidated)	<u>\$ 1,405,465</u>

TOWN OF CALABASH, NORTH CAROLINA

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Calabash and its discretely presented component unit 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 Calabash 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 and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Calabash ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Calabash ABC Board, 10223 Beach Road, Calabash, NC 28467.

B. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government and its component unit. 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.

The statement of activities presents a comparison between direct expenses and program revenues 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental are aggregated and reported as nonmajor funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from nonexchange transactions. Other nonoperating 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 inspections, street maintenance and construction, and general administration. Additionally, the Town has legally adopted a Sewer Expansion Fund, Capital Improvement Fund, and Future Police Department Fund. Under GASB 54 guidance the Expansion Fund, Capital Improvement Fund, and Future Police Department Fund are consolidated in the General Fund. The budgetary comparisons for the Expansion Fund, Capital Improvement Fund, and Future Police Department Fund has been included in the supplemental information.

The Town reports the following non-major governmental funds:

Park Grant Project Fund. This fund is used to account for funds held for park capital expenditures.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Brunswick County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Calabash. 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 Brunswick County from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, Capital Improvement Fund, Future Stormwater Fund, Future Police Department Fund, and Sewer Expansion Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Budget Officer is authorized to transfer appropriations within a department; however, such changes should not result in increases in recurring obligations such as salaries and may transfer amounts up to \$1000 between departments within the same fund. A budget amendment must be made for of all such transfers at the next regular Board meeting. No amounts may be transferred between funds except as approved by the Governing Board in the Budget Ordinance. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town and the ABC Board 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 and the ABC Board 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).

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. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2010.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased.

The inventories of the Town's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government – wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: equipment, \$5,000; buildings, \$20,000; and infrastructure, \$100,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003 are not recorded. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Capital Assets (Continued)

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

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

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Land Improvements	20
Buildings	40
Furniture and fixtures	10
Store Equipment	5-7
Office Equipment	3-10

8. Long-Term Obligations

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

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to three weeks (120 hours) 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 accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town 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, and Fund Equity (Continued)

10. Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Committed for Town Beautification – portion of fund balance assigned by the Board for park capital improvements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Net Assets/Fund Balances (Continued)

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

Assigned for Public Safety – portion of fund balance that has been budgeted by the Board for a future police department.

Assigned for Stormwater – portion of fund balance that has been budgeted by the Board for stormwater improvements.

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.

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

The Town of Calabash has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is not in the best interest of the Town.

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board 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 or the ABC Board'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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board'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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board 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 and the ABC Board have no policy regarding custodial credit risk for deposits.

At June 30, 2011, the Town's deposits had a carrying amount of \$1,381,284 and a bank balance of \$1,395,396. Of the bank balance, \$653,195 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$333,533 and the bank balance was \$338,987. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2011, the Town's petty cash fund totaled \$250.

2. Receivables - Allowances for Doubtful Accounts

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

Fund	06/30/2011	
General Fund:		
Ad Valorem Taxes receivable	\$	2,000
Total	\$	2,000

TOWN OF CALABASH, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 385,013	\$ -	\$ -	\$ 385,013
Total capital assets not being Depreciated	385,013	-	-	385,013
Capital assets being depreciated:				
Buildings	374,002	7,350	-	381,352
Equipment	75,392	7,214	-	82,606
Vehicles	110,181	-	-	110,181
Total capital assets being Depreciated	559,575	14,564	-	574,139
Less accumulated depreciation for:				
Buildings	36,066	14,830	-	50,896
Equipment	54,077	14,269	-	68,347
Vehicles	76,250	17,726	-	93,975
Total accumulated depreciation	166,393	46,825	-	213,218
Total capital assets being depreciated, net	393,182			360,921
Governmental activity capital assets, net	<u>\$ 778,195</u>			<u>\$ 745,934</u>

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

Sanitation	\$ 9,417
Public Buildings	20,056
Inspections	4,454
Streets and Highways	12,898
Total depreciation expense	<u>\$ 46,825</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

3. Capital Assets (Continued)

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Land	\$ 119,763	\$ -	\$ -	\$ 119,763
Land Improvements	1,438	-	-	1,438
Buildings	231,915	-	-	231,915
Furniture and Fixtures	16,479	-	-	16,479
Equipment	32,794	-	-	32,794
Total capital assets being depreciated	402,389	-	-	402,389
Less accumulated depreciation for:				
Land	-	-	-	-
Land Improvements	1,438	-	-	1,438
Buildings	108,227	11,595	-	119,822
Furniture and Fixtures	15,684	795	-	16,479
Equipment	32,191	603	-	32,794
Total accumulated depreciation	157,540	\$ 12,993	\$ -	170,533
ABC capital assets, net	\$ 244,849			231,836

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Calabash 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 (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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 is 13.72% of annual covered payroll. The contribution requirements of members and of the Town of Calabash is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$41,182, \$35,200, and \$30,020, respectively. The contributions made by the Town equaled the required contributions for each year.

2. Deferred / Unearned Revenues

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

	Deferred Revenue
Taxes receivable (General Fund)	\$ 18,007
Total	\$ 18,007

3. 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 three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability coverage of \$2 million per occurrence, auto, public officials and employment practices, workers' compensation and employee benefits liability coverage of \$1 million per occurrence, property coverage up to the total insurance value of the property, and health insurance for Town employees. There is no lifetime limit on employee health insurance. The finance officer and tax collector are each individually bonded for \$50,000 each.

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 NCLM – Interlocal Risk Financing Fund of NC. Because the City is in an area of the State that has been mapped and designated an "X" (an area outside the 1-percent annual chance floodplain) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$5,000,000 per structure through the NCLM – Interlocal Risk Financing Fund of NC.

TOWN OF CALABASH, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Long-Term Obligations

a. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations for the fiscal year ended June 30, 2011:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion
Governmental Activities:					
Capitalized Leases	\$ -	\$ -	\$ -	\$ -	-
Installment Purchases	-	-	-	-	-
Compensated Absences	6,751	1,198	-	7,949	-
Governmental Activity Long-Term Liabilities	\$ 6,751	\$ 1,198	\$ -	\$ 7,949	-

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

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2011, consist of the following:

From the General Fund to the Park Grant Project Fund	\$ 113,400
Total	\$ 113,400

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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

D. 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>	\$1,405,465
Less:	
Restricted	
Stabilization by State Statute	135,405
Streets – Powell Bill	58,792
Assigned	
Appropriated Fund Balance in 2012 budget	205,755
Public Safety – Future Police Department	66,945
Stormwater	116,145
Remaining Fund Balance	822,423

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

	General Fund	Non-Major Funds
Encumbrances	\$-	\$-

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

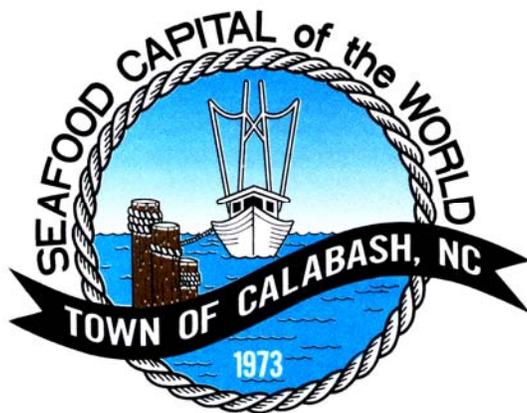
The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management 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. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2011, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for sanitation activities by \$10,432 and town beautification by \$54. This over-expenditure occurred because of management oversight. The Board will more closely review the budget reports to ensure compliance



Major Governmental Funds

General Fund

TOWN OF CALABASH, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 243,259	
Penalties and Interest		448	
Total Ad Valorem Taxes	\$ 241,000	243,707	\$ 2,707
Other Taxes and Licenses			
Animal Taxes		30	
Privilege Licenses		46,606	
Total Other Taxes and Licenses	4,025	46,636	42,611
Unrestricted Intergovernmental			
Local Option Sales Tax		349,520	
Utility Franchise Tax		99,995	
Telecommunications Tax		15,651	
Video Franchise Fee		7,419	
Beer and Wine Tax		8,070	
Solid Waste Disposal Tax		1,223	
ABC Profit Distribution		66,789	
Total Unrestricted Intergovernmental	510,000	548,667	38,667
Restricted Intergovernmental			
Powell Bill Allocation		55,808	
CAMA Grant		55	
Total Restricted Intergovernmental	48,000	55,863	7,863
Permits and Fees			
Inspection Fees		26,694	
Building Permits		48,501	
Total Permits and Fees	36,900	75,195	38,295
Investment Earnings			
General		5,188	
Powell Bill		98	
Total Investment Earnings	2,900	5,286	2,386
Miscellaneous			
Other		1,249	
Total Miscellaneous	1,000	1,249	249
Total Revenues	843,825	976,603	132,778

TOWN OF CALABASH, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Expenditures			
Governing Body			
Board Fees		\$ 6,890	
Other Operating Expenditures		4,747	
Total Governing Body	\$ 14,600	11,637	\$ 2,963
Administration			
Salaries, Wages and Employee Benefits		165,839	
Professional Services		43,677	
Other Operating Expenditures		62,800	
Total Administration	339,750	272,316	67,434
Elections			
Other Operating Expenditures	-	-	-
Public Buildings			
Other Operating Expenditures		24,092	
Capital Outlay		7,350	
Total Public Buildings	38,100	31,442	6,658
Fire and Rescue			
Donation to Town VFD		2,977	
Donation to Town Rescue		2,000	
Total Fire and Rescue	7,400	4,977	2,423
Inspections			
Salaries, Wages and Employee Benefits		96,224	
Other Operating Expenditures		17,015	
Total Inspections	122,000	113,239	8,761
Streets and Highways			
Salaries, Wages and Employee Benefits		145,848	
Other Operating Expenditures		30,152	
Capital Outlay		7,214	
Total Streets and Highways	190,850	183,214	7,636
Powell Bill			
Salaries, Wages and Employee Benefits		21,429	
Contracted Services		32,000	
Other Operating Expenditures		30,394	
Total Powell Bill	97,400	83,823	13,577

TOWN OF CALABASH, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Sanitation			
Contracted Services		\$ 28,432	
Total Sanitation	\$ 18,000	28,432	\$ (10,432)
Drainage and Watershed			
Salaries, Wages and Employee Benefits		-	
Professional Services		8,309	
Drainage Ditches		11,045	
Total Drainage and Watershed	28,575	19,354	9,221
Planning and Zoning			
Salaries and Benefits		2,637	
Other Operating Expenditures		1,436	
Total Planning and Zoning	5,850	4,073	1,777
Town Beautification			
Contracted Services		480	
Other Operating Expenditures		59,949	
Total Town Beautification	60,375	60,429	(54)
Contingency	16,034	-	16,034
Total Expenditures	938,934	812,936	125,998
Revenues Over (Under) Expenditures	(95,109)	163,667	258,776
Other Financing Sources (Uses)			
Transfers Out:			
Sewer Expansion Fund	(150,000)	(150,000)	-
Capital Improvement Fund	(113,400)	(113,400)	-
Total Other Financing Sources (Uses)	(263,400)	(263,400)	-

TOWN OF CALABASH, NORTH CAROLINA

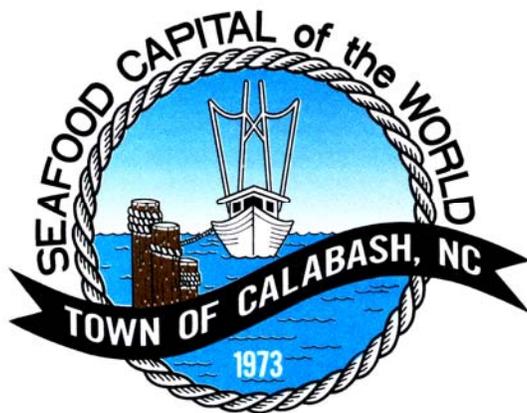
General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (358,509)	\$ (99,733)	\$ 258,776
Fund Balance Appropriated	<u>358,509</u>	-	<u>(358,509)</u>
Net Change in Fund Balance	<u>\$ -</u>	(99,733)	<u>\$ (99,733)</u>
Fund Balance - Beginning of Year		<u>1,322,108</u>	
Fund Balance - End of Year		<u>\$ 1,222,375</u>	



Special Revenue Funds Consolidated With General Fund

TOWN OF CALABASH, NORTH CAROLINA

Sewer Expansion Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ -	\$ -	\$ -
Streets and Highways			
Contracted Services	150,000	150,000	-
Revenues Over (Under) Expenditures	(150,000)	(150,000)	-
Other Financing Sources			
Transfers in:			
General Fund	150,000	150,000	-
Total Other Financing Sources	150,000	150,000	-
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	-
Appropriated Fund Balance	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		-	
Fund Balance - End of Year		<u>\$ -</u>	

TOWN OF CALABASH, NORTH CAROLINA
 Future Police Department Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ -	\$ -	\$ -
Other Financing Sources			
Transfers in:			
General Fund	-	-	-
Total Other Financing Sources	-	-	-
Revenues and Other Financing Sources	-	-	-
Appropriated Fund Balance	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>66,945</u>	
Fund Balance - End of Year		<u>\$ 66,945</u>	

TOWN OF CALABASH, NORTH CAROLINA

Capital Improvement Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ -	\$ -	\$ -
Other Financing Sources			
Transfers in:			
General Fund	-	-	-
Total Other Financing Sources	-	-	-
Revenues and Other Financing Sources	-	-	-
Appropriated Fund Balance	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>116,145</u>	
Fund Balance - End of Year		<u>\$ 116,145</u>	

Nonmajor Governmental Funds

TOWN OF CALABASH, NORTH CAROLINA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2011

	Park Grant Project Fund	Total
Assets		
Cash and Cash Equivalents	\$ 106,999	\$ 106,999
Total Assets	<u>106,999</u>	<u>106,999</u>
Liabilities and Fund Balances		
Accounts Payable and Accrued Liabilities	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balances		
Assigned		
Town Beautification	<u>106,999</u>	<u>106,999</u>
Total Fund Balances	<u>\$ 106,999</u>	<u>\$ 106,999</u>

TOWN OF CALABASH, NORTH CAROLINA

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

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2011

	Park Grant Project Fund	Total
Revenues		
Miscellaneous	\$ 1,131	\$ 1,131
Expenditures		
Town Beautification	7,532	7,532
Revenues Over (Under) Expenditures	(6,401)	(6,401)
Other Financing Sources (Uses)		
Transfers from Other Funds	113,400	113,400
Net Change in Fund Balance	106,999	106,999
Fund Balance - Beginning of Year	-	-
Fund Balance - End of Year	<u>\$ 106,999</u>	<u>\$ 106,999</u>

TOWN OF CALABASH, NORTH CAROLINA

Park Grant Project Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2011

	Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Year	Current Year		
Revenues					
Restricted Intergovernmental					
PARTF Grant	\$ 56,700	\$ -	\$ -	\$ -	\$ (56,700)
Miscellaneous	-	-	1,131	1,131	1,131
Total Revenues	56,700	-	1,131	1,131	(55,569)
Expenditures					
Town Beautification					
Park Improvements	113,400	-	7,532	7,532	105,868
Total Expenditures	113,400	-	7,532	7,532	105,868
Revenues Over (Under)					
Expenditures	(56,700)	-	(6,401)	(7,532)	49,168
Other Financing Sources (Uses)					
Transfers in:					
General Fund	56,700	-	113,400	113,400	56,700
Transfers out:					
General Fund	-	-	-	-	-
Total Other Financing Sources (Uses)	56,700	-	113,400	113,400	56,700
Net Change in Fund Balance	\$ -	\$ -	106,999	\$ 105,868	\$ 105,868
Fund Balance - Beginning			-		
Fund Balance - Ending			\$ 106,999		

Other Schedules

TOWN OF CALABASH, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2011

<u>Fiscal Year</u>	<u>Uncollected Balance 7-1-10</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6-30-11</u>
2010-11	\$ -	\$ 255,822	\$ 241,352	\$ 14,470
2009-10	3,117	-	1,501	1,616
2008-09	979	-	202	777
2007-08	842	-	94	748
2006-07	647	-	24	623
2005-06	526	-	38	488
2004-05	639	-	31	608
2003-04	347	-	17	330
2002-03	229	-	-	229
2001-02	118	-	-	118
2000-01	79	-	79	-
	<u>\$ 7,523</u>	<u>\$ 255,822</u>	<u>\$ 243,338</u>	<u>20,007</u>
Less: Allowance for Uncollectible Accounts:				
General Fund				<u>2,000</u>
Ad Valorem Taxes Receivable - Net				<u><u>18,007</u></u>
 <u>Reconciliation with Revenues</u>				
Ad Valorem Taxes - General Fund				243,707
Reconciling Items:				
Interest and Penalties Collected				(448)
Taxes Released				-
Taxes Written Off				<u>79</u>
Total Collections and Credits				<u><u>\$ 243,338</u></u>

TOWN OF CALABASH, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2011

	Town-Wide		Total Levy		
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Year's Rate	\$ 364,071,646	0.070	\$ 254,851	\$ 248,033	\$ 6,818
Discoveries:					
Current Year Taxes	1,387,813	0.070	971	971	-
Penalties	-		-	-	-
Abatements:					
Property Taxes - Current Year's Rate	-	0.070	-	-	-
Total Property Valuations	<u>\$ 365,459,459</u>				
Net Levy			255,822	249,004	6,818
Uncollected Taxes at June 30, 2011			(14,470)	(13,720)	(750)
Current Year's Taxes Collected			<u>\$ 241,352</u>	<u>\$ 235,284</u>	<u>\$ 6,068</u>
Current Levy Collection Percentage			<u>94.34%</u>	<u>94.49%</u>	<u>89.00%</u>

