

Town of Atlantic Beach, North Carolina

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2014

Prepared by:

Williams · Scarborough · Smith · Gray, LLP

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Town of Atlantic Beach, North Carolina
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June 30, 2014

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Introductory Section

- Letter of Transmittal
- List of Principal Officials
- Organizational Chart
- Certificate of Excellence



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October 29, 2014

The Honorable Mayor and Members of the Town Council
Town of Atlantic Beach
Atlantic Beach, North Carolina

The Comprehensive Annual Financial Report (CAFR) for the Town of Atlantic Beach, North Carolina, for the fiscal year ended June 30, 2014, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures within this report rests with the management of the **Town of Atlantic Beach**. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of **Thompson, Price, Scott, Adams & Co., P.A.** and their unqualified opinion is included in the financial section of the Comprehensive Annual Financial Report.

The Town of Atlantic Beach provides a full range of services to its citizens. The General Fund services include police, fire, emergency management, planning, code enforcement, construction and maintenance of the streets and various other services associated with the administration of the Town. The Enterprise Fund services include water administration and distribution. As a result, there are no exclusions described herein and all the Town's operations are included within this report.

As demonstrated by the statements and schedules included in the financial section of the report, the Town continues to meet its responsibility for sound financial management.

Immediately following the Independent Auditor's report is Management's Discussion and Analysis (MD&A), which provides a narrative overview of the Town's financial performance for fiscal year ended June 30, 2014. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Town of Atlantic Beach

The Town of Atlantic Beach was incorporated on March 17, 1937. The Town of Atlantic Beach currently has a population of 1,517 and encompasses 2.3 square miles. Atlantic Beach is located on a barrier island in Carteret County on the eastern end of Bogue Banks. The Atlantic Ocean is to the south while the Bogue Sound lies to the north of the island. Atlantic Beach prides itself on being a seasonal residential resort community. Atlantic Beach is a thriving coastal community that is a major tourist destination along the coast of North Carolina. The Town of Atlantic Beach has a strong commitment to preserving its environment and protecting the ocean dunes and maritime forest. The Town's developmental priorities and goals of environmental and resource protection clearly states its strong desire to encourage and promote tourism.

The Town of Atlantic Beach operates under the Council-Manager form of Government. The structure of Council-Manager is similar to that of any large business. The registered voters of the Town elect the Town Council, and the Council then chooses a full-time, non-partisan Manager whose duties compare to those of a business corporation General Manager. The Town Council is comprised of the Mayor and five Council Members.

The Town Council adopts an annual budget, town ordinances, and resolutions. The Town Council is also responsible for determining the Town policies and the level of service in which the Town will provide to the residents. As part of the budget process the Town Council determines the Town's tax rate. The Town Council approves all agreements and contracts. The Town Council appoints citizens to various Boards and Committees and represents the Town as an overall leadership entity. The Town provides the following services to its citizens: law enforcement, emergency management, planning and inspection, fire and EMT, sanitation, street maintenance, and water. These daily operation functions are supported by an administrative staff, which provides financing, tax billing, collections, purchasing, risk management, data processing and personnel.

In order for these departments to be funded the Town adopts an annual budget which is required by North Carolina General Statutes. Annual appropriated budgets are adopted for the general and enterprise funds. All annual appropriations lapse at the fiscal year end. All budgets are prepared using the modified accrual basis of accounting. The Town is organized into the following departments and associated department objectives:

Administrative Services – The departmental objectives are to continue developing the Town's governmental organization to enhance the accomplishment of community objectives, to safeguard the financial capability of the organization, and to implement high quality financial standards and procedures. Additional objectives are to achieve a stable and strong financial position by accurately estimating, prudently allocating, and managing financial resources.

Police – The department objective is to continue providing public safety coverage, outstanding public relations, community involvement, and proper response time as the Town grows and develops. The department's staff has demonstrated a continual improvement in response time and has enhanced public safety.

Fire – The department objective is to continue to maintain the Town's fire department as a professional responding department through proper training requirements, certifications, and the retention of quality professionals. Each shift is now composed of three paramedics and one licensed EMT. The fire department maintains an ISO rating of four (4) for homeowners insurance.

Public Services – The department objective is to continue to implement short and long range programs and improvements along with the continued development of capital improvement programs to insure adequate response and performance relative to growth. Additional objectives are to continue developing programs for timely replacement of the water distribution system along with considering and addressing available options for reasonable future sources of water supply.

Planning – The department objective is to continue the review and development of processes and regulations that improve the quality of life for the people living and working within the planning area. This will be accomplished through the identification of solutions; the formulation of community goals, objectives, policies, and projects; to the end that common vision is achieved through an open civic process.

Inspections – The department objective is to enforce the Town's development ordinances and the North Carolina Building Code for the Town of Atlantic Beach and jurisdictional areas.

Internal Controls. The management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the separation of financial statements in

conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that the objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Internal control evaluations occur within the above framework, and we believe the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions for a town of this size. Due to the limitation of personnel, the Town will distribute duties as needed with each additional new hire.

Budget Controls. In accordance with the state law, the Town's budget is prepared on the modified accrual basis, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a liability is incurred, except for interest on long-term debt and accrued vacation benefits. The proprietary funds are represented in the financial statements on the accrual basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period that they are incurred, as permitted by generally accepted accounting principles.

Independent Audit. The General Statutes of North Carolina require an annual independent financial audit of all local government units in the state. Thompson, Price, Scott, Adams & Co., P.A., a firm of independent certified public accountants, has audited the financial statements of the Town of Atlantic Beach. The auditor's report on the financial reports is included in the financial section of this report.

Town of Atlantic Beach Economic Condition

Atlantic Beach's economy is driven by the seasonal tourist industry. Atlantic Beach is primarily a residential community with commerce related primarily to tourism and construction. The primary source of revenue is the ad valorem tax. The industry generates strong retail, construction, and real estate employment. The Town is also located near the historical tourist site of the Fort Macon State Park. The Town is in close proximity of the Cherry Point Marine Corps Air Station, which is a major employer of Carteret County. A large marine science community is a surrounding neighbor of the Town of Atlantic Beach. This includes the C-MAST, NOAA, NC State Fisheries, UNC Institute of Marine Sciences and Duke University Marine Laboratory. The State Port of Morehead City is in close proximity of the Town. The Town is bordered by water on two sides by Bogue Sound and the Atlantic Ocean. The Town of Pine Knoll Shores is its neighbor to the west and the Fort Macon State Park is its neighbor to the east.

The Town continues to work with property developer, FMB Inc. on the redevelopment of the "Circle" area in downtown Atlantic Beach. This project promises to significantly enhance the business, residential and entertainment infrastructure at the core of the Town. This area has great historical significance to the Town and has served as the focal point for Town activities since its founding in 1937. The Town Council has considered many alternatives over the years and now believes this public-private partnership will bring the Town the right solution for both year-round residents and seasonal tourists.

The Town has completed the planning phase of the stormwater and wastewater management project. Connected to this project and in anticipation of the need for significant land acreage to support the stormwater and wastewater infrastructure, the Town acquired a large parcel of land within the Town limits in fiscal year 2006-07. Said property is also being evaluated as a prime location for Town facilities and a recreational center.

The Town also provided assistance with numerous community projects, including the AB Beach Music Festival, Tuna Run 200 and National Night Out.

Awards and Acknowledgements

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Atlantic Beach for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the fourteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated services and cooperation of Thompson, Price, Scott, Adams & Co., P.A., Williams · Scarborough · Smith · Gray, LLP and the Town of Atlantic Beach staff. As the Finance Officer responsible for the completion and submission of this report, it would not have been possible without the combined efforts of everyone involved.

Respectfully submitted,

David R. Walker

David R. Walker,
Town Manager

Town of Atlantic Beach, North Carolina
List of Principal Officials
June 30, 2014

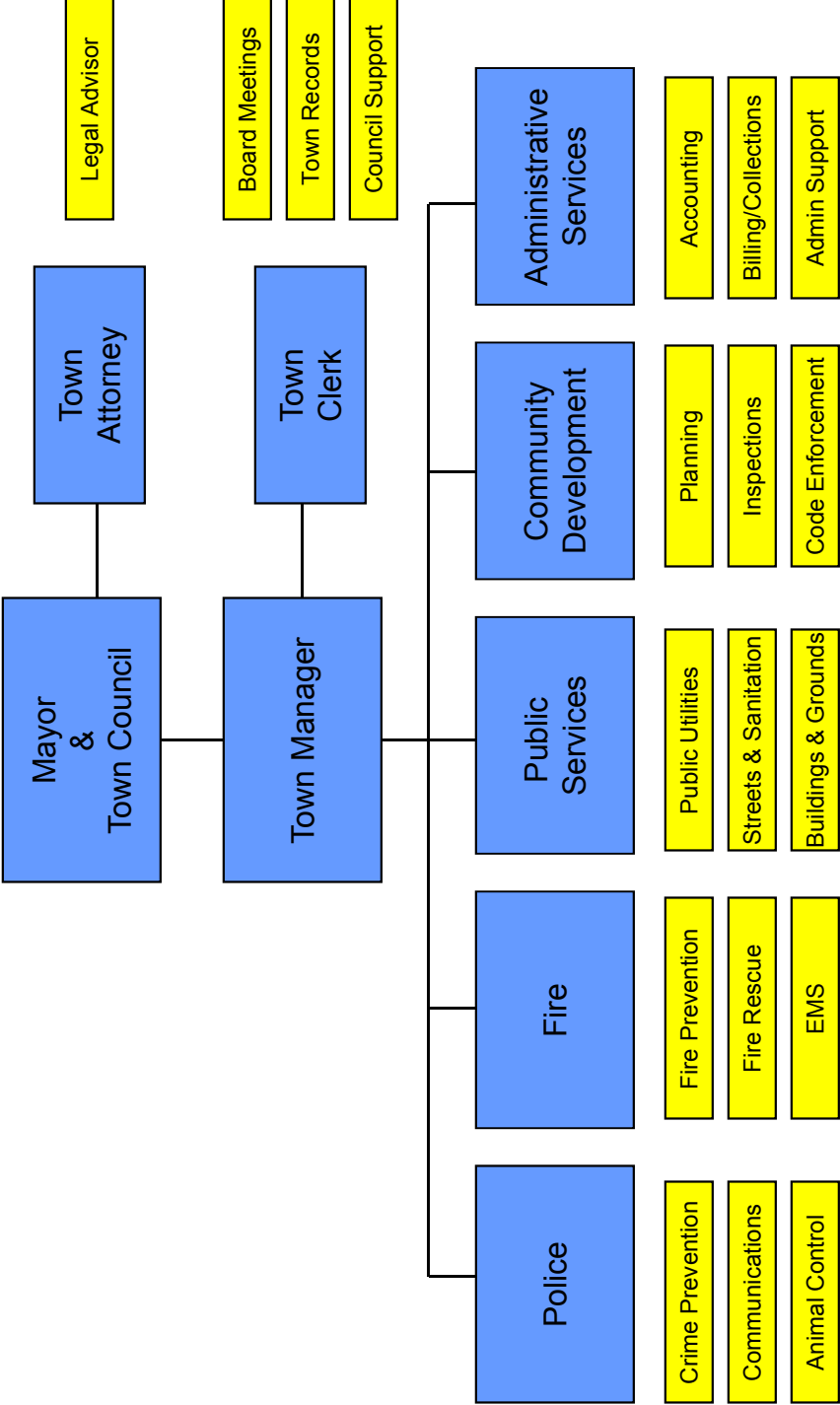
TOWN COUNCIL

Honorable A. B. Cooper, III, Mayor
Danny Navey, Mayor Pro Tem
Harry Archer
Ann Batt
Eddie Briley
John Rivers

ADMINISTRATION

David R. Walker, Town Manager & CFO
Sabrina Simpson, Administrative Services Director
Laurie Hasulak, Tax Collector
Katrina Tyer, Town Clerk
Marc Schulze, Public Services Director
G. Allen Smith, Police Chief
Adam Snyder, Fire Chief
Donna Turner, Inspections Director
Jessica Fiester, Planning & Zoning Director

Town of Atlantic Beach Organization Functions





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Atlantic Beach
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Financial Section

- Report of Independent Certified Public Accountants
- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Basic Financial Statements
- Supplementary Information



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Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Atlantic Beach, 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 Atlantic Beach, North Carolina, as of and for the year then ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Atlantic Beach's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atlantic Beach, North Carolina as of June 30, 2014, 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 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 and other Postemployment Benefits' Schedules of Funding Progress and 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 Atlantic Beach, North Carolina. The combining and individual fund statements, budgetary schedules and, other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules and, other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules and, other schedules, 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 October 13, 2014 on our consideration of the Town of Atlantic Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 Atlantic Beach's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A
Wilmington, North Carolina
October 13, 2014

TOWN OF ATLANTIC BEACH

Management's Discussion and Analysis

As management of the Town of Atlantic Beach (Town), we offer readers of the Town financial statements this narrative overview and analysis of the financial activities of the Town of Atlantic Beach for the fiscal year ended June 30, 2014. 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 Atlantic Beach exceeded its liabilities at the close of the fiscal year by \$14,323,883 (net position).
- The government's total net position increased by \$28,029 due to an increase in the governmental activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,049,151. Approximately 86.0% of this total amount or \$4,342,286 is available for spending at the government's discretion (unassigned fund balance) in the general fund. Assigned fund balance in the special revenue fund totals \$236,473.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,342,286, or 67.3% of total general fund expenditures (\$6,453,117) for the fiscal year.
- The government's total debt decreased by \$344,731 during the current fiscal year.
- The Town of Atlantic Beach has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting each consecutive year beginning with the June 30, 2000 annual report.

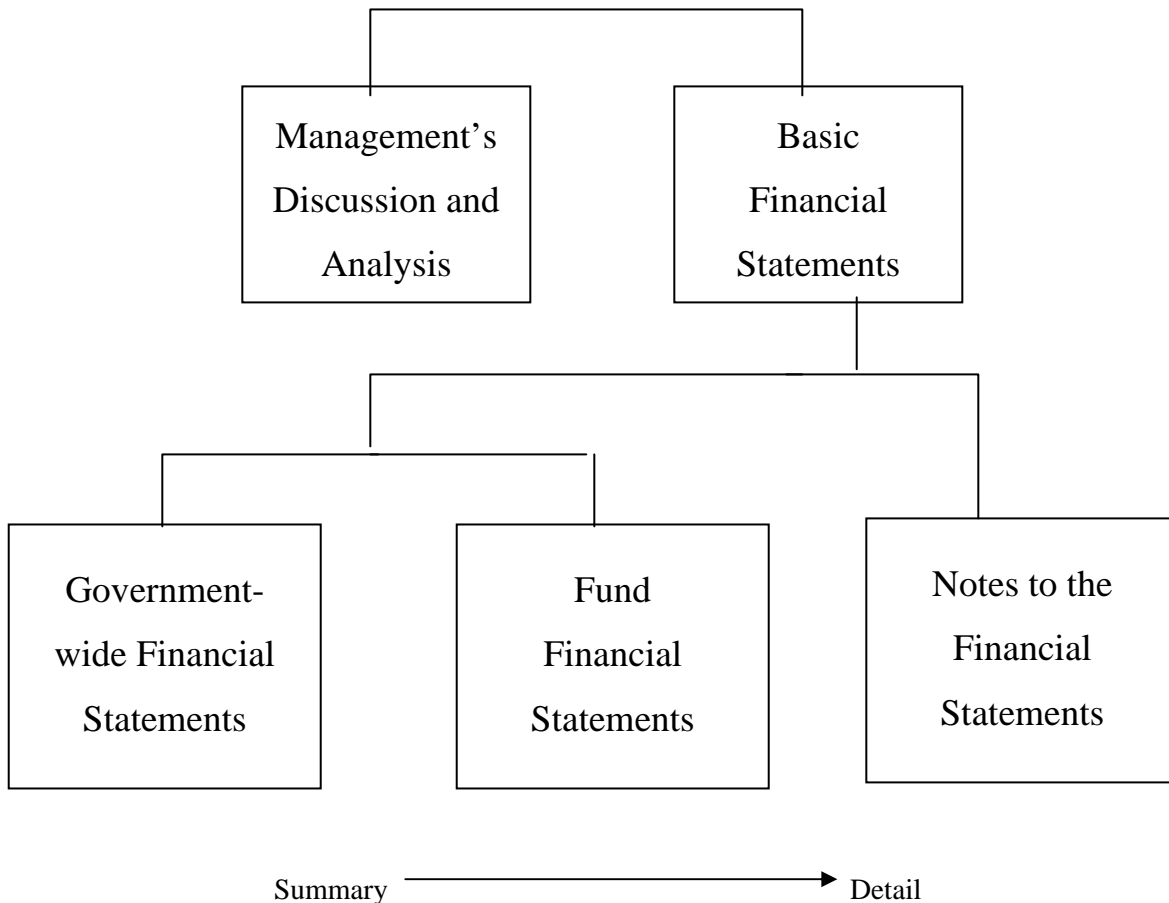
Overview of the Financial Statements

This discussion and analysis section is intended to serve as an introduction to Town of Atlantic Beach 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 Atlantic Beach.

TOWN OF ATLANTIC BEACH
Management's Discussion and Analysis

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary 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.

TOWN OF ATLANTIC BEACH

Management's Discussion and Analysis

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 total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, streets, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water services offered by the Town of Atlantic Beach.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Atlantic Beach, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Atlantic Beach can be divided into two categories: governmental funds and proprietary 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 which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there more or less financial resources available to finance the Town's programs. The relationship between 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 Atlantic Beach adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

TOWN OF ATLANTIC BEACH
Management's Discussion and Analysis

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.

Proprietary Funds - Town of Atlantic Beach has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Atlantic Beach uses enterprise funds to account for its water activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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 begin on page 31 of this report.

Other Information In addition to the basic financial statements and accompanying notes, this report includes certain other required schedules concerning the Town of Atlantic Beach. The other schedules can be found beginning on page 55 of this report.

Government-Wide Financial Analysis

Town of Atlantic Beach - Net Position
Figure 2

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	5,371,659	6,107,967	1,795,968	2,029,382	7,167,627	8,137,349
Capital assets	7,524,439	6,692,881	2,849,277	2,923,729	10,373,716	9,616,610
Total assets	12,896,098	12,800,848	4,645,245	4,953,111	17,541,343	17,753,959
Current liabilities	687,678	586,025	59,440	55,164	747,118	641,189
Long-term liabilities	2,443,560	2,789,615	22,473	22,628	2,466,033	2,812,243
Total liabilities	3,131,238	3,375,640	81,913	77,792	3,213,151	3,453,432
Deferred Inflows of Resources	4,309	4,673	0	0	4,309	4,673
Net assets:						
Invested in capital assets, net of related debt	5,190,369	4,006,135	2,849,277	2,923,729	8,039,646	6,929,864
Restricted - Streets - Powell Bill	64,459	185,307	-	-	64,459	185,307
Restricted - Stabilization by State Statute	405,933	351,456	-	-	405,933	351,456
Unrestricted	4,099,790	4,877,637	1,714,055	1,951,590	5,813,845	6,829,227
Total net position	9,760,551	9,420,535	4,563,332	4,875,319	14,323,883	14,295,854

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Atlantic Beach exceeded liabilities by \$14,323,883 as of June 30, 2014. The Town's net position increased by \$28,029 for the fiscal year ended June 30, 2014. 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 makes up a large portion of the net position of \$8,039,646. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Atlantic Beach investment in its capital assets is

TOWN OF ATLANTIC BEACH
Management's Discussion and Analysis

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. A minor portion of the Town's net assets, \$470,392 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,813,845 is unrestricted.

Several particular aspects of the Town's financial operations influenced the total unrestricted governmental net assets, notably, the continued diligence in the collection of property taxes by accomplishing a tax collection percentage of 99.44%.

Town of Atlantic Beach - Changes in Net Position
Figure 3

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	1,037,041	1,108,861	1,188,448	1,133,273	2,225,489	2,242,134
Operating grants & contributions	217,777	267,984	-	-	217,777	267,984
Capital grants & contributions	-	-	-	-	0	0
General revenues:						
Property taxes	2,750,669	2,819,505	-	-	2,750,669	2,819,505
Other taxes	13,951	22,742	-	-	13,951	22,742
Unrestricted intergovernmental revenues:						
Local option sales tax	980,257	960,118	-	-	980,257	960,118
Carteret County ABC revenue	135,328	107,870	-	-	135,328	107,870
Utilities franchise tax	205,112	188,339	-	-	205,112	188,339
Cable vision franchise tax	90,306	92,300	-	-	90,306	92,300
Telecommunications sales tax	42,142	44,151	-	-	42,142	44,151
Other intergovernmental revenues	11,090	10,930	-	-	11,090	10,930
Gain (loss) on disposal of assets	-	-	-	-	-	-
Other	27,946	55,431	6,347	7,085	34,293	62,516
Total revenues	5,511,619	5,678,231	1,194,795	1,140,358	6,706,414	6,818,589
Expenses:						
General government	772,997	1,068,784	-	-	772,997	1,068,784
Public safety	2,926,342	2,888,154	-	-	2,926,342	2,888,154
Transportation	466,616	531,179	-	-	466,616	531,179
Economic & Physical Development	111,892	99,748	-	-	111,892	99,748
Environmental Protection	468,563	443,724	-	-	468,563	443,724
Parks and Recreation	478,995	301,301	-	-	478,995	301,301
Interest on long-term debt	49,099	81,425	-	-	49,099	81,425
Water	-	-	1,403,882	1,361,249	1,403,882	1,361,249
Total expenses	5,274,504	5,414,315	1,403,882	1,361,249	6,678,386	6,775,564
Increase (decrease) in net position						
before transfers	237,115	263,916	-209,087	-220,891	28,028	43,025
Transfers	102,900	156,333	(102,900)	(156,333)	-	-
Increase (decrease) in net position after transfers	340,016	420,249	(311,987)	(377,224)	28,029	43,025
Prior period adjustment	-	-	-	-	-	-
Net position, July 1	9,420,535	9,000,286	4,875,319	5,252,543	14,295,854	14,252,829
Net position, June 30	9,760,551	9,420,535	4,563,332	4,875,319	14,323,883	14,295,854

TOWN OF ATLANTIC BEACH

Management's Discussion and Analysis

Governmental activities. Governmental activities increased the Town's net position by \$340,016, thereby accounting for 1213.09% of the total growth in the net assets of the Town of Atlantic Beach, as the net position in the business-type activities decreased by \$311,987. This increase in the Town's net position can be attributed to several factors. While State-shared revenues of utilities franchise tax and cable vision franchise tax were lower than anticipated, this was offset with higher than expected Local option sales tax revenues and local ABC revenues, the Town's strong tax collection rate of 99.44% of stable tax values, and the foresight to acknowledge and plan for the continued economic downturn by freezing spending, salaries, and capital purchases except where necessary.

Business-type activities. Business-type activities decreased the Town of Atlantic Beach net position by \$311,987. Water base usage fees and stormwater fees remained the same to avoid increases during a pressed economic environment. Following Hurricane Irene three years ago, the Town's largest major hotel has changed management, renovated, and re-opened to full capacity toward the end of this fiscal year. While still paying for the minimum monthly bill, the Town lost revenue due to the lack of water usage which consistently generated revenue above the minimum bills. Costs to continue town-wide implementation of an automated meter reading system and associated meters and transmitters resulted in a decrease in net position.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Atlantic Beach governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Atlantic Beach. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,342,286 while total fund balance reached \$4,812,678. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures, which were \$6,453,117. Unassigned fund balance represents 67.3% of total General Fund expenditures, while total fund balance represents 74.6% of that same amount.

At June 30, 2014, the governmental funds of Town of Atlantic Beach reported a combined fund balance of \$5,049,151, a decrease of \$839,181 from last year. Total fund balance for all governmental funds represents 78% of total Governmental Funds expenditures. While there were higher than anticipated revenues, strict oversight of personnel, operating and routine capital expenditures, we used the opportunity to proceed with multiple major projects in lieu of keeping the reserves in the bank producing very minimal interest returns in the low market environment. Some of the major capital purchases included the installation of a well-received splashpad water feature at the Town Park, a repaving project throughout a large portion of town streets, completion of several large stormwater drainage projects including Robin Ave., Club Colony, Freeman Ave., Kinston Ave., and a portion of the project at Hoop Pole Creek, replacement of one emergency response ambulance, and replacement of two town vehicles.

TOWN OF ATLANTIC BEACH

Management's Discussion and Analysis

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.

The final amended budget and actual amounts varied, largely due to the downward economic trends and capital projects budgeted and in progress, though not completed by June 30, 2014. The Town budgeted conservatively for State-collected revenues and building permits / impact fees based on trends in building construction and real estate development projects. While the State-wide and local economic trends have continued on a declining scale, the Town of Atlantic Beach collected more of these revenues than expected. The most significant favorable variances were in other unrestricted intergovernmental taxes. Total revenue realized was approximately \$56,000 more than the final budget amount. Expenditures were tightly controlled, and the Town was able to comply with its budgetary requirements in all categories. The favorable variances were the result of expenditure reductions in operations and routine replacement capital outlay to the extent possible, while still providing for the installation of a well-received splashpad water feature at the Town Park, a repaving project throughout a large portion of town streets, completion of several large stormwater drainage projects including Robin Ave., Club Colony, Freeman Ave., Kinston Ave., and a portion of the project at Hoop Pole Creek, replacement of one emergency response ambulance, replacement of one pickup in the Fire Department, replacement of one vehicle in the Police Department, replacement of the phone system utilized by all departments, and events to bring more family entertainment opportunities to Atlantic Beach stretching throughout the summer including fireworks during both Memorial weekend and July 4th and weekly outdoor movies "by the Sea". Total expenditures were approximately \$433,177 less than budgeted. The Town's focus on improving the infrastructure and completion of major projects, in essence using a small portion of the unassigned fund balance accumulated in recent years, resulted in total expenditures being \$489,064 more than total revenues, with a decrease in fund balance of \$839,826 while still maintaining an unassigned fund balance of \$4,342,286.

Proprietary Funds. The Town of Atlantic Beach's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$1,714,055. The total change in net position for the Utility Fund was a decrease of \$311,987. While equipment and infrastructure capital improvement needs have been postponed in an attempt to keep the rates as low as possible, several capital projects were continued or completed. Some of these projects were the on-going implementation of an automated meter reading system and purchase of associated meters and transmitters, the replacement of a pickup truck, and the beginning phases of instillation of a new water well.

Capital Asset and Debt Administration

Capital Assets. The Town of Atlantic Beach investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$10,373,716 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles. For the year ending June 30, 2014, some routine replacement vehicle capital outlay purchases were delayed while several major capital outlay projects were completed. Major purchases in the General Fund were the installation of the splashpad water feature at the Town Park, a repaving project throughout a large

TOWN OF ATLANTIC BEACH
Management's Discussion and Analysis

portion of town streets, completion of several large stormwater drainage projects including Robin Ave., Club Colony, Freeman Ave., Kinston Ave., and a portion of the project at Hoop Pole Creek, replacement of one emergency response ambulance, replacement of one pickup in the Fire Department, replacement of one vehicle in the Police Department, and replacement of the phone system utilized by all departments. Major purchases in the Utility Fund were the meters and transmitters associated with the on-going automated meter reading replacement program, the initial phase of a new water well, and a pickup truck.

Town of Atlantic Beach - Capital Assets
(Net of Depreciation)

Figure 4

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	5,222,967	5,222,967	934,400	934,400	6,157,367	6,157,367
Construction in Progress	-	-	112,000	-	112,000	-
Buildings & plant system	386,682	145,382	1,596,481	1,764,016	1,983,163	1,909,398
Infrastructure	1,083,536	535,567	-	-	1,083,536	535,567
Equipment	174,175	160,083	181,254	221,536	355,429	381,619
Vehicles & motorized equipment	657,079	628,882	25,142	3,777	682,221	632,659
Total	7,524,439	6,692,881	2,849,277	2,923,729	10,373,716	9,616,610

Additional information on the Town's capital assets can be found in note III.A.4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2014, the Town of Atlantic Beach had total debt outstanding of \$2,334,070. The entire amount of the Town's debt represents installment purchases for government activities, as we currently have no debt backed by the full faith and credit of the Town (bonded), or Utility (revenue bonds).

Town of Atlantic Beach' Outstanding Debt
General Obligation and Revenue Bonds

Figure 5

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	0	0	0	0	0	0
Total	0	0	0	0	0	0

The Town of Atlantic Beach total debt decreased by \$344,731 during the current 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 Atlantic Beach is \$126,815,993.

Additional information regarding the Town of Atlantic Beach's long-term debt can be found in note III.B.6 beginning on page 50 of this report.

TOWN OF ATLANTIC BEACH
Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

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

- Low unemployment. The Town of Atlantic Beach is too small to be statistically categorized in unemployment figures. However, as of June, Carteret County as a whole has an unemployment rate of 5.5%, which is below both the State average of 6.4% and the national average of 6.1%.
- The Town of Atlantic Beach is a resort community and does not have a significant manufacturing or industrial base. However, new small business development has been consistent.

Budget Highlights for the Fiscal Year Ending June 30, 2015

The Town of Atlantic Beach budget for the Fiscal Year Ending June 30, 2015 totals \$6,855,250 for all funds managed by the Town. As required by North Carolina General Statutes, the budget is balanced by a like amount of revenues and expenditures. Budgeted expenditures for Capital Improvements are very limited and practically non-existent for the 2014-15 fiscal year because of anticipated revenue shortfalls, economic conditions and the Town's attempt to conservatively balance the budget. Capital outlay expenditures in the General Fund include two replacement Police Department vehicles and a replacement Inspections Department vehicle funded by appropriating fund balance in the amount of \$91,000. The General Fund continues to plan for improvements to beach accesses, a skate park at the Town Park, and additional stormwater drainage projects. The Town intends to increase the Powell Bill reserves for several years planning for another major repaving project in approximately FY2016-17. The Water Fund continues to plan for the additional water well (#2A) and expansion of the AMR meter reading system. The Water Fund capital outlay expenditures include one replacement vehicle. No fund balance monies were appropriated in the Water Fund budget for FY2014-15.

Governmental Activities. The Town's largest single source of revenue continues to be generated from ad valorem property taxes, which has been maintained at \$0.165 per \$100 valuation tax rate on a \$1,633,789,733 tax base. The \$2,650,000 ad valorem property tax revenue comprises approximately 50% of General Fund estimated revenues.

Business - type Activities. The Town's business type activities, which include the Town's water and stormwater services, were budgeted with only a slight increase in stormwater fees.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to David R. Walker, Town Manager, P.O. Box 10, 125 West Fort Macon Road, Atlantic Beach, NC 28512.

BASIC FINANCIAL STATEMENTS



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Town of Atlantic Beach, North Carolina
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,878,060	\$ 1,579,497	\$ 6,457,557
Restricted cash	64,459	9,010	73,469
Taxes receivables (net)	23,206	-	23,206
Accounts receivable (net)	405,934	164,222	570,156
Inventories	-	43,239	43,239
Total current assets	<u>5,371,659</u>	<u>1,795,968</u>	<u>7,167,627</u>
Capital assets (Note 4):			
Land, non-depreciable improvements, and construction in progress	5,222,967	1,046,400	6,269,367
Other capital assets, net of depreciation	2,301,472	1,802,877	4,104,349
Total capital assets	<u>7,524,439</u>	<u>2,849,277</u>	<u>10,373,716</u>
Total assets	<u>\$ 12,896,098</u>	<u>\$ 4,645,245</u>	<u>\$ 17,541,343</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 294,993	\$ 26,763	\$ 321,756
Accrued interest payable	16,641	-	16,641
Customer deposits	-	9,010	9,010
Customer advances	-	19,970	19,970
Current portion of long term liabilities	376,044	3,697	379,741
Total current liabilities	<u>687,678</u>	<u>59,440</u>	<u>747,118</u>
Long-term liabilities:			
Due in more than one year	2,443,560	22,473	2,466,033
Total long term liabilities	<u>2,443,560</u>	<u>22,473</u>	<u>2,466,033</u>
Total liabilities	<u>3,131,238</u>	<u>81,913</u>	<u>3,213,151</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	4,309	-	4,309
Total deferred inflows of resources	<u>4,309</u>	<u>-</u>	<u>4,309</u>
NET POSITION			
Net investment in capital assets	5,190,369	2,849,277	8,039,646
Restricted for:			
Streets - Powell Bill	64,459	-	64,459
Stabilization by State Statute	405,933	-	405,933
Unrestricted	4,099,790	1,714,055	5,813,845
Total net position	<u>\$ 9,760,551</u>	<u>\$ 4,563,332</u>	<u>\$ 14,323,883</u>

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

Town of Atlantic Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental Activities:			
General government	\$ 772,997	\$ -	\$ -
Public safety	2,926,342	511,600	86,634
Transportation	466,616	-	58,742
Economic and physical development	111,892	-	72,401
Environmental protection	468,563	525,441	-
Parks and recreation	478,995	-	-
Interest on long-term debt	49,099	-	-
Total governmental activities (See Note 1)	5,274,504	1,037,041	217,777
Business-type activities:			
Water	1,403,882	1,188,448	-
Total business-type activities	1,403,882	1,188,448	-
Total primary government	\$ 6,678,386	\$ 2,225,489	\$ 217,777

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Grants and contributions not restricted to specific programs

Miscellaneous

Insurance Proceeds

Unrestricted investment earnings

Transfers

Total general revenues, special items, and transfers

Change in net position

Net position, beginning

Net position, ending

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	Total
\$ (772,997)	\$ -	\$ (772,997)
(2,328,108)	-	(2,328,108)
(407,874)	-	(407,874)
(39,491)	-	(39,491)
56,878	-	56,878
(478,995)	-	(478,995)
(49,099)	-	(49,099)
(4,019,686)	-	(4,019,686)
-	(215,434)	(215,434)
-	(215,434)	(215,434)
(4,019,686)	(215,434)	(4,235,120)
2,750,669	-	2,750,669
13,951	-	13,951
1,464,236	-	1,464,236
16,466	-	16,466
1,401	-	1,401
10,079	6,347	16,426
102,900	(102,900)	-
4,359,702	(96,553)	4,263,149
340,016	(311,987)	28,029
9,420,535	4,875,319	14,295,854
\$ 9,760,551	\$ 4,563,332	\$ 14,323,883

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

Town of Atlantic Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

	Major General Fund	Non-Major Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,641,587	236,473	\$ 4,878,060
Restricted cash	64,459	-	64,459
Receivables, net:			
Taxes	23,206	-	23,206
Accounts	405,934	-	405,934
Total assets	<u>\$ 5,135,186</u>	<u>\$ 236,473</u>	<u>\$ 5,371,659</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 294,993	\$ -	\$ 294,993
Total liabilities	<u>294,993</u>	<u>-</u>	<u>294,993</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	23,206	-	23,206
Prepaid taxes	4,309	-	4,309
Total deferred inflows of resources	<u>27,515</u>	<u>-</u>	<u>27,515</u>

(continued)

Town of Atlantic Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

	Major General Fund	Non-Major Fund	Total Governmental Funds
FUND BALANCES			
Restricted			
Stabilization by State Statute	\$ 405,933	\$ -	\$ 405,933
Streets - Powell Bill	64,459	-	64,459
Assigned			
Beach Renourishment	-	236,473	236,473
Unassigned	4,342,286	-	4,342,286
Total fund balances	<u>4,812,678</u>	<u>236,473</u>	<u>5,049,151</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,135,186</u>	<u>\$ 236,473</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

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

7,524,439

Liabilities for earned revenues considered deferred inflows of resources in fund statements

23,206

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)

(2,819,604)

Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.

(16,641)

Net position of governmental activities

\$ 9,760,551

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

Town of Atlantic Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

	<u>Major</u>		Total Governmental Funds
	General Fund	Non-Major Fund	
REVENUES			
Ad valorem taxes	\$ 2,750,085	\$ -	\$ 2,750,085
Other taxes and licenses	13,951	-	13,951
Unrestricted intergovernmental	1,464,235	-	1,464,235
Restricted intergovernmental	99,986	-	99,986
Permits and fees	159,201	-	159,201
Sales and services	882,823	-	882,823
Investment earnings	9,434	645	10,079
Miscellaneous	112,809	-	112,809
Total revenues	<u>5,492,524</u>	<u>645</u>	<u>5,493,169</u>
EXPENDITURES			
Current:			
General government	1,018,561	-	1,018,561
Public safety	2,952,694	-	2,952,694
Transportation	1,057,672	-	1,057,672
Environmental protection	458,579	-	458,579
Economic and physical development	90,427	-	90,427
Public services	470,930	-	470,930
Debt service:			
Principal	352,676	-	352,676
Interest and other charges	51,578	-	51,578
Total expenditures	<u>6,453,117</u>	<u>-</u>	<u>6,453,117</u>
Revenue over (under) expenditures	<u>(960,593)</u>	<u>645</u>	<u>(959,948)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	102,900	-	102,900
Proceeds from sale of assets	16,466	-	16,466
Insurance Proceeds	1,401	-	1,401
Total other financing sources (uses)	<u>120,767</u>	<u>-</u>	<u>120,767</u>
Net change in fund balance	(839,826)	645	(839,181)
Fund balance, beginning	<u>5,652,504</u>	<u>235,828</u>	<u>5,888,332</u>
Fund balance, ending	<u>\$ 4,812,678</u>	<u>\$ 236,473</u>	<u>\$ 5,049,151</u>

(continued)

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

Town of Atlantic Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

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

Net changes in fund balances - total governmental funds	\$ (839,181)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	1,111,282	
Depreciation expense for governmental assets	<u>(279,724)</u>	831,558

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

Change in unavailable revenue for tax revenues	584
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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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	352,676
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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	(7,166)	
Accrued interest payable	2,479	
Net pension obligation	<u>(934)</u>	

Total changes in net position of governmental activities	<u><u>\$ 340,016</u></u>
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Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	2,703,200	\$ 2,748,650	\$ 2,750,085	\$ 1,435
Other taxes and licenses	-	10,000	13,951	3,951
Unrestricted intergovernmental	1,374,600	1,369,600	1,464,235	94,635
Restricted intergovernmental	57,000	180,292	99,986	(80,306)
Permits and fees	125,000	148,500	159,201	10,701
Sales and services	825,695	862,995	882,823	19,828
Investment earnings	20,650	8,500	9,434	934
Miscellaneous	80,100	108,100	112,809	4,709
Total revenues	<u>5,186,245</u>	<u>5,436,637</u>	<u>5,492,524</u>	<u>55,887</u>
Expenditures:				
Current:				
General government	1,248,076	1,104,898	1,018,561	86,337
Public safety	2,794,854	3,039,683	2,952,694	86,989
Transportation	223,210	1,234,162	1,057,672	176,490
Environmental protection	475,420	476,685	458,579	18,106
Economic and physical development	95,220	94,215	90,427	3,788
Public services	180,460	518,683	470,930	47,753
Debt service:				
Principal retirement	352,680	352,680	352,676	4
Interest and other charges	51,580	51,580	51,578	2
Contingency	68,000	13,708	-	13,708
Total expenditures	<u>5,489,500</u>	<u>6,886,294</u>	<u>6,453,117</u>	<u>433,177</u>
Revenues over (under) expenditures	<u>(303,255)</u>	<u>(1,449,657)</u>	<u>(960,593)</u>	<u>(489,064)</u>
Other Financing Sources:				
Proceeds from sale of assets	-	16,265	16,466	201
Insurance Proceeds	-	1,400	1,401	1
Transfers from other funds	102,900	125,268	102,900	(22,368)
	<u>102,900</u>	<u>142,933</u>	<u>120,767</u>	<u>(22,166)</u>
Fund balance appropriated	(200,355)	(1,306,724)	-	(1,306,724)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(839,826)	<u>\$ (839,826)</u>
Fund balances, beginning			<u>5,652,504</u>	
Fund balances, ending			<u>\$ 4,812,678</u>	

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

Town of Atlantic Beach, North Carolina
Statement of Fund Net Position
Proprietary Fund - Public Utilities Fund
June 30, 2014

ASSETS

Current assets:

Cash and cash equivalents	1,579,497
Restricted cash and cash equivalents	9,010
Accounts receivable (net) - billed	107,994
Accounts receivable (net) - unbilled	56,228
Inventories	43,239
Total current assets	<u>1,795,968</u>

Non-current assets:

Capital assets:

Land	1,046,400
Capital assets, net of depreciation	<u>1,802,877</u>
	<u>2,849,277</u>

Total assets	<u>\$ 4,645,245</u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$ 26,763
Customer advances on water bills	19,970
Customer deposits	9,010
Current portion of accrued vacation	3,697
Total current liabilities	<u>59,440</u>

Noncurrent liabilities:

OPEB liability	7,877
Accrued vacation	14,596
	<u>22,473</u>

Total liabilities	<u>81,913</u>
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NET POSITION

Net investment in capital assets	2,849,277
Unrestricted	<u>1,714,055</u>
Total net position	<u>\$ 4,563,332</u>

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

Town of Atlantic Beach, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund - Public Utilities Fund
For the Year Ended June 30, 2014

OPERATING REVENUES	
Charges for services	\$ 949,148
Stormwater fees	162,249
Miscellaneous	77,051
Total operating revenues	<u>1,188,448</u>
OPERATING EXPENSES	
Administration	611,637
Water treatment and distribution	564,903
Depreciation	227,342
Total operating expenses	<u>1,403,882</u>
Operating income	<u>(215,434)</u>
NONOPERATING REVENUE (EXPENSES)	
Investment income	6,347
Total nonoperating revenue (expenses)	<u>6,347</u>
Income before contributions and transfers	(209,087)
Transfers to other funds	<u>(102,900)</u>
Change in net position	(311,987)
Total net position, beginning	4,875,319
Total net position, ending	<u><u>\$ 4,563,332</u></u>

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

Town of Atlantic Beach, North Carolina
Statement of Cash Flows
Proprietary Fund - Public Utilities Fund
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,198,441
Cash paid to employees	(239,580)
Cash paid for services	(921,668)
Net cash provided by operating activities	<u>37,193</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to other funds	(102,900)
Net cash flows (used) by noncapital financing activities	<u>(102,900)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(152,890)
Net cash used by capital and related financing activities	<u>(152,890)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest	<u>6,347</u>
Net decrease in cash and cash equivalents	(212,250)

Balances, beginning	<u>1,800,757</u>
Balances, ending	<u>\$ 1,588,507</u>

(continued)

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

Town of Atlantic Beach, North Carolina
Statement of Cash Flows
Proprietary Fund - Public Utilities Fund
For the Year Ended June 30, 2014

Reconciliation of operating income to net cash provided by operating activities	
Operating loss	<u>\$ (215,434)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	227,342
Changes in assets and liabilities:	
(Increase) in accounts receivable	(9,993)
Increase in inventory	31,157
(Increase) in accounts payable and accrued liabilities	174
Increase in customer advances on water bills	5,402
Increase in customer deposits	(1,300)
Increase in accrued vacation pay	<u>(155)</u>
Total adjustments	<u>252,627</u>
Net cash provided by operating activities	<u><u>\$ 37,193</u></u>

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

Notes to Basic
Financial Statements



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Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Atlantic Beach 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 Atlantic Beach is a municipal corporation that is governed by an elected mayor and a five-member council.

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 and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

The Town reports the following major governmental fund:

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 grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental fund:

Capital Project Fund. This fund was established to account for distributions from the Carteret County Hotel Room Tax that is defined by N.C. General Statute to be used for beach nourishment related expenses.

The Town reports the following major enterprise fund:

Public Utilities Fund. The Public Utilities fund is used to account for the management of the Town's water and storm water operations.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable, for property other than motor vehicles, are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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. 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 is both restricted and unrestricted net position 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 and the Enterprise 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 project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

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

The unexpended Powell Bill revenue is classified as restricted assets in governmental funds because the use is completely restricted by State law. The balance at June 30, 2014 was \$64,459. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Atlantic Beach Restricted Cash

Business-type activities		
Public Utilities Fund:		
	Customer Deposits	<u>\$ 9,010</u>
Total Restricted Cash		<u><u>\$ 9,010</u></u>

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2013.

5. Inventory and Prepaid Items

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

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

Certain payments to vendors 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.

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, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; and computer software, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, 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.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Improvements	10-25
Infrastructure	50
Vehicles - motorized equipment	6
Equipment (non computer)	5-10
Computer Software	5
Computer equipment	3

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow 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 can also 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 one item that meets the criterion for this category – prepaid taxes.

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.

In 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 thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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 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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints place 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 (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 Statue [G.S. 159-8(a)].

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

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

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

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 Atlantic Beach 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 in the best interest of the Town.

The Town of Atlantic Beach has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

II. Stewardship, Compliance, and Accountability

No issues relating to stewardship, compliance and accountability for the Town.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2014, the Town's deposits had a carrying amount of \$6,530,160 and a bank balance of \$6,568,567. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the Town's petty cash fund totaled \$400.

2. Investments

At June 30, 2014, the Town had \$466 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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

3. Receivables

Receivables at the government-wide level at June 30, 2014, were as follows:

Fund	June 30, 2014
General Fund:	
ABC tax receivable	\$ 51,612
Telecommunication sales tax receivable	10,781
Franchise tax receivable	44,628
Local option sales tax receivable	162,584
Video programming	22,603
Property taxes receivable	23,206
Services receivable	76,566
Misellaneous receivables	37,160
Total	429,140
Public Utilities Fund:	
Services receivable	164,222
Total	\$ 593,362

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,222,967	\$ -	\$ -	\$ 5,222,967
Total capital assets not being depreciated	5,222,967	-	-	5,222,967
Capital assets being depreciated:				
Buildings & improvements	537,867	253,754	-	791,621
Infrastructure	687,799	588,155	-	1,275,954
Equipment	586,511	37,002	256,883	366,630
Vehicles and motorized equipment	2,371,721	232,371	29,644	2,574,448
Total capital assets being depreciated	4,183,898	1,111,282	286,527	5,008,653
Less accumulated depreciation for:				
Buildings & improvements	392,485	12,454	-	404,939
Infrastructure	152,232	40,186	-	192,418
Equipment	426,428	22,910	256,883	192,455
Vehicles and motorized equipment	1,742,839	204,174	29,644	1,917,369
Total accumulated depreciation	2,713,984	279,724	286,527	2,707,181
Total capital assets being depreciated, net	1,469,914			2,301,472
Governmental activity capital assets, net	\$ 6,692,881			\$ 7,524,439

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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

General government	\$ 33,800
Public safety	194,311
Transportation	12,277
Economic & Physical Development	21,526
Environmental Protection	8,064
Parks and recreation	9,746
Total depreciation expense	<u>\$ 279,724</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business type activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 934,400	\$ -	\$ -	\$ 934,400
CIP	-	112,000	-	112,000
Total capital assets not being depreciated	934,400	112,000	-	1,046,400
Capital assets being depreciated:				
Plant and distribution systems	6,590,245		-	6,590,245
Furniture and maintenance equipment	558,230	9,500	-	567,730
Vehicles	53,926	31,390	-	85,316
Total capital assets being depreciated	7,202,401	40,890	-	7,243,291
Less accumulated depreciation for:				
Plant and distribution systems	4,826,229	167,535	-	4,993,764
Furniture and maintenance equipment	336,694	49,782	-	386,476
Vehicles	50,149	10,025	-	60,174
Total accumulated depreciation	5,213,072	227,342	-	5,440,414
Total capital assets being depreciated, net	1,989,329			1,802,877
Business type capital assets, net	<u>\$ 2,923,729</u>			<u>\$2,849,277</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town 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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 13.50% and 13.50% respectively, of annual covered payroll. The contribution requirement of members and of the Town is established and may be amended by the North Carolina General Assembly. The Town’s contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$347,320, \$317,921, and \$319,012, 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 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, 2013 the Separation Allowance’s membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>17</u>
	<u><u>20</u></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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

3. Contributions.

The Town is required by Article 12D of G.S. 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, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5 % investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85%. 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	\$ 29,796
Interest on net pension obligation	6,300
Adjustment to annual required contribution	<u>(10,266)</u>
Annual pension cost	25,830
Contributions made	<u>24,896</u>
Increase (decrease) in net pension obligation	934
Net pension obligation beginning of year	<u>126,008</u>
Net pension obligation end of year	<u><u>\$ 126,942</u></u>

3 Year Trend Information			
For Year Ended	Annual Pension Cost	Percentage of	Net Pension
June 30	(APC)	APC Contributed	Obligation
2012	\$ 19,140	109.09%	121,463
2013	26,871	83.09%	126,008
2014	25,830	96.38%	126,942

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

The annual required contribution (ARC) for the fiscal year ended June 30, 2014 is calculated as of December 31, 2013 using the following information:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 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

4. Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$270,212. The covered payroll (annual payroll of active employees covered by the plan) was \$763,695, and the ratio of the UAAL to the covered payroll was 35.38 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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. The 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, 2014 were \$41,070, all contributed by the Town.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

d. Supplemental Retirement Income Plan for Non-Law Enforcement Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to all full-time employees of the Town. Authority to establish and amend benefit provisions is assigned to the Town Council.

Funding Policy. The adopted plan requires the Town to contribute each pay period an amount equal to five percent (5%) of each non-law enforcement employee's salary. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately. All covered employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$86,891 from the Town and \$36,793 from the non-law enforcement employees.

e. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (HCB Plan). The plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of credible service with the Town, have not reached age 65 and are not eligible to receive Medicare benefits. Prior to July 1, 2001, employees qualified for similar level benefits after a minimum of five years of creditable service with the Town. The Town pays the full cost of coverage for employee's benefits through private insurers and employees have the option of purchasing dependent coverage at the City's group rates. Employees hired on or after July 1, 2007 who retires with a minimum of 20 years of creditable service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Retired Employees' Years of Creditable	Date Hired	
	Pre July 1, 2007	On or after July 1, 2007
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5 - 20 years	Full coverage paid for by Town	Not eligible for coverage
20+ years	Full coverage paid for by Town	Full Coverage paid for by Town

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Membership of the HCB Plan consisted of the following at December 31, 2013 date of the latest actuarial valuation.

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	\$ 1	1
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	40	15
Total	41	16

Funding Policy. By Town Resolution, the Town pays the full cost of coverage for the healthcare benefits to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended, June 30, 2014, the Town was not required to make contributions in the fiscal year.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer*. (ARC)

The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ -
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	-
Contributions made	-
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation beginning of year	185,075
Net OPEB obligation end of year	\$ 185,075

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 65,018	21.12%	\$ 146,632
2013	\$ 59,049	34.89%	\$ 185,075
2014	-	34.89%	\$ 185,075

Funded Status and Funding Progress. As of June 30, 2014, the actuarial accrued liability for benefits was \$421,435, all of which was unfunded. The covered payroll was \$2,629,113, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 16.02 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 12.00 percent initially, reduced to an ultimate rate of 6.00 percent after six years, was used.

Health insurance premiums – 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.8 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in The 2007 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 4.00 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2014, was 27 years.

2. Other Employment Benefit

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

The Town also provides an additional death benefit through a Group Term Life Insurance program, which is provided on a non-contributory basis to all members of the retirement system and 30 days of employment. The benefit pays the designated beneficiary an amount equal to the employee's annual salary, but the benefit may not exceed \$200,000. Under the IRS regulations, the value of employer-paid Group Term Life Insurance coverage in excess of \$50,000 is considered taxable to the employee as a fringe benefit.

3. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Taxes receivable (General Fund) less penalties	\$ 23,206	\$ -
Prepaid taxes (General Fund)	-	27,515
	\$ 23,206	\$ 27,515

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 three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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 as A, B, C, and X zones by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance to cover its buildings and structures in the A, B, C, and X zones in the event of flood damage.

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

finance officer and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2014, the Town has no pending claims or judgments.

6. Long-Term Obligations

a. Installment Purchases:

In March 2006, the Town entered into an installment purchase contract with BB&T for the purchase of property located on 915 W. Ft. Macon Rd, Atlantic Beach. Payments were broken down into two separate payment plans: taxable (due to standing lease with Rite Aid) and tax-exempt for the remainder. In November 2010, Rite Aid relocated and the two loans, with a combined balance of \$2,933,333, were modified with BB&T with interest at an annual rate of 1.97%. The note is due in annual variable installments with a fixed principal component of \$266,667. Payments are due beginning on March 15, 2007, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on March 15, 2021. The Town does not expect to prepay any of the obligations prior to the scheduled payment dates. The combined balance outstanding at June 30, 2014 was \$1,866,666.

In April 2008, the Town entered into an installment purchase contract with BB&T for the purchase of a Rescue Truck. The note was refinanced in the current year and is due in annual installments beginning April 15, 2013 of \$39,971, with an interest rate of 1.68%. The balance outstanding at June 30, 2014 was \$153,388.

In November 2012, the Town entered into an installment purchase contract with First Bank for the purchase of an Emergency Fire Truck. The note is due in annual installments beginning November 1, 2013 of \$55,590, with an interest rate of 1.75%. The balance outstanding at June 30, 2014 was \$314,016.

Annual debt service payments of all installment notes as of June 30, 2014, including \$173,111 of interest, are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	354,155	44,846
2016	355,660	38,087
2017	357,181	31,313
2018	358,748	24,492
2019	320,361	17,656
2020-2024	587,965	16,717
Total	<u>\$ 2,334,070</u>	<u>\$ 173,111</u>

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

b. Changes in Long-Term Liabilities

	Balance			Current	
	6/30/2013	Increases	Decreases	Balance	Portion of
				6/30/2014	Balance
Governmental activities:					
Installment purchases	\$2,686,746	\$ -	\$ 352,676	\$2,334,070	\$ 354,155
Compensated absences	174,228	139,265	132,099	181,394	21,889
Other post employment benefits	177,198	-	-	177,198	-
Net pension obligation	126,008	934	-	126,942	-
Governmental activity long-term liabilities	<u>\$3,164,180</u>	<u>\$ 140,199</u>	<u>\$ 484,775</u>	<u>\$2,819,604</u>	<u>\$ 376,044</u>
Business-type activities:					
Compensated absences	\$ 18,448	\$ 12,334	\$ 12,489	\$ 18,293	\$ 3,697
Other post employment benefits	7,877	-	-	7,877	-
Business-type activity long-term liabilities	<u>\$ 26,325</u>	<u>\$ 12,334</u>	<u>\$ 12,489</u>	<u>\$ 26,170</u>	<u>\$ 3,697</u>

At June 30, 2014, the Town of Atlantic Beach had a legal debt margin of \$126,815,993.

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2014, consist of the following:

Descriptions	Transfers In	Transfers Out
General Fund	\$ 102,900	\$ -
Public Utilities Fund	-	102,900
	<u>\$ 102,900</u>	<u>\$ 102,900</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.

The transfer from the Public Utility Fund to the General Fund is for debt service payment for the Town-owned property purchased for future use by both funds (\$102,900).

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 7,524,439	\$ 2,849,277
less: long-term debt	2,334,070	-
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 5,190,369</u>	<u>\$ 2,849,277</u>

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

E. Fund Balance

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

Total fund balance - General Fund	<u>\$ 4,812,678</u>
Less:	
Stabilization by State Statute	405,932
Streets - Powell Bill	64,459
Working Capital/Fund Balance Policy	<u>561,831</u>
Remaining Fund Balance	<u><u>\$ 3,780,456</u></u>

The Town of Atlantic Beach has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures.

IV. Summary Disclosure of Significant Contingencies

Federal and State Assistance 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.



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Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principals.

- Schedule of Funding in Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Notes to the Required Schedules for the Other Postemployment Benefits



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Town of Atlantic Beach, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	-	138,721	138,721	0.00%	662,146	16.01%
12/31/2008	-	151,557	151,557	0.00%	748,793	20.95%
12/31/2009	-	197,088	197,088	0.00%	704,170	27.99%
12/31/2010	-	156,007	156,007	0.00%	676,513	23.06%
12/31/2011	-	257,027	257,027	0.00%	736,034	34.92%
12/31/2012	-	261,363	261,363	0.00%	722,655	36.17%
12/31/2013	-	270,212	270,212	0.00%	763,695	35.38%

* Information presented for available years

Town of Atlantic Beach, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2007	14,744	0.00%
2008	15,915	0.00%
2009	18,051	0.00%
2010	20,654	25.75%
2011	25,268	34.86%
2012	20,330	102.70%
2013	28,357	78.74%
2014	29,796	84.00%

**Town of Atlantic Beach, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2011	-	446,116	446,116	0.00%	2,550,593	17.49%
6/30/2012	-	452,699	452,699	0.00%	2,603,377	17.39%
6/30/2013	-	421,435	421,435	0.00%	2,629,113	16.03%
6/30/2014	-	421,435	421,435	0.00%	2,629,113	16.03%

* Information presented for available years

**Town of Atlantic Beach, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	59,124	24.85%
2012	64,495	21.29%
2013	58,244	35.37%
2014	0	0.00%

General Fund

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.



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Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current collections of unit-wide levy	\$ 2,731,450	2,731,936	486
Prior years' levy collections	8,600	8,390	(210)
Penalties and interest	8,600	9,759	1,159
	<u>2,748,650</u>	<u>2,750,085</u>	<u>1,435</u>
Other taxes and licenses:			
Privilege licenses	10,000	13,951	3,951
	<u>10,000</u>	<u>13,951</u>	<u>3,951</u>
Total taxes	<u>2,758,650</u>	<u>2,764,036</u>	<u>5,386</u>
Unrestricted intergovernmental:			
Local option sales tax	935,000	980,257	45,257
Carteret County ABC revenue	100,000	135,328	35,328
Beer/wine tax	6,500	6,561	61
Utilities franchise tax	190,000	205,112	15,112
Cable Vision franchise tax	89,500	90,306	806
Telecommunications sales tax	44,000	42,142	(1,858)
Solid Waste Disposal Tax	1,000	706	(294)
Payment in lieu of taxes (Fire district distribution)	2,800	2,778	(22)
Court fees	800	1,045	245
	<u>1,369,600</u>	<u>1,464,235</u>	<u>94,635</u>
Restricted intergovernmental:			
Public Safety Grants	2,000	250	(1,750)
Wrongful Conviction Camera	3,600	3,600	-
Sonar Equipment Grant	34,000	33,141	(859)
NCEM Message BRD Transmitter	14,885	4,253	(10,632)
CAMA Beach Access Grant	67,107	-	(67,107)
Powell Bill allocation	58,700	58,742	42
	<u>180,292</u>	<u>99,986</u>	<u>(80,306)</u>
Total intergovernmental	<u>1,549,892</u>	<u>1,564,221</u>	<u>14,329</u>

Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Permits, fees and assessments:			
Beach permits	22,500	22,530	30
Building permits	126,000	136,671	10,671
Total permits, fees and assessments	148,500	159,201	10,701
Sales and services:			
Parking meter	105,000	99,201	(5,799)
Solid waste fees	510,000	513,053	3,053
Parking violations	6,200	6,426	226
Refuse cart sales	7,900	12,388	4,488
Debris/White goods fee	68,500	69,214	714
EMS revenue	70,000	84,178	14,178
Cell tower lease	63,845	64,151	306
Souvenirs	5,700	5,935	235
Other Fees	25,850	28,277	2,427
Total sales and services	862,995	882,823	19,828
Investment Earnings:			
General fund interest on investments	8,000	9,024	1,024
Other funds interest on investments	500	410	(90)
Total interest	8,500	9,434	934
Miscellaneous revenue:			
ABPD citizen donations	-	1,064	1,064
Private donations	22,000	25,843	3,843
Sales tax refund	67,000	67,238	238
Miscellaneous	19,100	18,664	(436)
Total miscellaneous	108,100	112,809	4,709
Total revenue	5,436,637	5,492,524	55,887

Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Expenditures			
General Government:			
Mayor and council:			
Salaries and employee benefits		19,009	
Professional services		62,461	
Membership dues		4,723	
Other operating expenditures		21,405	
	<u>124,868</u>	<u>107,598</u>	<u>17,270</u>
Administration:			
Salaries and employee benefits		195,171	
Insurance - other		1,480	
Employee development		3,708	
Printing and postage		24,936	
Computers and small equipment		17,912	
Supplies		6,873	
Equipment rental		6,958	
Capital Outlay		9,503	
Miscellaneous		14,630	
	<u>316,555</u>	<u>281,171</u>	<u>35,384</u>
Finance:			
Salaries and employee benefits		140,538	
Insurance - other		1,623	
Employee development		2,897	
Professional services		30,110	
Departmental supplies		5,418	
Bank charges		8,477	
Sales tax		41,194	
Miscellaneous		1,634	
	<u>252,115</u>	<u>231,891</u>	<u>20,224</u>

Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Public buildings:			
Salaries and employee benefits		306,526	
Insurance - other		21,117	
Utilities		31,689	
Building maintenance		20,188	
Janitorial supplies		5,869	
Landscaping		7,128	
Professional services		800	
Miscellaneous		4,584	
	<u>411,360</u>	<u>397,901</u>	<u>13,459</u>
Total general government	<u>1,104,898</u>	<u>1,018,561</u>	<u>86,337</u>
Public safety:			
Police:			
Salaries and employee benefits		1,245,809	
Insurance - other		54,718	
Employee development		8,782	
Fuel		49,546	
Repairs and maintenance		17,316	
Printing and postage		3,692	
Departmental supplies		4,115	
Computers and small equipment		20,881	
Capital outlay		30,786	
Uniforms		6,476	
09 port security message board		2,126	
Marine patrol		9,442	
USDOJ Vest grant		561	
Miscellaneous		42,908	
	<u>1,550,900</u>	<u>1,497,158</u>	<u>53,742</u>

Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Fire/EMS:			
Salaries and employee benefits and benefits		936,088	
Insurance-other		41,377	
Communication maintenance		4,132	
Employee development		1,555	
Fuel		10,890	
Equipment maintenance		877	
Postage		3,530	
Departmental supplies		5,212	
Fire prevention supplies		3,905	
Uniforms		6,475	
Vehicle maintenance		10,641	
EMS Collections		3,594	
Rescue supplies		16,567	
Computers and small equipment		11,025	
Capital Outlay		170,195	
Miscellaneous		6,766	
	<u>1,258,373</u>	<u>1,232,829</u>	<u>25,544</u>
Building inspection:			
Salaries and employee benefits and benefits		149,192	
Insurance - other		2,919	
Employee development		1,932	
Fuel		1,807	
Equipment maintenance		2,076	
Postage		1,648	
Department supplies		1,890	
Miscellaneous		2,880	
	<u>169,545</u>	<u>164,344</u>	<u>5,201</u>

Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Rescue units:			
Departmental supplies		4,625	
Employee development		1,863	
Miscellaneous		4,401	
	<u>12,000</u>	<u>10,889</u>	<u>1,111</u>
Lifeguards:			
Salaries and employee benefits		37,426	
Insurance		1,659	
Departmental supplies		684	
Uniforms		1,811	
Miscellaneous		5,894	
	<u>48,865</u>	<u>47,474</u>	<u>1,391</u>
Total public safety	<u>3,039,683</u>	<u>2,952,694</u>	<u>86,989</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits and benefits		196,664	
Insurance - other		24,540	
Fuel		26,055	
Repairs and maintenance		21,696	
Storm drainage		7,593	
Street Lights		76,172	
Postage		1,918	
Departmental supplies		12,468	
Uniforms		6,017	
Dredging		34,664	
Employee development		2,387	
Equipment maintenance		488	
Paving/patching		28,089	
Traffic control devices		13,273	
Contract services		1,280	
Drainage		381,466	
Miscellaneous		42,902	
	<u>1,054,162</u>	<u>877,672</u>	<u>176,490</u>

Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
State street aid allocation - Powell Bill:			
Paving/patching		180,000	
	180,000	180,000	-
Total transportation	1,234,162	1,057,672	176,490
Environmental protection:			
Solid waste:			
Salaries and employee benefits		46,255	
Fuel		8,918	
Landfill		93,091	
Contract services		292,507	
Supplies		11,819	
Vehicle maintenance		5,241	
Miscellaneous		748	
	476,685	458,579	18,106
Total environmental protection	476,685	458,579	18,106

Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Economic and Physical Development:			
Planning and Zoning:			
Salaries and employee benefits		78,365	
Insurance - other		1,774	
Advertising		1,239	
Employee development		2,406	
Telephone and postage		1,103	
Departmental supplies		2,419	
Miscellaneous		3,121	
	<u>94,215</u>	<u>90,427</u>	<u>3,788</u>
Total economic and physical development	<u>94,215</u>	<u>90,427</u>	<u>3,788</u>
Public Services:			
Beach Access			
Salaries and employee benefits		22,555	
Parking supplies		4,525	
Building maintenance		7,556	
Department supplies		6,354	
Janitorial supplies		4,070	
Small equipment		924	
Professional services		6,680	
Miscellaneous		14,547	
	<u>94,740</u>	<u>67,211</u>	<u>27,529</u>
Community Events/Recreation:			
Contracted services		316,653	
Supplies		20,513	
Community promotions		27,078	
Christmas event		4,091	
Beach music fesitval		28,381	
Miscellaneous		7,003	
	<u>423,943</u>	<u>403,719</u>	<u>20,224</u>
Total public services	<u>518,683</u>	<u>470,930</u>	<u>47,753</u>

Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Debt retirement:			
Principal		352,676	
Interest		51,578	
	<u>404,260</u>	<u>404,254</u>	<u>6</u>
Contingency	13,708	-	13,708
Total expenditures	<u>6,886,294</u>	<u>6,453,117</u>	<u>433,177</u>
Revenue over (under) expenditures	<u>(1,449,657)</u>	<u>(960,593)</u>	<u>489,064</u>
Other financing sources			
Transfers from other funds:			
Public utilities fund	102,900	102,900	-
Capital reserve fund	22,368	-	(22,368)
Proceeds from sale of assets	16,265	16,466	201
Insurance Proceeds	1,400	1,401	1
Total other financing sources (uses)	<u>\$ 142,933</u>	<u>\$ 120,767</u>	<u>\$ (22,166)</u>
Fund balance appropriated	(1,306,724)	-	(1,306,724)
Net Change in fund balance	<u>\$ -</u>	(839,826)	<u>\$ (839,826)</u>
Fund balances, beginning		5,652,504	
Fund balances, ending		<u>\$ 4,812,678</u>	



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Capital Project Fund

Capital Project Funds are used to account for the financial resources used for the acquisition or construction of major town-owned capital facilities.



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Town of Atlantic Beach, North Carolina
Capital Projects Fund - Non Major Governmental Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Interest income	\$ -	\$ 58,900	\$ 645	\$ 59,545
Occupancy tax income	100,000	100,000	-	100,000
Total revenue	100,000	158,900	645	159,545
Other financing sources/(uses):				
Transfer (to)/from General Fund	(100,000)	76,928	-	76,928
Total other financing sources (uses)	(100,000)	76,928	-	76,928
Net change in fund balance	\$ -	\$ 235,828	\$ 645	\$ 236,473
Fund balance, beginning			235,828	
Fund balance, ending			\$ 236,473	



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Enterprise Fund

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Public Utilities Fund – This fund is used to account for the operating activities of the Water Department.



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Town of Atlantic Beach, North Carolina
Enterprise Fund - Public Utilities Fund
Schedule of Revenues and Expenditures - Budget and Actual
Non-GAAP
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for services:			
Utility Charges	\$ 925,000	\$ 949,148	\$ 24,148
Total operating revenues	<u>925,000</u>	<u>949,148</u>	<u>24,148</u>
Non-operating revenues:			
Interest earnings	6,650	6,347	(303)
Availability fees	5,000	5,413	413
Fire hydrants	5,088	5,088	-
Late fees	17,800	18,738	938
Reconnect fees	50	275	225
Storm water impact fees	160,500	162,249	1,749
Connection fees	1,650	2,100	450
Impact fees	21,000	21,000	-
Insurance Proceeds	22,922	22,922	-
Other	1,350	1,515	165
Total non-operating revenues	<u>242,010</u>	<u>245,647</u>	<u>3,637</u>
Total revenues	<u>1,167,010</u>	<u>1,194,795</u>	<u>27,785</u>
Expenditures:			
Administration:			
Salaries	442,025	440,592	1,433
Social Security	14,525	13,669	856
Retirement	25,935	25,782	153
Pension	9,595	9,537	58
Insurance - health	31,380	30,898	482
Workman's comp	8,440	5,510	2,930
Communication	3,000	1,941	1,059
Employee development	3,200	1,734	1,466
Departmental supplies	15,000	13,295	1,705
Professional Services	48,750	48,734	16
Computers and small equipment	17,300	16,125	1,175
Membership dues	4,795	3,820	975
Total administration	<u>623,945</u>	<u>611,637</u>	<u>12,308</u>

(continued)

Town of Atlantic Beach, North Carolina
Enterprise Fund - Public Utilities Fund
Schedule of Revenues and Expenditures - Budget and Actual
Non-GAAP
For the Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Water treatment and distribution:			
Contracted services - maintenance	77,995	64,463	13,532
Fuel	13,950	14,261	(311)
Lab Analysis	18,000	14,833	3,167
Repairs and maintenance - equipment	30,815	29,936	879
Insurance - other	24,200	24,034	166
Postage	20,605	17,346	3,259
Utilities	60,225	60,518	(293)
Building Maintenance	42,652	40,445	2,207
Supplies - for operations	100,560	85,608	14,952
Supplies - for inventory	177,670	206,894	(29,224)
Uniforms	3,200	3,412	(212)
Vehicle maintenance	3,600	3,093	507
Miscellaneous	1,000	60	940
Total water treatment and distribution	<u>574,472</u>	<u>564,903</u>	<u>9,569</u>
Capital outlay:	152,900	152,890	10
Total capital outlay	<u>152,900</u>	<u>152,890</u>	<u>10</u>
Total expenditures	<u>1,351,317</u>	<u>1,329,430</u>	<u>21,887</u>
Revenue over (under) expenditures	<u>(184,307)</u>	<u>(134,635)</u>	<u>49,672</u>

(continued)

Town of Atlantic Beach, North Carolina
Enterprise Fund - Public Utilities Fund
Schedule of Revenues and Expenditures - Budget and Actual
Non-GAAP
For the Fiscal Year Ended June 30, 2014

	2014		
	Budget	Actual	Variance Positive (Negative)
Other Financing Sources/(Uses)			
Fund balance appropriated	287,207	-	(287,207)
Transfer to General Fund	(102,900)	(102,900)	-
Total other financing (uses)	184,307	(102,900)	(287,207)
Revenues under expenditures and other financing sources (uses)	\$ -	(237,535)	\$ (237,535)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital Outlay		(152,890)	
Depreciation		(227,342)	
Change in net position		\$ (311,987)	



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Additional and Required Financial Data

Section I contains other additional financial information that provides detailed analysis of particular aspects of the Town's financial position or results of operations.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Year Tax Levy



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**Town of Atlantic Beach, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2014**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 2,744,439	\$ 2,729,136	15,303
2012-2013	15,320	-	9,699	5,621
2011-2012	4,438	-	2,970	1,468
2010-2011	765	-	673	92
2009-2010	668	-		668
2008-2009	54	-		54
2007-2008	-	-	-	-
2006-2007	1,377	-	1,377	-
	<u>\$ 22,622</u>	<u>\$ 2,744,439</u>	<u>\$ 2,743,855</u>	<u>\$ 23,206</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 2,750,085
Reconciling items:	
Interest collected	(9,759)
Discounts allowed	1,249
Releases and other credits	2,280
	<u>2,280</u>

Total ad valorem collections \$ 2,743,855

Town of Atlantic Beach, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2014

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding registered motor vehicles	Registered motor vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,611,102,941	0.170	\$ 2,738,875	\$ 2,696,648	\$ 42,227
Total	<u>1,611,102,941</u>		<u>2,738,875</u>	<u>2,696,648</u>	<u>42,227</u>
Discoveries:					
Current year taxes	4,935,194	0.170	\$ 8,390	2,825	5,565
Total	<u>1,616,038,135</u>		<u>2,747,265</u>	<u>2,699,473</u>	<u>47,792</u>
Abatements	(1,662,353)	0.170	(2,826)	(2,826)	
Total property valuation	<u>\$ 1,614,375,782</u>				
Net levy			2,744,439	2,696,647	47,792
Uncollected taxes at June 30, 2014			<u>(15,303)</u>	<u>(8,923)</u>	<u>(6,380)</u>
Current year's taxes collected			<u>\$ 2,729,136</u>	<u>\$ 2,687,724</u>	<u>\$ 41,412</u>
Current levy collection percentage			<u>99.44%</u>	<u>99.67%</u>	<u>86.65%</u>

Statistical Section
Unaudited



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**Town of Atlantic Beach
Description of the Statistical Schedules
June 30, 2014**

Contents

Financial Trends	Table
These schedules contain trend information to assist users in understanding and assessing how the Town’s financial position has changed over time.	1 - 4
Revenue Capacity	
These schedules contain information to assist users in understanding and assessing the factors affecting the Town’s ability to generate its own-source revenues.	5 - 8
Debt Capacity	
These schedules present information to assist users in understanding and assessing the Town’s debt burden and its ability to issue additional debt.	9 - 12
Demographic and Economic Information	
These schedules offer demographic and economic information to assist users in understanding the environment within which the Town operates.	13
Operating Information	
These schedules contain service and infrastructure data to assist readers in understanding and assessing how the Town’s financial report relates to the services the Town provides and the activities it performs.	14-17

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

**Town of Atlantic Beach
Net Position by Activity
Governmental and Business Type Functions
Last Ten Years**

Table 1

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities										
Net position:										
Invested in capital assets, net of related debt	\$ 5,190,369	\$ 4,006,135	\$ 3,556,987	\$ 3,197,982	\$ 2,751,369	\$ 2,617,018	\$ 2,570,315	\$ 2,335,942	\$ 766,911	\$ 1,057,558
Restricted - Streets -P.Bill	64,459	185,307	156,533	167,736	377,427	353,406	307,546	266,799	355,530	286,487
Restricted - State Statute	405,933	351,456	354,059	391,994						
Unrestricted	4,099,790	4,877,637	4,932,707	4,901,359	5,091,272	4,956,440	4,271,874	3,299,719	4,101,143	2,616,077
Total net position	<u>\$ 9,760,551</u>	<u>\$ 9,420,535</u>	<u>\$ 9,000,286</u>	<u>\$ 8,659,071</u>	<u>\$ 8,220,068</u>	<u>\$ 7,926,864</u>	<u>\$ 7,149,735</u>	<u>\$ 5,902,460</u>	<u>\$ 5,223,584</u>	<u>\$ 3,960,122</u>
Business Type Activities										
Net position:										
Invested in capital assets, net of related debt	\$ 2,849,277	\$ 2,923,729	\$ 3,037,055	\$ 3,060,385	\$ 3,131,135	\$ 3,326,753	\$ 3,494,054	\$ 3,484,342	\$ 3,557,405	\$ 3,670,084
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,714,055	1,951,590	2,215,488	2,334,469	2,349,454	2,149,696	2,055,076	2,394,176	2,458,923	2,104,258
Total net position	<u>\$ 4,563,332</u>	<u>\$ 4,875,319</u>	<u>\$ 5,252,543</u>	<u>\$ 5,394,854</u>	<u>\$ 5,480,589</u>	<u>\$ 5,476,449</u>	<u>\$ 5,549,130</u>	<u>\$ 5,878,518</u>	<u>\$ 6,016,328</u>	<u>\$ 5,774,342</u>
Total Primary Government										
Net position:										
Invested in capital assets, net of related debt	\$ 8,039,646	\$ 6,929,864	\$ 6,594,042	\$ 6,258,367	\$ 5,882,504	\$ 5,943,771	\$ 5,145,374	\$ 5,820,284	\$ 4,324,316	\$ 4,727,642
Restricted - Streets -P.Bill	64,459	185,307	156,533	167,736	377,427	353,406	307,546	266,799	355,530	286,487
Restricted - State Statute	405,933	351,456	354,059	391,994	-	-	-	-	-	-
Unrestricted	5,813,845	6,829,227	7,148,195	7,235,828	7,440,726	7,106,136	7,245,945	5,693,895	6,560,066	4,720,335
Total net position	<u>\$ 14,323,883</u>	<u>\$ 14,295,854</u>	<u>\$ 14,252,829</u>	<u>\$ 14,053,925</u>	<u>\$ 13,700,657</u>	<u>\$ 13,403,313</u>	<u>\$ 12,698,865</u>	<u>\$ 11,780,978</u>	<u>\$ 11,239,912</u>	<u>\$ 9,734,464</u>

**Town of Atlantic Beach
Change in Net Position
Governmental Functions
Last Ten Years**

Table 2

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Program revenues:										
Charges for services								\$ 954,316	\$ 906,289	\$ 886,230
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	511,600	532,682	503,019	429,284	384,492	433,747	336,939	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Economic/Physical Development	-	58,641	60,995	56,476	53,662	54,166	51,300	-	-	-
Environmental Protection	525,441	517,538	518,760	519,316	515,609	514,593	504,988	-	-	-
Interest on Long Term Debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	217,777	267,984	266,272	169,915	84,438	182,277	122,820	455,467	518,975	105,807
Capital Grants & Contributions	-	-	-	80,000	-	30,000	-	265,393	371,476	-
General revenues:										
Property taxes	2,750,669	2,819,505	2,835,564	2,870,414	2,874,994	2,871,129	3,393,084	2,372,676	2,040,535	2,004,824
Other taxes	13,951	22,742	23,181	20,699	20,270	21,539	17,534	18,779	116,206	112,301
Unrestricted intergovernmental revenues:										
Local option sales tax	980,257	960,118	914,057	829,358	841,881	1,044,378	993,403	905,207	848,824	784,138
Carteret County ABC revenue	135,328	107,870	105,156	102,922	53,702	62,122	64,874	71,030	73,833	101,814
Utilities franchise tax	205,112	188,339	184,028	208,444	204,847	194,759	181,411	176,341	162,584	165,410
Cable vision franchise tax	90,306	92,300	94,653	124,288	124,388	128,329	120,394	111,049	39,130	37,103
Telecommunications sales tax	42,142	44,151	47,493	48,468	51,022	53,216	48,688	43,061	46,555	38,308
Other intergovernmental revenues	11,090	10,930	11,475	12,139	6,978	12,860	12,846	43,619	32,711	30,296
Gain (loss) on disposal of assets	-	-	-	(138)	6,000	-	-	-	1,029,328	-
Other	27,946	55,431	26,372	29,298	64,259	124,668	239,093	919,980	166,560	52,261
Total Revenues	5,511,619	5,678,231	5,591,025	5,500,883	5,286,542	5,727,783	6,087,374	6,336,918	6,353,006	4,318,492
Expenses:										
General Government	772,997	1,068,784	1,187,227	1,168,657	1,215,910	1,333,389	1,200,796	664,737	506,848	584,307
Public Safety	2,926,342	2,888,154	3,093,509	3,007,024	3,025,793	2,912,027	2,803,457	2,840,052	2,581,637	2,368,447
Transportation	466,616	531,179	478,512	624,524	425,540	382,097	437,038	706,994	644,965	9,238
Economic & Physical Development	111,892	99,748	114,032	90,149	79,807	112,193	152,834	-	-	-
Environmental Protection	468,563	443,724	437,892	319,445	419,622	394,632	416,381	1,499,528	1,443,899	1,160,722
Parks and Recreation	478,995	301,301	205,558	100,741	23,995	-	-	-	-	-
Interest on Long-Term Debt	49,099	81,425	103,169	127,753	158,410	174,271	179,920	191,533	80,197	32,326
Water	-	-	-	-	-	-	-	-	-	-
Total Expenses	5,274,504	5,414,315	5,619,899	5,438,293	5,349,077	5,308,609	5,190,426	5,902,844	5,257,546	4,155,040
Increase (decrease) in net position before transfers	237,115	263,916	(28,874)	62,590	(62,535)	419,174	896,948	434,074	1,095,460	163,452
Transfers	102,900	156,333	370,089	376,413	355,737	357,955	350,125	344,333	168,000	125,000
Increase (decrease) in net position	340,016	420,249	341,215	439,003	293,202	777,129	1,247,073	778,407	1,263,460	288,452

**Town of Atlantic Beach
Change in Net Position
Business Type Activities
Last Ten Years**

Table 2.1

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Program revenues:										
Charges for services-Water	\$ 1,188,448	\$ 1,133,273	\$ 1,150,477	\$ 1,206,785	\$ 1,171,130	\$ 1,089,455	\$ 967,728	\$ 967,400	\$ 1,018,458	\$ 996,118
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants & Contributions	-	-	-	-	-	-	-	-	-	-
General revenues:										
Property taxes	-	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-	-
Unrestricted intergovernmental revenues:										
Local option sales tax	-	-	-	-	-	-	-	-	-	-
Carteret County ABC revenue	-	-	-	-	-	-	-	-	-	-
Utilities franchise tax	-	-	-	-	-	-	-	-	-	-
Cable vision franchise tax	-	-	-	-	-	-	-	-	-	-
Telecommunications sales tax	-	-	-	-	-	-	-	-	-	-
Other intergovernmental revenues	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-	(968)	-
Other	6,347	7,085	8,840	11,006	80,737	55,449	96,083	123,203	94,996	44,887
Total Revenues	1,194,795	1,140,358	1,159,317	1,217,791	1,251,867	1,144,904	1,063,811	1,090,603	1,112,486	1,041,005
Expenses:										
General Government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Economic and Physical Development	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Water	1,403,882	1,361,249	931,539	927,113	891,990	859,629	1,043,074	884,080	702,499	784,588
Total Expenses	1,403,882	1,361,249	931,539	927,113	891,990	859,629	1,043,074	884,080	702,499	784,588
Increase (decrease) in net position before transfers	(209,087)	(220,891)	227,778	290,678	359,877	285,275	20,737	206,523	409,987	256,417
Transfers	(102,900)	(156,333)	(370,089)	(376,413)	(355,737)	(357,955)	(350,125)	(344,333)	(168,000)	(125,000)
Increase (decrease) in net position after transfers	(311,987)	(377,224)	(142,311)	(85,735)	4,140	(72,680)	(329,388)	(137,810)	241,987	131,417

**Town of Atlantic Beach
Change in Net Position
Total Primary Government
Last Ten Years**

Table 2.2

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Program revenues:										
Charges for services								\$ 1,921,716	\$ 1,924,747	\$ 1,882,348
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	511,600	532,682	503,019	429,284	384,492	433,747	336,939	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Economic/Physical Development	-	58,641	60,995	56,476	53,662	54,166	51,300	-	-	-
Environmental Protection	525,441	517,538	518,760	519,316	515,609	514,593	504,988	-	-	-
Water	1,188,448	1,133,273	1,150,477	1,206,785	1,171,130	1,089,455	967,728	-	-	-
Operating grants and contributions	217,777	267,984	266,272	169,915	84,438	182,277	122,820	455,467	518,975	105,807
Capital Grants & Contributions	-	-	-	80,000	-	30,000	-	265,393	371,476	-
General revenues:										
Property taxes	2,750,669	2,819,505	2,835,564	2,870,414	2,874,994	2,871,129	3,393,084	2,372,676	2,040,535	2,004,824
Other taxes	13,951	22,742	23,181	20,699	20,270	21,539	17,534	18,779	116,206	112,301
Unrestricted intergovernmental revenues:										
Local option sales tax	980,257	960,118	914,057	829,358	841,881	1,044,378	993,403	905,207	848,824	784,138
Carteret County ABC revenue	135,328	107,870	105,156	102,922	53,702	62,122	64,874	71,030	73,833	101,814
Utilities franchise tax	205,112	188,339	184,028	208,444	204,847	194,759	181,411	176,341	162,584	165,410
Cable vision franchise tax	90,306	92,300	94,653	124,288	124,388	128,329	120,394	111,049	39,130	37,103
Telecommunications sales tax	42,142	44,151	47,493	48,468	51,022	53,216	48,688	43,061	46,555	38,308
Other intergovernmental revenues	11,090	10,930	11,475	12,139	6,978	12,860	12,846	43,619	32,711	30,296
Gain (loss) on disposal of assets	-	-	-	(138)	6,000	-	-	-	1,028,360	-
Other	34,293	62,516	35,212	40,304	144,996	180,117	335,176	1,043,183	261,556	97,148
Total Revenues	6,706,414	6,818,589	6,750,342	6,718,674	6,538,409	6,872,687	7,151,185	7,427,521	7,465,492	5,359,497
Expenses:										
General Government	772,997	1,068,784	1,187,227	1,168,657	1,215,910	1,333,389	1,200,796	664,737	506,848	584,307
Public safety	2,926,342	2,888,154	3,093,509	3,007,024	3,025,793	2,912,027	2,803,457	2,840,052	2,581,637	2,368,447
Transportation	466,616	531,179	478,512	624,524	425,540	382,097	437,038	706,994	644,965	9,238
Economic and Physical Development	111,892	99,748	114,032	90,149	79,807	112,193	152,834	-	-	-
Environmental Protection	468,563	443,724	437,892	319,445	419,622	394,632	416,381	1,499,528	1,443,899	1,160,722
Parks and Recreation	478,995	301,301	205,558	100,741	23,995	-	-	-	-	-
Interest on Long-Term Debt	49,099	81,425	103,169	127,753	158,410	174,271	179,920	191,533	80,197	32,326
Water	1,403,882	1,361,249	931,539	927,113	891,990	859,629	1,043,074	884,080	702,499	784,588
Total Expenses	6,678,386	6,775,564	6,551,438	6,365,406	6,241,067	6,168,238	6,233,500	6,786,924	5,960,045	4,939,628
Increase (decrease) in net position before transfers	28,028	43,025	198,904	353,268	297,342	704,449	917,685	640,597	1,505,447	419,869
Transfers					-	-	-	-	-	-
Increase (decrease) in net position after transfers	\$ 28,029	\$ 43,025	\$ 198,904	\$ 353,268	\$ 297,342	\$ 704,449	\$ 917,685	\$ 640,597	\$ 1,505,447	\$ 419,869

**Town of Atlantic Beach
Fund Balances of Government Funds
Last Ten Years**

Table 3

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Restricted for:										
State statute	\$405,933	\$351,456	\$354,059	\$391,994	\$341,800	\$338,399	\$340,476	\$426,499	\$806,956	\$ 283,918
Streets Powell bill	64,459	185,307	156,533	167,736	377,427	353,406	\$307,546	266,799	355,530	286,487
Unassigned, General Fund	4,342,286	5,115,741	5,024,380	4,961,504	4,756,227	4,538,848	3,851,623	1,051,799	1,450,037	2,132,462
Assigned - Subsequent Year's Expenditures	-	-	-	-	-	-	-	445,230		
Total	4,812,678	5,652,504	5,534,972	5,521,234	5,475,454	5,230,653	4,499,645	2,190,327	2,612,523	2,702,867
 All other Governmental Funds										
Assigned, reported in:										
Special Revenue Funds	236,473	235,828	338,035	336,902	335,557	334,380	355,325	1,612,072	2,017,692	299,702
 Total Fund Balances of Governmental Funds	\$5,049,151	\$5,888,332	\$5,873,007	\$5,858,136	\$5,811,011	\$5,565,033	\$4,854,970	\$3,802,399	\$4,630,215	\$3,002,569

Town of Atlantic Beach
Changes in Fund Balances in Government Funds
Last Ten Years

Table 4

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
REVENUES										
Ad valorem taxes	\$ 2,750,085	\$ 2,827,985	\$ 2,814,843	\$ 2,871,282	\$ 2,911,432	\$ 2,845,137	\$ 3,390,177	\$ 2,375,991	\$ 2,039,078	\$ 2,002,632
Other taxes and licenses	13,951	22,742	23,181	20,699	20,270	21,539	17,534	923,986	865,030	896,439
Unrestricted intergovernmental	1,464,235	1,403,708	1,356,862	1,325,619	1,282,818	1,495,664	1,421,616	445,100	354,813	372,931
Restricted intergovernmental	99,986	260,084	257,236	239,374	74,921	204,977	100,213	718,610	881,438	136,446
Permits and fees	159,201	158,723	118,539	122,504	127,390	176,469	95,761	233,733	282,982	276,179
Sales and services	882,823	906,816	876,180	846,075	801,721	790,277	731,062	678,528	606,360	544,253
Investment earnings	9,434	15,735	25,239	24,355	47,356	111,826	170,210	114,148	110,996	52,286
Miscellaneous	112,809	56,792	78,610	47,038	34,169	43,062	89,010	743,302	25,960	35,135
Total revenues	5,492,524	5,652,585	5,550,690	5,496,946	5,300,077	5,688,951	6,015,583	6,233,398	5,166,657	4,316,301
EXPENDITURES										
Current:										
General government	985,726	1,009,350	1,139,634	1,120,438	1,164,434	1,235,362	1,120,346	613,479	597,341	543,186
Public safety	2,721,876	2,688,525	2,877,657	2,801,622	2,757,490	2,658,210	2,606,088	2,713,204	2,625,591	2,248,759
Transportation	479,020	512,795	469,745	501,367	431,225	421,171	408,287	200,212	14,008	9,238
Environmental Protection	458,579	443,423	436,142	427,808	418,975	394,416	416,698	2,123,498	2,100,513	1,154,989
Economic & Physical Development	90,427	95,130	113,027	89,577	79,455	112,487	150,388	-	-	-
Public Services	201,953	276,865	200,321	92,396	23,556	-	-	-	-	-
Capital outlay	1,111,282	779,645	134,285	320,122	51,111	9,387	527,203	1,248,920	4,000,000	2,167
Debt service:										
Principal	352,676	300,734	446,717	344,717	342,183	339,731	323,296	317,790	339,643	121,716
Interest and other charges	51,578	92,391	107,995	140,428	164,310	178,922	182,122	196,026	24,129	30,445
Total expenditures	6,453,117	6,198,858	5,925,523	5,838,475	5,432,739	5,349,686	5,734,428	7,413,129	9,701,225	4,110,500
Revenue over (under) expenditures	(960,593)	(546,273)	(374,833)	(341,529)	(132,662)	339,265	281,155	(1,179,731)	(4,534,568)	205,801
OTHER FINANCING SOURCES (USES)										
Transfers from other funds	102,900	259,510	370,089	376,413	355,737	357,955	350,125	432,084	168,000	225,000
Transfers to/from major funds	-	-	-	-	-	27,040	1,271,448	424,705	(1,562,426)	(100,000)
Proceeds from sale of assets	16,466	41,046	16,890	7,298	6,000	-	41,728	-	1,820,000	-
Proceeds from insurance recovery	1,401	-	1,592	3,598	15,726	6,748	12,454	-	-	-
Proceeds from issuance of debt	-	363,249	-	-	-	-	352,205	-	4,018,650	24,034
Total other financing sources (uses)	120,767	663,805	388,571	387,309	377,463	391,743	2,027,960	856,789	4,444,224	149,034
Net change in fund balance	\$ (839,826)	\$ 117,532	\$ 13,738	\$ 45,780	\$ 244,801	\$ 731,008	\$ 2,309,115	\$ (322,942)	\$ (90,344)	\$ 354,835
Debt Service as a percentage of noncapital expenditures	7.87%	7.64%	9.92%	8.94%	9.45%	9.71%	9.71%	8.34%	6.38%	3.70%

Town of Atlantic Beach
Assessed and Estimated Actual Value of Taxable Property and Overlapping Rates
Last Ten Fiscal Years

Table 5

Fiscal Year Ending <u>June 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Companies</u>	<u>Less Elderly Exemptions</u>	<u>Total Assesd Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	Taxable Assessed Value as a Percentage of Actual Taxable Value of Real <u>Property</u>
2005	803,693,168	61,190,081	4,725,284	542,942	869,065,591	0.23	761,531,445	86.62%
2006	817,100,105	65,528,842	3,954,991	526,896	886,057,042	0.23	704,579,109	77.79%
2007	845,045,930	66,289,085	4,016,484	583,742	914,767,757	0.26	580,467,587	60.44%
2008	2,184,426,996	46,116,975	5,294,608	461,956	2,235,376,623	0.15	2,235,376,623	100.00%
2009	2,206,535,463	67,434,807	5,620,078	921,500	2,278,668,848	0.125	2,243,364,281	98.40%
2010	2,220,996,342	66,647,301	5,877,921	736,307	2,292,785,257	0.125	2,573,741,294	112.65%
2011	2,223,162,384	46,056,211	5,634,668	1,142,611	2,273,710,652	0.125	2,229,914,353	98.03%
2012	1,579,468,406	44,360,560	5,469,687	823,322	1,628,475,331	0.170	1,776,313,574	109.36%
2013	1,580,538,840	46,548,292	5,258,224	1,308,472	1,631,036,884	0.170	1,778,975,319	109.36%
2014	1,581,876,781	44,062,526	5,070,562	1,324,350	1,629,685,519	0.165	Not available	Not available

Source: Carteret County Tax Scrolls

Notes:

1. The NC General Statutes require a revaluation of real property at least every eight years. Real property is valued at 100% of estimated value as of the date of the latest revaluation. The last revaluation was effective for the fiscal year ending June 30, 2012.
2. Personal property is valued at 100% of estimated value.
3. Public service property is generally valued at 100% of estimated value. It may be valued at less than 100% in years in which the County's sales to assessment ratio on real property is less than 80%.
4. The Town bills and collects property taxes for real, public service, non-registered motor vehicles and personal property. Carteret County bills and collects property taxes for registered motor vehicles on behalf of the Town. The values reported above include property taxes billed and collected by the Town and County.

Town of Atlantic Beach
Direct and Overlapping Property Tax Rates
Last Ten Years

Table 6

Fiscal Year Ended <u>June 30</u>	Direct Rate <u>Atlantic Beach</u>	Overlapping Rate <u>Carteret County</u>
2005	0.23	0.42
2006	0.23	0.42
2007	0.26	0.44
2008	0.15	0.23
2009	0.125	0.23
2010	0.125	0.23
2011	0.125	0.23
2012	0.17	0.30
2013	0.17	0.29
2014	0.165	0.30

Notes:

1. Source of County tax rates - Carteret County tax office

**Town of Atlantic Beach
Principal Property Tax Payers
June 30, 2014**

Table 7

	FY 2014				FY 2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Atlantic Newport Hospitality	\$14,550,000	1	21.68%				
Atlantic Station Prtnr LLC	10,853,858	2	16.17%	Atlantic Station Inc	\$ 5,357,079	2	12.09%
Fred M Bunn Etal James	8,093,780	3	12.06%				
Dunes Club, Inc	7,370,472	4	10.98%	Dunes Club Inc	5,066,447	3	11.44%
Crow Nest Yacht Club, Inc.	7,336,000	5	10.93%	Crow Nest Yacht Club, Inc.	2,759,623	7	6.23%
Coral Bay Club, Inc.	6,254,479	6	9.32%	Coral Bay Club Inc	3,631,680	5	8.20%
Oceanana Resort LLC	4,636,173	7	6.91%	Oceanana Resort LLC	2,935,646	6	6.63%
Rembert Investments LLC	2,766,811	8	4.12%				
Progress Energy Carolinas	2,716,670	9	4.05%				
Pelican Park Assn	2,548,538	10	3.80%				
				Atlantic Beach Hotel Ltd	13,636,856	1	30.78%
				Fred M & Diana Bunn	4,680,246	4	10.57%
				Coastal Lodging Corp	2,374,481	8	5.36%
				Ned T Grady	1,929,611	9	4.36%
				Carolina Telephone	1,925,796	10	4.35%
	<u>\$ 67,126,781</u>		<u>100.00%</u>		<u>\$ 44,297,465</u>		<u>100.00%</u>

Notes:
1. Values reported above include amounts for property billed and collected by the Town. It excludes values for registered motor vehicles billed and collected by Carteret County on behalf of the Town.

Town of Atlantic Beach
Property Tax Levies, Collections and Credits
Last Ten Years

Table 8

Fiscal Year Ended <u>June 30</u>	Taxes Levied for the <u>Fiscal Year</u>	Collected within the <u>Fiscal Year of the Levy</u>		Collections in Subsequent <u>Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2005	1,998,851	1,992,794	99.70%	5,811	1,998,605	99.99%
2006	2,037,932	2,030,051	99.61%	6,205	2,036,256	99.92%
2007	2,379,271	2,368,276	99.54%	5,437	2,373,714	99.77%
2008	3,392,455	3,378,265	99.58%	4,355	3,382,620	99.71%
2009	2,845,263	2,806,562	98.64%	38,639	2,845,201	100.00%
2010	2,843,721	2,839,914	99.87%	3,138	2,843,052	99.98%
2011	2,842,798	2,833,036	99.66%	9,604	2,842,640	99.99%
2012	2,769,501	2,748,169	99.23%	17,480	2,765,649	99.86%
2013	2,777,939	2,767,352	99.62%	2,825	2,770,177	99.72%
2014	2,696,648	2,687,724	99.67%	0	2,687,724	99.67%

Source: Town of Atlantic Beach Tax Reports

Town of Atlantic Beach
Computation of Legal Debt Margin
June 30, 2014

Table 9

Total Assessed Valuation	\$ 1,614,375,782
Legal Debt Margin:	
Debt Limit 8% of Total Assessed Value	129,150,063
Amount of Debt Applicable to Debt Limit	<u>2,334,070</u>
Legal Debt Margin	<u><u>\$ 126,815,993</u></u>

Town of Atlantic Beach
Computation of Direct and Overlapping Debt
June 30, 2014

Table 10

	Net General Obligation Bonded Debt	Percentage Applicable to Town (1)	Amount Applicable to Town
Direct:			
Town of Atlantic Beach	\$ 2,334,070	100%	\$ 2,334,070
Overlapping:			
Carteret County	39,645,791	10.45%	4,142,292
	\$ 41,979,861		\$ 6,476,362

Town's assessed valuation	\$ 1,614,375,782		
County's assessed valuation	\$ 15,451,156,552		
	10.45%		

Notes:

The percentage of indebtedness of the town's overlapping political units is determined by dividing the town's assessed valuation by the total assessed valuation of the county.

Town of Atlantic Beach
Ratios of General Bonded Debt Outstanding
Last Ten Years

Table 11

Fiscal Year Ended <u>June 30,</u>	<u>General Bonded Debt Outstanding</u>	<u>Population Estimate (1)</u>	<u>GO Debt Per Capita</u>
2005	300145	1,791	168
2006	204545	1,801	114
2007	101845	1,812	56
2008	25000	1,799	14
2009	0	1,800	0
2010	0	1,820	0
2011	0	1,495	0
2012	0	1,506	0
2013	0	1,504	0
2014	0	1,517	0

Notes:

1. NCOSBM Certified Municipal Population Estimates

Town of Atlantic Beach
Ratios of Outstanding Debt by Type
Last Ten Years

Table 12

Fiscal Year Ended <u>June 30,</u>	Governmental Activities		Business Type Activities		Total Primary Government	Population Estimate (1)	Total Debt Per Capita	Personal Income (2)	<u>Total Debt</u> <u>% of Personal</u> <u>Income</u>
	<u>General Bonded</u> <u>Debt Outstanding</u>	<u>Installment</u> <u>Contracts</u>	<u>General Bonded</u> <u>Debt Outstanding</u>	<u>Installment</u> <u>Contracts</u>					
2005	-	707,176	300,145	-	1,007,321	1,791	562	1,945,862	0.05%
2006	-	4,386,461	204,545	-	4,591,006	1,801	2,549	2,029,585	0.23%
2007	-	4,068,671	101,845	-	4,170,516	1,812	2,302	2,162,444	0.19%
2008	-	4,097,580	25,000	-	4,122,580	1,799	2,292	2,401,852	0.17%
2009	-	3,757,848	-	-	3,757,848	1,800	2,088	2,477,362	0.15%
2010	-	3,415,665	-	-	3,415,665	1,820	1,877	2,583,758	0.13%
2011	-	3,070,948	-	-	3,070,948	1,495	2,054	2,639,299	0.12%
2012	-	2,624,231	-	-	2,624,231	1,506	1,743	2,824,360	0.09%
2013	-	2,686,746	-	-	2,686,746	1,504	1,786	N/A	N/A
2014	-	2,334,070	-	-	2,334,070	1,517	1,539	N/A	N/A

Notes:

1. NCOSBM Certified Municipal Population Estimates
2. US Bureau of Economic Analysis. Information is available at the county level and presented on that basis. (In thousands)

**Town of Atlantic Beach
Demographic and Economic Information
Last Ten Years**

Table 13

Fiscal Year Ended <u>June 30,</u>	Estimated <u>Population (1)</u>	Unemployment <u>Ratio % (2)</u>	Per Capita <u>Personal Income (3)</u>	Personal <u>Income (3)</u>
2005	1,791	5.0	30,961	1,945,862
2006	1,801	4.6	32,086	2,029,585
2007	1,821	4.5	34,241	2,162,444
2008	1,799	4.3	37,796	2,401,852
2009	1,800	7.4	38,455	2,477,362
2010	1,820	8.4	38,728	2,583,758
2011	1,495	8.5	39,174	2,639,299
2012	1,506	9.3	41,761	2,824,360
2013	1,504	8.5	N/A	N/A
2014	1,517	5.5	N/A	N/A

Notes:

1. NCOSBM Certified Municipal Population Estimates
2. Employment Security Commission. Information is available at the county level and presented on that basis.
3. US Bureau of Economic Analysis. Information is available at the county level and presented on that basis. (In thousands, not adjusted for inflation)
4. N/A - information not yet available for the year listed.

**Town of Atlantic Beach
Principal Employers
June 30, 2014**

Table 14

<u>Employer</u>	Calendar Year 2013			Calendar Year 2004		
	Employees (FTE's)	Rank	Percentage of Total Employment	Employees (FTE's)	Rank	Percentage of Total Employment
Carteret County Board of Education	1000+	1	N/A	1000+	1	N/A
Carteret General Hospital	1000+	2	N/A	500-999	2	N/A
County of Carteret	500-999	3	N/A	250-499	5	N/A
Wal-Mart Associates, Inc	250-499	4	N/A	500-999	3	N/A
Carteret Community College	250-499	5	N/A	250-499	6	N/A
Food Lion, LLC	250-499	6	N/A	100-249	9	N/A
Lowes Home Improvemen	250-499	7	N/A			
Big Rock Sports LLC	250-499	8	N/A			
State of North Carolina	250-499	9	N/A	250-499	7	N/A
McDonalds	100-249	10	N/A			
SSA Security Inc				250-499	4	N/A
Atlantic Veneer Corp				250-499	8	N/A
Lowes Food Stores				100-249	10	N/A

Notes:

1. 2013 was most recent year for which information is available and includes full-time and part-time workers
2. Source of information is the Employment Security Commission of North Carolina. Information is available at the county level and presented on that basis.
3. N/A = Information not available.

Town of Atlantic Beach
Full-Time Equivalent Town Government Employees by Function/Programs
Last Eight Years

Table 15

Functions/Program	Fiscal Year							
	2014	2013	2012	2011	2010	2009	2008	2007
General Government:								
Administration	3	3	3	3	3	3	3	3
Finance	3	3	3	3	3	3	3	3
Public Buildings (1)	8	8	8	7	7	6	6	7
Public Safety:								
Police	18	18	19	19	18	18	17	17
Communications	0	0	0	0	4	4	5	5
Fire/EMS	14	14	14	14	14	14	14	14
Inspections	2	2	2	3	3	3	3	3
Transportation:								
Streets and Highways (1)	8	8	8	8	8	8	8	8
Economic & Physical Development:								
Planning	1	1	1	1	1	1	1	1
Environmental Protection:								
Solid Waste	1	1	1	1	1	1	1	1
Water:								
Operations	4	4	4	4	4	4	4	4
Total	62	62	63	63	66	65	65	66

Notes:

1. Work-release inmates and contract-labor inmates included in FTE calculations
2. Information not available for prior years.

**Town of Atlantic Beach
Operating Indicators by Function/Programs
Last Eight Years**

Table 16

<u>Functions/Program</u>	Fiscal Year							
	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety:								
Police calls answered	52325	30462	36382	33248	15846	16588	16765	17125
Fire calls answered	734	574	614	395	473	570	629	603
EMS calls answered	548	509	500	494	485	463	474	483
Lifeguard calls answered	241	154	133	245	253	267	177	208
Transportation: (Streets & Highways)								
Miles of streets maintained	23.43	22.93	22.93	22.93	22.93	22.93	22.93	23.10
Environmental Protection: (Solid Waste & Sanitation)								
Solid waste collected (tons)	1,606	1,595	1,726	2,067	2,307	2,071	2,176	1,932
Recyclables collected (tons)	215	197	167	205	164	184	122	82
Yard debris collected (tons)	458	404	434	519	517	421	312	339
Public beach accesses (improved w/ structures)	18	17	17	17	17	17	17	16
Public beach accesses (unimproved)	3	3	3	3	3	3	3	3
Public beachfront maintained (miles)	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Water:								
Number of customers served	6,969	6,980	6,984	6,859	6,973	6,998	6,932	6,912
Ave. daily consumption - summer (gallons)	857,890	796,674	892,126	1,241,000	1,030,000	856,361	864,000	851,000
Ave. daily consumption - winter (gallons)	414,953	401,830	410,725	349,570	360,940	495,344	416,920	389,400

Notes:

1. Information not available for prior years.

**Town of Atlantic Beach
Capital Asset Statistics by Function/Program
Last Eight Years**

Table 17

Functions/Program	Fiscal Year							
	2014	2013	2012	2011	2010	2009	2008	2007
General Government:								
Public beach accesses (improved w/ structures)	18	17	17	17	17	17	17	16
Public Safety:								
Number of police stations	1	1	1	1	1	1	1	1
Number of patrol units	20	20	20	20	20	20	20	27
Number of patrol boats	2	2	2	2	2	2	2	2
Number of fire/EMS stations	1	1	1	1	1	1	1	1
Number of engines	2	2	2	2	2	2	2	2
Number of ambulances	2	2	2	2	2	2	2	2
Number of rescue trucks	1	1	1	1	1	1	1	1
Number of rescue boats	1	1	1	1	1	1	1	1
Transportation: (Streets & Highways)								
Miles of streets	23.43	22.93	22.93	22.93	22.93	22.93	22.93	23.10
Environmental Protection: (Solid Waste & Sanitation)								
Number of yard waste trucks	2	2	2	2	2	2	2	2
Number of backhoes	2	2	2	2	2	2	2	2
Water:								
Number of Wells	6	6	6	6	6	6	6	6
Number of water tanks	3	3	3	3	3	3	3	3
Capacity of water tanks (gallons each)	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Daily max. pumping capacity of wells (gal/day)	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	1,740,000	1,740,000
Miles of water mains	50	50	50	50	50	50	50	50

Notes:

1. Information not available for prior years.

Compliance Section

- Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed in Accordance with *Governmental Auditing Standards*
- Schedule of Findings and Questioned Costs



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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
Members of the Town Council
Atlantic Beach, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 Town of Atlantic Beach, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Town of Atlantic Beach's basic financial statements, and have issued our report thereon dated October 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Atlantic Beach'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 Atlantic Beach's internal control over financial reporting. 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 over financial reporting 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 Town of Atlantic Beach's financial statements are free of 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.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.
Wilmington, North Carolina
October 13, 2014

Town of Atlantic Beach, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2014

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes Xno

- Significant Deficiency(s) identified
that are not considered to be
material weaknesses ___yes Xno

Noncompliance material to financial
statements noted ___yes Xno

Town of Atlantic Beach, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2014

Section II - Financial Statement Findings

None.

Town of Atlantic Beach, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2014

Section II - Financial Statement Findings

None.