

Town of Atlantic Beach, North Carolina

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2017

Prepared by:

Williams · Scarborough · Smith · Gray, LLP

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Town of Atlantic Beach, North Carolina
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Introductory Section

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



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125 West Fort Macon Road
Atlantic Beach, NC 28512



OFFICE OF THE TOWN MANAGER
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October 31, 2017

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, 2017, 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, 2017. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Description 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 1,501 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 three (3) 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.

Economic Condition and Outlook

The information in the financial statements may be best understood when considered in the context of the environment in which the Town operates. 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 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.

All indications are that the Town and the County will experience continued growth. This growth expands our tax base and property taxes, one of our largest revenue sources. The Town closely monitors its resources and has emphasized program efficiencies and other cost containment efforts, allowing strong financial positions to be maintained. We believe that the economic environment in this area, along with the Town's diligent management of the Town's costs and services, will provide ongoing financial stability and fiscal capacity.

Major Initiatives

An ongoing goal of the Council has been to develop programs and pursue projects that upgrade facilities and enhance the quality of life for citizens and visitors through the cooperative efforts of governmental units, the business community, nonprofit organizations, and individual citizens.

The Town continues to work with property developer, FMB at the Grove, LLC, 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 believes this public-private partnership will bring the Town the right solution for both year-round residents and seasonal tourists.

FY2015-16 included major initiatives undertaken to improve water access for citizens and visitors with a CAMA Grant assisting in the funding of a bridge abutment project that provided sound-side fishing access to the Intracoastal Waterways with parking for vehicles and boat trailers. This project may be expanded in future years to allow the installation of a floating boat dock for public use.

The Town has completed the planning phase of the stormwater management project. Connected to this project and in anticipation of the need for significant land acreage to support the stormwater infrastructure, the Town acquired a large parcel of land within the Town limits in fiscal year 2006-07. Said property serves as the Town Park with playground, splashpad, greenspace and other amenities in the interim. During FY2015-16, the Town received \$400,000 in donations toward adding a state of the art skatepark and miniature golf course to the Town Park. During FY2016-17, the Town received an additional \$200,000 in donations toward adding restroom/concession facilities to the Town Park. Also during FY2016-17, the Town completed the construction of a new Public Services/Water facility due to deterioration of the prior facility.

The Town continues support for nonprofit and other organizations that sponsor major public events which showcase the area as well as provide economic benefit to the community. The Town provided assistance and in-kind support to numerous community projects, including the AB Beach Music Festival, Tuna Run 200, the United Way Volleyball Tournament, weekly summer family movie nights, the Buddy Peletier Surfing Competition, multiple surf fishing tournaments, Crystal Coast Music Festival, Carolina KiteFest, National Night Out, and various beach run events.

For the Future

The Town Council adopted the fiscal year 2017-18 budget in June 2017. Property taxes provide approximately 44% of the revenues for the General Fund. Revenue from sales tax, permits and fees, and sales and services were all projected to remain consistent with prior years. No new or increased fees in the General Fund were implemented in the 2017-18 budget.

Major capital purchases and projects during FY2017-18 include a replacement vehicle in the Police Department, a replacement vehicle in the Police Department, continued dredging of major waterways using NC DENR grant opportunities, and the creation of a new ADA-approved beach access at the Tom Doe/Henderson Drive beach access partially funded by NC DENR.

Internal Controls, Budgetary Controls, and Independent Audit

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.

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, 2016. This was the seventeenth 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, 2017

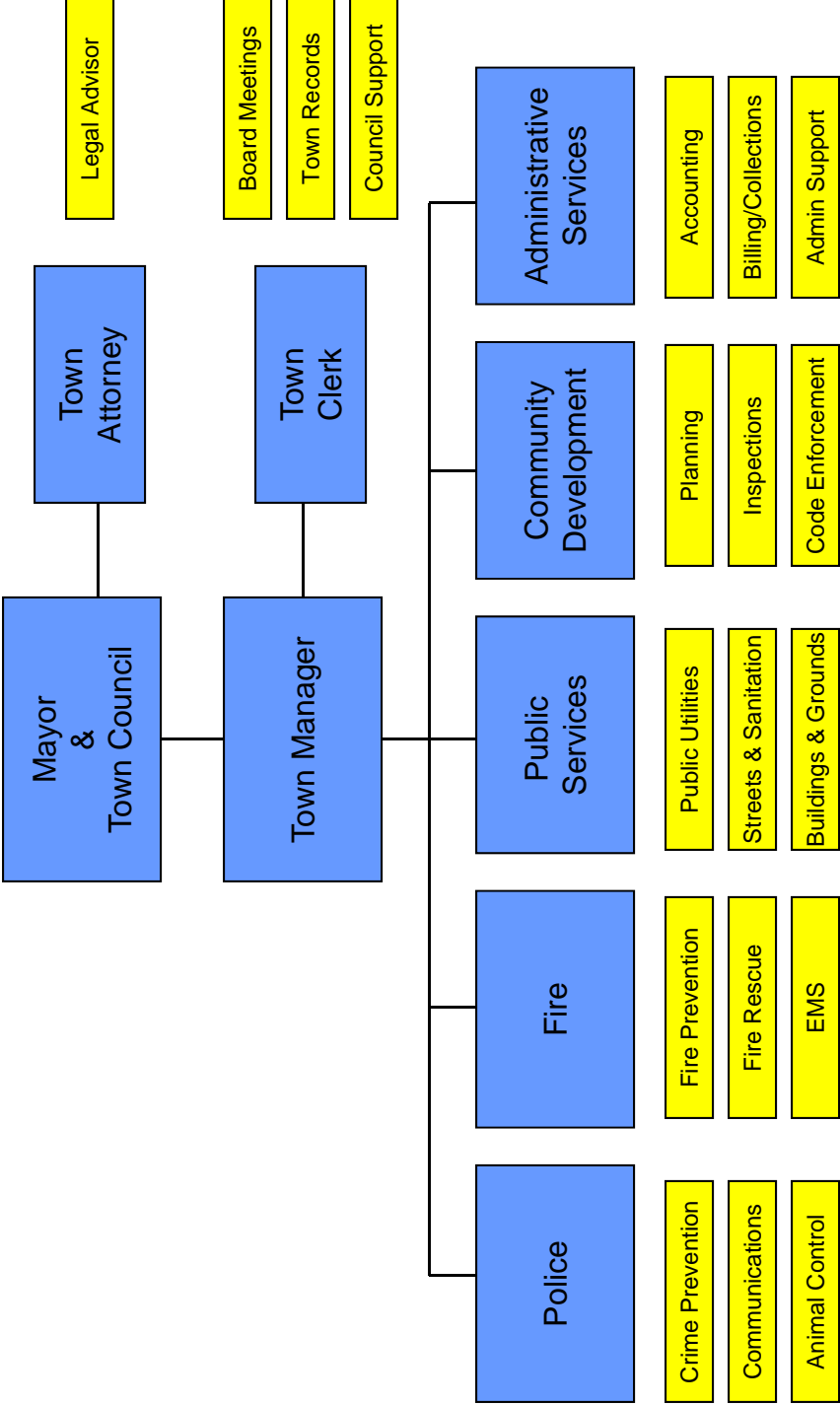
TOWN COUNCIL

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
Jeff Harvey, Police Chief
Adam Snyder, Fire Chief
Michelle Shreve, Planning Director
John Harrell, Chief Inspector

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, 2016

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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Thompson, Price, Scott, Adams & Co., P.A.
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Wilmington, North Carolina 28403
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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, 2017, 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, 2017, 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 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and 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 31, 2017 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 31, 2017

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 3.9%, which is below both the State average of 4.2% and the national average of 4.4%.
- 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, 2018

The Town of Atlantic Beach budget for the Fiscal Year Ending June 30, 2017 totals \$7,237,125 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 2017-18 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 one replacement Police Department vehicle. The General Fund continues to plan for improvements to beach accesses, additional stormwater drainage projects, and new Police and Fire Complex. No fund balance was appropriated in the General Fund budget for FY2017-18. The Town intends to increase the Powell Bill reserves for several years planning for another major repaving project in approximately FY2018-19. The Water Fund plans to complete the installation of cut-off valves throughout the main utility lines along Highway 58. The Water Fund capital outlay expenditures include one replacement vehicle and \$25,000 toward the valve installation project. No fund balance monies were appropriated in the Water Fund budget for FY2017-18.

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 \$1,569,418,788 tax base. The \$2,545,000 ad valorem property tax revenue comprises approximately 44% 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 essentially the same fee schedule as the prior year.

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

Town of Atlantic Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

Exhibit 2

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental Activities:				
General government	\$ 1,181,915	\$ -	\$ -	\$ -
Public safety	3,063,905	696,489	-	118,514
Transportation	690,001	-	58,699	-
Economic and physical development	408,935	99,087	-	253,370
Environmental protection	149,295	538,977	-	-
Cultural and recreation	509,490	-	-	-
Interest on long-term debt	29,050	-	-	-
Total governmental activities (See Note 1)	6,032,591	1,334,553	58,699	371,884
Business-type activities:				
Water	1,240,797	1,790,537	-	-
Total business-type activities	1,240,797	1,790,537	-	-
Total primary government	\$ 7,273,388	\$ 3,125,090	\$ 58,699	\$ 371,884

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Grants and contributions not restricted to specific programs

Miscellaneous

Unrestricted investment earnings

Transfers

Total general revenues, special items, and transfers

Change in net position

Net position, beginning, previously reported

Restatement

Net position, beginning, restated

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
\$ (1,181,915)	\$ -	\$ (1,181,915)
(2,248,902)	-	(2,248,902)
(631,302)	-	(631,302)
(56,478)	-	(56,478)
389,682	-	389,682
(509,490)	-	(509,490)
(29,050)	-	(29,050)
(4,267,455)	-	(4,267,455)
-	549,740	549,740
-	549,740	549,740
(4,267,455)	549,740	(3,717,715)
2,594,542	-	2,594,542
5,395	-	5,395
1,675,790	-	1,675,790
13,520	-	13,520
14,291	4,607	18,898
914,000	(914,000)	-
5,217,538	(909,393)	4,308,145
950,083	(359,653)	590,430
11,638,302	4,216,124	15,854,426
(197,527)	-	(197,527)
11,440,775	4,216,124	15,656,899
\$ 12,390,858	\$ 3,856,471	\$ 16,247,329

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, 2017

Exhibit 3

	Major General Fund	Non-Major Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,935,485	\$ 217,007	\$ 3,152,492
Restricted cash	243,827	-	243,827
Receivables, net:			
Taxes	8,293	-	8,293
Accounts	546,284	-	546,284
Total assets	\$ 3,733,889	\$ 217,007	\$ 3,950,896
LIABILITIES			
Accounts payable and accrued liabilities	\$ 346,906	\$ -	\$ 346,906
Total liabilities	346,906	-	346,906
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	8,293	-	8,293
Prepaid taxes	4,548	-	4,548
Total deferred inflows of resources	12,841	-	12,841
FUND BALANCES			
Restricted			
Stabilization by State Statute	\$ 546,284	\$ -	\$ 546,284
Streets - Powell Bill	243,827	-	243,827
Assigned			
Beach Renourishment	-	217,007	217,007
Unassigned	2,584,031	-	2,584,031
Total fund balances	3,374,142	217,007	3,591,149
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,733,889	\$ 217,007	

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, 2017

Exhibit 3

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.	10,728,008
Net pension liability	(920,236)
Total pension liability	(393,196)
Deferred outflows of resources related to pensions are not reported in the funds	1,152,423
Liabilities for earned revenues considered deferred inflows of resources in fund statements	8,293
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.)	(1,720,769)
Deferred inflows of resources related to pensions are not reported in the funds	(46,705)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(8,109)
Net position of governmental activities	<u>\$ 12,390,858</u>

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, 2017

Exhibit 4

	Major		Total
	General Fund	Non-Major Fund	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,594,908	\$ -	\$ 2,594,908
Other taxes and licenses	5,395	-	5,395
Unrestricted intergovernmental	1,675,790	-	1,675,790
Restricted intergovernmental	430,583	-	430,583
Permits and fees	280,887	-	280,887
Sales and services	960,372	-	960,372
Investment earnings	13,768	522	14,290
Miscellaneous	93,294	-	93,294
Total revenues	6,054,997	522	6,055,519
EXPENDITURES			
Current:			
General government	1,140,399	-	1,140,399
Public safety	2,963,692	-	2,963,692
Transportation	2,048,337	-	2,048,337
Environmental protection	452,712	-	452,712
Economic and physical development	132,999	-	132,999
Public services	1,098,316	-	1,098,316
Debt service:			
Principal	357,181	-	357,181
Interest and other charges	31,313	-	31,313
Total expenditures	8,224,949	-	8,224,949
Revenue over (under) expenditures	(2,169,952)	522	(2,169,430)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	914,000	-	914,000
Proceeds from sale of assets	10,050	-	10,050
Insurance Proceeds	3,470	-	3,470
Total other financing sources (uses)	927,520	-	927,520
Net change in fund balance	(1,242,432)	522	(1,241,910)
Fund balance, beginning	4,616,574	216,485	4,833,059
Fund balance, ending	\$ 3,374,142	\$ 217,007	\$ 3,591,149

(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, 2017

Exhibit 4

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

Net changes in fund balances - total governmental funds \$ (1,241,910)

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	2,240,256	
Depreciation expense from governmental assets	(370,223)	1,870,033

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 362,532

Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities 20,067

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 3,286

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. 357,177

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	(8,766)	
Accrued interest payable	2,262	
Pension Expense	(362,490)	
Other postemployment benefits	(52,108)	(82,002)

Total changes in net position of governmental activities \$ 950,083

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2017

	General Fund			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Ad valorem taxes	2,564,050	\$ 2,564,050	\$ 2,594,908	\$ 30,858
Other taxes and licenses	4,000	4,000	5,395	1,395
Unrestricted intergovernmental	1,748,150	1,668,150	1,675,790	7,640
Restricted intergovernmental	2,000	414,982	430,583	15,601
Permits and fees	225,000	279,000	280,887	1,887
Sales and services	953,800	916,800	960,372	43,572
Investment earnings	0	12,300	13,768	1,468
Miscellaneous	197,017	97,025	93,294	(3,731)
Total revenues	5,694,017	5,956,307	6,054,997	98,690
Expenditures:				
Current:				
General government	1,085,321	1,220,696	1,140,399	80,297
Public safety	3,050,491	3,068,816	2,963,692	105,124
Transportation	459,920	2,265,853	2,048,337	217,516
Environmental protection	484,660	473,400	452,712	20,688
Economic and physical development	136,570	140,983	132,999	7,984
Public services	175,200	1,207,636	1,098,316	109,320
Debt service:				
Principal retirement	357,185	357,185	357,181	4
Interest and other charges	31,315	31,315	31,313	2
Contingency	143,355	8,587	-	8,587
Total expenditures	5,924,017	8,774,471	8,224,949	549,522
Revenues over (under) expenditures	(230,000)	(2,818,164)	(2,169,952)	(648,212)
Other Financing Sources:				
Proceeds from sale of assets	-	10,000	10,050	50
Insurance Proceeds	-	3,470	3,470	-
Transfers from other funds	230,000	960,000	914,000	(46,000)
	230,000	973,470	927,520	(45,950)
Fund balance appropriated	-	1,844,694	-	1,844,694
Net change in fund balance	\$ -	\$ -	(1,242,432)	\$ (1,242,432)
Fund balances, beginning			4,616,574	
Fund balances, ending			\$ 3,374,142	

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, 2017

Exhibit 6

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,086,281
Restricted cash and cash equivalents	10,591
Accounts receivable (net) - billed	137,532
Accounts receivable (net) - unbilled	86,126
Inventories	34,799
Total current assets	1,355,329

Non-current assets:

Capital assets:

Land and construction in progress	1,589,624
Capital assets, net of depreciation	1,246,435
Capital assets	2,836,059
Total non-current assets	2,836,059

Total assets	\$ 4,191,388
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DEFERRED OUTFLOWS OF RESOURCES

Pension deferrals	98,465
Total deferred outflows of resources	98,465

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$ 28,899
Customer advances on water bills	19,667
Current portion of accrued vacation	4,331
Installment debt	33,134
Liabilities payable from restricted assets	
Customer deposits	10,591
Total current liabilities	96,622

Noncurrent liabilities:

Installment debt	216,866
OPEB liability	14,910
Accrued vacation	21,434
Net pension liability	80,020
Total non-current liabilities	333,230

Total liabilities	429,852
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DEFERRED INFLOWS OF RESOURCES

Pension deferrals	3,530
Total deferred inflows of resources	3,530

NET POSITION

Net investment in capital assets	2,586,059
Unrestricted	1,270,412
Total net position	\$ 3,856,471

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, 2017

Exhibit 7

OPERATING REVENUES

Charges for services	\$ 1,186,137
Stormwater fees	377,768
Other operating revenues	226,632
Total operating revenues	<u>1,790,537</u>

OPERATING EXPENSES

Administration	669,418
Water treatment and distribution	391,930
Depreciation	179,449
Total operating expenses	<u>1,240,797</u>

Operating income	<u>549,740</u>
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NONOPERATING REVENUE (EXPENSES)

Investment income	4,607
Total nonoperating revenue (expenses)	<u>4,607</u>

Income before contributions and transfers	554,347
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Transfers to other funds	<u>(914,000)</u>
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Change in net position	(359,653)
Total net position, beginning	<u>4,216,124</u>
Total net position, ending	<u><u>\$ 3,856,471</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, 2017

Exhibit 8

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,819,768
Cash paid to employees	(278,382)
Cash paid for services	(869,296)
Net cash provided by operating activities	<u>672,090</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to other funds	<u>(914,000)</u>
Net cash flows (used) by noncapital financing activities	<u>(914,000)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(387,782)
Installment purchase obligation issued	<u>250,000</u>
Net cash used by capital and related financing activities	<u>(137,782)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest	<u>4,607</u>
Net decrease in cash and cash equivalents	(375,085)

Balances, beginning	<u>1,471,957</u>
Balances, ending	<u><u>\$ 1,096,872</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, 2017

Exhibit 8

(continued)

Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u>\$ 549,740</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	179,449
Installment purchase obligation	(250,000)
Changes in assets, deferred outflows of resources, and liabilities:	
Increase in accounts receivable	(29,231)
Decrease in inventory	(3,215)
Decrease in deferred outflows of resources - pensions	(59,758)
Increase in net pension liability	61,138
Decrease in deferred inflows of resources - pensions	(7,376)
Increase in accounts payable and accrued liabilities	(27,232)
Increase in customer advances on water bills	3,412
Increase in customer deposits	1,053
Increase in accrued vacation pay	4,110
Total adjustments	<u>122,350</u>
Net cash provided by operating activities	<u><u>\$ 672,090</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, 2017

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, 2017

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, 2017

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 and the Board must adopt an interim budget that covers that time until an annual ordinance can be adopted.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, 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, 2017 was \$243,827. 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, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Town of Atlantic Beach Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 243,827
Total governmental activities	<u>\$ 243,827</u>
Business-type Activities	
Public Utilities Fund:	
Customer Deposits	10,591
Total Business-type Activities	<u>\$ 10,591</u>
Total Restricted Cash	<u>\$ 254,418</u>

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, 2016.

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. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of the donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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:

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

7. 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 one item that meets this criterion, contributions made to the pension plan in the 2017 fiscal year. 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 several items that meet the criterion for this category – prepaid taxes, property taxes receivable, and pension deferrals.

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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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 represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

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

Assigned for Beach Renourishment – portion of fund balance that the Town of Atlantic Beach intends to use for beach renourishment.

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.

11. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/ deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Atlantic Beach’s employer contributions are recognized when due and the Town of Atlantic Beach has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additional to/ deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2017, the Town's deposits had a carrying amount of \$3,427,346 and a bank balance of \$3,504,065. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2017, the Town's petty cash fund totaled \$1,400.

2. Investments

At June 30, 2017, the Town had \$1,065,445 invested with the North Carolina Capital Management Trust's Government 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, 2017

3. Receivables

Receivables at the government-wide level at June 30, 2017, were as follows:

Fund	June 30, 2017
General Fund:	
ABC tax receivable	\$ 53,158
Telecommunication sales tax receivable	7,675
Franchise tax receivable	62,167
Local option sales tax receivable	183,265
Video programming	21,960
Services receivable	79,996
Misellaneous receivables	138,063
Total	546,284
Public Utilities Fund:	
Services receivable	223,658
	\$ 769,942

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning	Reclassification	Increases	Decreases	Ending
	Balances				Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 5,222,967	\$ -	\$ -	\$ -	\$ 5,222,967
Construction in progress	755,901	-	1,626,234	755,902	1,626,233
Total capital assets not being depreciated	5,978,868	-	1,626,234	755,902	6,849,200
Capital assets being depreciated:					
Buildings & improvements	945,609	-	-	-	945,609
Infrastructure	1,854,753	-	1,246,827	-	3,101,580
Equipment	488,459	-	27,075	9,251	506,283
Vehicles and motorized equipment	2,592,129	14,584	96,022	112,503	2,590,232
Total capital assets being depreciated	5,880,950	14,584	1,369,924	121,754	7,143,704
Less accumulated depreciation for:					
Buildings & improvements	458,792	-	31,289	-	490,081
Infrastructure	301,923	-	83,191	-	385,114
Equipment	263,405	-	44,415	9,251	298,569
Vehicles and motorized equipment	1,977,723	14,584	211,328	112,503	2,091,132
Total accumulated depreciation	3,001,843	14,584	370,223	121,754	3,264,896
Total capital assets being depreciated, net	2,879,107				3,878,808
Governmental activity capital assets, net	\$ 8,857,975				\$ 10,728,008

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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

General government	\$ 38,802
Public safety	189,205
Transportation	50,007
Economic & Physical Development	24,821
Environmental Protection	28,476
Cultural & Recreation	38,912
Total depreciation expense	<u>\$ 370,223</u>

	Beginning				Ending
	Balances	Reclassification	Increases	Decreases	Balances
Business type activities:					
Water Fund					
Capital assets not being depreciated:					
Land	\$ 934,400	\$ -	\$ -	\$ -	\$ 934,400
Construction in Progress	300,595	-	354,629	-	655,224
	<hr/>				
Total capital assets not being depreciated	1,234,995	-	354,629	-	1,589,624
Capital assets being depreciated:					
Plant and distribution systems	6,590,245	-	-	-	6,590,245
Furniture and maintenance equipment	567,730	-	-	-	567,730
Vehicles	66,180	-	33,153	-	99,333
	<hr/>				
Total capital assets being depreciated	7,224,155	-	33,153	-	7,257,308
Less accumulated depreciation for:					
Plant and distribution systems	5,327,549	-	137,464	-	5,465,013
Furniture and maintenance equipment	457,434	-	33,558	-	490,992
Vehicles	46,441	-	8,427	-	54,868
	<hr/>				
Total accumulated depreciation	5,831,424	-	179,449	-	6,010,873
Total capital assets being depreciated, net	<u>1,392,731</u>				<u>1,246,435</u>
Business type capital assets, net	<u><u>\$ 2,627,726</u></u>				<u><u>\$ 2,836,059</u></u>

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

B. Liabilities and Post Employment

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members, - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of services and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed five years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Atlantic Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2017, was 14.23% of compensation for law enforcement officers and 13.68% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$394,056 for the year ended June 30, 2017.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Town reported a liability of \$1,000,256 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.047%, which was an decrease of 0.005% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$322,588. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,793	\$ 35,050
Changes of assumptions	68,509	-
Net difference between projected and actual earnings on pension plan investments	553,016	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	196,447	9,078
Town contributions subsequent to the measurement date	394,056	-
Total	\$ 1,230,821	\$ 44,128

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

\$394,056 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 147,122
2018	147,244
2019	316,381
2020	181,892
2021	-
Thereafter	-
Total	\$ 792,639

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of net pension liability (asset)	\$ 2,374,075	\$ 1,000,256	\$ (147,259)

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Atlantic Beach 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more year of creditable service. 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, 2016 the Separation Allowance’s membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	18
	22
	22

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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73:

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The town paid \$29,852 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Town reported a total pension liability of \$393,196. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$31,907.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	6,107
Town benefit payments and plan administrative expenses subsequent to the measurement date	20,067	-
	<u>\$ 20,067</u>	<u>\$ 6,107</u>

Town of Atlantic Beach, North Carolina
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For the Fiscal Year Ended June 30, 2017

\$20,067 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 1,369
2019	1,369
2020	1,369
2021	1,369
2022	631
Thereafter	-

\$20,067 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Towns' total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Town's pension liability	\$ 419,740	\$ 393,196	\$ 368,769

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	<u>2017</u>
Beginning balance	\$ 397,437
Service Cost	19,431
Interest on the total pension liability	13,656
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(7,476)
Benefit payments	(29,852)
Other changes	-
Ending balance of the total pension liability	<u>\$ 393,196</u>

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumption used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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.

The Town made contributions of \$43,693 for the reporting year. No amounts were forfeited.

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, 2017 were \$97,699 from the Town and \$41,882 from the non-law enforcement employees.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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 (the 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. 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 who retire with a minimum of 20 years of creditable service are 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.

Membership of the HCB Plan consisted of the following at December 31, 2016 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, 2017, 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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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	\$ 60,935
Interest on net OPEB obligation	9,223
Adjustment to annual required contribution	<u>(7,957)</u>
Annual OPEB cost (expense)	62,201
Contributions made	<u>6,214</u>
Increase (decrease) in net OPEB obligation	55,987
Net OPEB obligation beginning of year	<u>230,572</u>
Net OPEB obligation end of year	<u><u>\$ 286,559</u></u>

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, 2017 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual	
		OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 62,201	9.99%	\$286,559
2016	\$ 60,498	24.80%	\$230,572
2015	\$ -	0.00%	\$185,075

Funded Status and Funding Progress. As of June 30, 2017, the actuarial accrued liability for benefits was \$415,043, all of which was unfunded. The covered payroll was \$2,836,696, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 14.63 percent. Actuarial valuations of 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

Town of Atlantic Beach, North Carolina
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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.

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 – 2017 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, 2017, 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.

Town of Atlantic Beach, North Carolina
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For the Fiscal Year Ended June 30, 2017

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.

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

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$	394,056
Benefit payments made and administrative expenses for		
LEOSSA		20,067
Difference between expected and actual experience		18,793
Changes of assumptions		68,509
Net difference between projected and actual		553,016
Changes in proportion and difference between		
employer contributions and proportionate share of		
contributions		196,447
	\$	1,250,888

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund) less penalties	\$ -	\$ 8,293
Prepaid taxes (General Fund)	4,548	4,548
Differences between expected and actual experience	35,050	
Changes in assumptions	6,107	
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,078	
	\$ 54,783	\$ 12,841

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, 2017

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, 2017, 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. In November 2010, the loans were modified 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, 2017 was \$1,066,668.

In April 2008, the Town entered into an installment purchase contract with BB&T for the purchase of a Rescue Truck. The note 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, 2017 was \$39,311.

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, 2017 was \$161,098.

In March of 2017, the Town entered into an installment purchase contract with BB&T for the purchase of SCADA equipment for the water plant. The note is due in annual installments beginning March 1, 2018 of \$39,359, with an interest rate of 2.49%. The balance outstanding at June 30, 2017 was \$250,000.

Annual debt service payments of all installment notes as of June 30, 2017, including \$84,376 of interest, are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	358,748	24,492	33,134	6,225
2019	320,361	17,656	33,959	5,400
2020	321,301	11,463	34,804	4,554
2021	266,667	5,253	35,671	3,688
2022	-	-	36,559	2,800
2023 - 2024	-	-	75,873	2,845
Total	<u>\$ 1,267,077</u>	<u>\$ 58,864</u>	<u>\$ 250,000</u>	<u>\$ 25,512</u>

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

b. Changes in Long-Term Liabilities

At June 30, 2017, the Town of Atlantic Beach had a legal debt margin of \$124,286,426.

	Balance			Current	
	6/30/2016	Increases	Decreases	6/30/2017	Portion of Balance
Governmental activities:					
Installment purchases	\$ 1,624,255	\$ -	\$ 357,178	\$ 1,267,077	\$ 358,748
Compensated absences	173,277	117,676	108,910	182,043	16,917
Other post employment benefits	219,541	52,108	-	271,649	-
Net pension liability (LGERS)	217,139	703,097	-	920,236	
Net pension obligation (LEO)	136,529	256,667	-	393,196	-
Governmental activity long-term liabilities	<u>\$ 2,370,741</u>	<u>\$ 1,129,548</u>	<u>\$ 466,088</u>	<u>\$ 3,034,201</u>	<u>\$ 375,665</u>
Business-type activities:					
Installment purchases	\$ -	\$ 250,000	\$ -	\$ 250,000	\$ 33,134
Net pension liability (LGERS)	18,882	61,138	-	80,020	
Compensated absences	21,655	14,966	10,856	25,765	4,331
Other post employment benefits	11,030	3,880	-	14,910	-
Business-type activity long-term liabilities	<u>\$ 51,567</u>	<u>\$ 329,984</u>	<u>\$ 10,856</u>	<u>\$ 370,695</u>	<u>\$ 37,465</u>

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2017, consist of the following:

Descriptions	Transfers In	Transfers Out
General Fund	\$ 914,000	\$ -
Public Utilities Fund	-	914,000
	<u>\$ 914,000</u>	<u>\$ 914,000</u>

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

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 (\$98,000), a portion of the construction cost for the shared Public Service/Water facility (\$366,000), and for stormwater project construction (\$450,000).

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 10,728,008	\$ 2,836,059
less: long-term debt	1,267,077	250,000
Net investment in capital assets	\$ 9,460,931	\$ 2,586,059

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	\$ 3,374,142
Less:	
Stabilization by State Statute	546,284
Streets - Powell Bill	243,827
Working Capital/Fund Balance Policy	723,712
Remaining Fund Balance	\$ 1,860,319

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 Town 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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

V. Change in Accounting Principles / Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town of the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$197,527.

VI. Significant Effects of Subsequent Events

There are no subsequent events that would have a material effect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

Required Supplementary **Financial Data**

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

- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

Exhibit A-1

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)
6/30/2017	-	415,043	415,043	0.00%	2,836,696	14.63%
6/30/2016	-	396,021	392,021	0.00%	2,815,405	13.92%
6/30/2015	-	421,435	421,435	0.00%	2,629,113	16.03%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2017	62,201	9.99%
2016	60,498	24.80%
2015	-	0.00%

Town of Atlantic Beach, North Carolina
Town of Atlantic Beach's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Four Fiscal Years *

Exhibit A-2

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Atlantic Beach's proportion of the net pension liability (asset) (%)	0.0471%	0.0526%	0.0510%	0.0511%
Atlantic Beach's proportion of the net pension liability (asset) (\$)	\$ 1,000,256	\$ 236,021	\$ (299,237)	\$ 615,951
Atlantic Beach's covered-employee payroll	\$ 2,815,405	\$ 2,599,100	\$ 2,572,741	\$ 2,384,890
Atlantic Beach's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.53%	9.08%	-11.63%	25.83%
Plan fiduciary net position as a percentage of the total pension liability **	91.47%	98.09%	102.64%	94.35%

* The amounts presented for the fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Town of Atlantic Beach, North Carolina
Town of Atlantic Beach's Contributions
Required Supplementary Information
Last Four Fiscal Years

Exhibit A-3

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 394,056	\$ 357,608	\$ 358,156	\$ 347,320
Contributions in relation to the contractually required contribution	394,056	357,608	358,156	347,320
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Atlantic Beach's covered payroll	\$2,836,696	\$2,815,405	\$2,599,100	\$2,572,741
Contributions as a percentage of covered payroll	13.89%	12.70%	13.78%	13.50%

Town of Atlantic Beach, North Carolina **Exhibit A-4**
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	2017
Beginning balance	\$ 397,437
Service Cost	19,431
Interest on the total pension liability	13,656
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(7,476)
Benefit payments	(29,852)
Other changes	-
Ending balance of the total pension liability	\$ 393,196

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Atlantic Beach, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

Exhibit A-5

	<u>2017</u>
Total pension liability	\$ 393,196
Covered payroll	850,042
Total pension liability as a percentage of covered payroll	46.26%

Notes to the schedule:

The Town of Atlantic Beach has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statements 73 to pay related benefits.

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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General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes:			
Current collections of unit-wide levy	\$ 2,560,000	2,585,482	25,482
Prior years' levy collections	2,050	4,039	1,989
Penalties and interest	2,000	5,387	3,387
Total taxes	2,564,050	2,594,908	30,858
Unrestricted intergovernmental:			
Local option sales tax	1,060,000	1,062,861	2,861
Carteret County ABC revenue	175,000	176,750	1,750
Beer/wine tax	7,000	6,835	(165)
Utilities sales tax	310,000	304,233	(5,767)
Cable Vision franchise tax	82,000	87,061	5,061
Telecommunications sales tax	30,000	33,801	3,801
Solid Waste Disposal Tax	1,000	1,014	14
Payment in lieu of taxes (Fire district distribution)	2,700	2,714	14
Court fees	450	521	71
	1,668,150	1,675,790	7,640
Restricted intergovernmental:			
Public Safety Grants	2,000	2,737	737
Dredging Grant	89,967	99,080	9,113
FEMA Grant	-	2,552	2,552
CAMA Beach Access	34,520	34,520	-
NC GCC Fingerprint Grant	14,145	14,145	-
Donations/Skatepark	215,350	218,850	3,500
Powell Bill allocation	59,000	58,699	(301)
	414,982	430,583	15,601
Total intergovernmental	2,083,132	2,106,373	23,241
Permits, fees and assessments:			
Beach permits	29,000	29,025	25
Building permits	250,000	251,862	1,862
Business registration fee	4,000	5,395	1,395
Total permits, fees and assessments	283,000	286,282	3,282

Town of Atlantic Beach, North Carolina

Exhibit B-1

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Parking meter	130,000	133,746	3,746
Solid waste fees	520,000	526,089	6,089
Parking violations	15,000	15,624	624
Refuse cart sales	10,000	12,888	2,888
Debris/White goods fee	70,000	70,652	652
EMS revenue	75,000	81,003	6,003
Cell tower lease	63,000	62,397	(603)
Souvenirs	6,300	6,454	154
Other Fees	27,500	51,519	24,019
Total sales and services	916,800	960,372	43,572
Investment Earnings:			
General fund interest on investments	12,000	13,221	1,221
Other funds interest on investments	300	547	247
Total interest	12,300	13,768	1,468
Miscellaneous revenue:			
ABPD citizen donations	-	1,788	1,788
Private donations	35,925	29,825	(6,100)
Sales tax refund	56,000	56,006	6
Miscellaneous	5,100	5,675	575
Total miscellaneous	97,025	93,294	(3,731)
Total revenue	5,956,307	6,054,997	98,690
Expenditures			
General Government:			
Mayor and council:			
Salaries and employee benefits		19,653	
Professional services		168,528	
Membership dues		4,334	
Other operating expenditures		9,461	
	219,581	201,976	17,605

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Administration:			
Salaries and employee benefits		222,361	
Insurance - other		14,356	
Employee development		1,772	
Printing and postage		31,849	
Computers and small equipment		26,547	
Supplies		5,180	
Equipment rental		7,580	
Miscellaneous		10,925	
	358,040	320,570	37,470
Finance:			
Salaries and employee benefits		109,306	
Insurance - other		8,564	
Employee development		2,579	
Professional services		35,790	
Departmental supplies		5,484	
Bank charges		10,288	
Sales tax		43,412	
Miscellaneous		2,275	
	234,105	217,698	16,407
Public buildings:			
Salaries and employee benefits		297,387	
Insurance - other		16,931	
Utilities		25,517	
Building maintenance		7,648	
Janitorial supplies		4,102	
Landscaping		6,220	
Professional services		37,912	
Miscellaneous		4,438	
	408,970	400,155	8,815
Total general government	1,220,696	1,140,399	80,297

**Town of Atlantic Beach, North Carolina
General Fund**

Exhibit B-1

**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police:			
Salaries and employee benefits		1,216,151	
Insurance - other		44,055	
Employee development		5,876	
Fuel		26,091	
Repairs and maintenance		18,858	
Printing and postage		3,957	
Departmental supplies		5,422	
Computers and small equipment		13,861	
Capital outlay		55,497	
Uniforms		7,601	
Marine patrol		7,362	
USDOJ Vest grant		2,975	
Miscellaneous		140,858	
	<u>1,580,177</u>	<u>1,548,564</u>	<u>31,613</u>
Fire/EMS:			
Salaries and employee benefits and benefits		985,297	
Insurance-other		38,015	
Communication maintenance		4,043	
Employee development		1,499	
Fuel		5,686	
Equipment maintenance		1,545	
Postage		3,335	
Departmental supplies		5,030	
Fire prevention supplies		7,953	
Uniforms		4,707	
Vehicle maintenance		16,165	
EMS Collections		3,045	
Rescue supplies		16,120	
Computers and small equipment		9,757	
Miscellaneous		64,034	
	<u>1,207,535</u>	<u>1,166,231</u>	<u>41,304</u>

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Public safety:			
Building inspection			
Salaries and employee benefits		146,895	
Insurance - other		29,839	
Employee development		3,353	
Fuel		696	
Equipment maintenance		2,565	
Postage		1,663	
Department supplies		1,482	
Miscellaneous		8,566	
	<u>215,104</u>	<u>195,059</u>	<u>20,045</u>
Rescue units:			
Departmental supplies		1,467	
Employee development		3,780	
Miscellaneous		1,467	
	<u>12,000</u>	<u>6,714</u>	<u>5,286</u>
Lifeguards:			
Salaries and employee benefits		30,946	
Insurance		792	
Departmental supplies		1,887	
Uniforms		467	
Capital outlay		9,000	
Miscellaneous		4,032	
	<u>54,000</u>	<u>47,124</u>	<u>6,876</u>
Total public safety	<u>3,068,816</u>	<u>2,963,692</u>	<u>105,124</u>

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits and benefits		208,313	
Insurance - other		51,217	
Fuel		16,055	
Repairs and maintenance		25,622	
Storm drainage		5,123	
Street Lights		64,875	
Postage		2,308	
Departmental supplies		45,018	
Uniforms		5,101	
Dredging		148,810	
Employee development		341	
Paving/patching		448	
Traffic control devices		80	
Capital outlay		1,005,742	
Beach access - cama grant		69,040	
Drainage		390,115	
Miscellaneous		10,129	
	<u>2,265,853</u>	<u>2,048,337</u>	<u>217,516</u>
Total transportation	<u>2,265,853</u>	<u>2,048,337</u>	<u>217,516</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		47,705	
Fuel		4,883	
Landfill		95,264	
Contract services		288,071	
Supplies		9,959	
Vehicle maintenance		6,497	
Miscellaneous		333	
	<u>473,400</u>	<u>452,712</u>	<u>20,688</u>
Total environmental protection	<u>473,400</u>	<u>452,712</u>	<u>20,688</u>

**Town of Atlantic Beach, North Carolina
General Fund**

Exhibit B-1

**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2017**

	Budget	Actual	Variance Positive (Negative)
Economic and Physical Development:			
Planning and Zoning:			
Salaries and employee benefits		111,378	
Insurance - other		1,355	
Advertising		785	
Employee development		9,461	
Telephone and postage		1,113	
Departmental supplies		1,648	
Miscellaneous		7,259	
	140,983	132,999	7,984
Total economic and physical development	140,983	132,999	7,984
Public Services:			
Beach Access			
Parking supplies		7,532	
Building maintenance		6,441	
Department supplies		8,135	
Janitorial supplies		6,781	
Miscellaneous		23,324	
	58,850	52,213	6,637
Community Events/Recreation:			
Salaries and employee benefits		6,313	
Contracted services		163,901	
Supplies		43,191	
Community promotions		38,501	
Christmas event		2,754	
Beach music fesitval		27,879	
Capital outlay		665,192	
Small equipment		22,527	
Street lights		9,097	
Miscellaneous		66,748	
	1,148,786	1,046,103	102,683
Total public services	1,207,636	1,098,316	109,320

**Town of Atlantic Beach, North Carolina
General Fund**

Exhibit B-1

**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2017**

	Budget	Actual	Variance Positive (Negative)
Debt retirement:			
Principal		357,181	
Interest		31,313	
	388,500	388,494	6
Contingency	8,587	-	8,587
Total expenditures	8,774,471	8,224,949	549,522
Revenue over (under) expenditures	(2,818,164)	(2,169,952)	648,212
Other financing sources			
Transfers from other funds:			
Public utilities fund	960,000	914,000	(46,000)
Proceeds from sale of assets	10,000	10,050	50
Insurance Proceeds	3,470	3,470	-
Total other financing sources (uses)	\$ 973,470	\$ 927,520	\$ (45,950)
Fund balance appropriated	1,844,694	-	1,844,694
Net Change in fund balance	\$ -	(1,242,432)	\$ (1,242,432)
Fund balances, beginning		4,616,574	
Fund balances, ending		\$ 3,374,142	

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, 2017

Exhibit C-1

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Interest income	\$ -	\$ 60,616	523	\$ 61,139
Occupancy tax income	100,000	100,000	-	100,000
Total revenue	100,000	160,616	523	161,139
Other financing sources/(uses):				
Transfer (to)/from General Fund	(100,000)	55,869	-	55,869
Total other financing sources (uses)	(100,000)	55,869	-	55,869
Net change in fund balance	\$ -	\$ 216,485	\$ 523	\$ 217,008
Fund balance, beginning			216,485	
Fund balance, ending			\$ 217,008	



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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, 2017

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Utility Charges	\$ 1,050,000	\$ 1,186,137	\$ 136,137
Total operating revenues	1,050,000	1,186,137	136,137
Non-operating revenues:			
Interest earnings	2,100	4,607	2,507
Availability fees	5,000	5,110	110
Fire hydrants	5,400	5,400	-
Late fees	19,000	19,564	564
Reconnect fees	75	75	-
Storm water impact fees	373,000	377,768	4,768
Connection fees	4,500	10,750	6,250
Impact fees	160,000	184,000	24,000
Other	350	1,733	1,383
Total non-operating revenues	569,425	609,007	39,582
Total revenues	1,619,425	1,795,144	175,719
Expenditures:			
Administration:			
Salaries	522,160	526,086	(3,926)
Social Security	16,525	16,807	(282)
Retirement	29,550	30,386	(836)
Pension	10,800	11,099	(299)
Insurance - health	24,190	24,591	(401)
Workman's comp	6,000	4,025	1,975
Communication	3,000	2,426	574
Employee development	5,000	4,448	552
Departmental supplies	23,000	22,433	567
Professional Services	8,000	7,105	895
Computers and small equipment	25,000	21,632	3,368
Membership dues	4,500	4,376	124
Total administration	677,725	675,414	2,311

	Budget	Actual	Variance Positive (Negative)
Water treatment and distribution:			
Contracted services - maintenance	71,000	56,535	14,465
Fuel	10,500	9,817	683
Lab Analysis	14,000	11,015	2,985
Repairs and maintenance - equipment	17,000	16,510	490
Insurance - other	31,775	29,468	2,307
Postage	20,000	18,605	1,395
Utilities	65,000	60,184	4,816
Building Maintenance	17,000	15,524	1,476
Supplies - for operations	100,000	95,308	4,692
Supplies - for inventory	80,560	75,174	5,386
Uniforms	3,500	2,442	1,058
Vehicle maintenance	5,000	1,229	3,771
Miscellaneous	1,000	119	881
Total water treatment and distribution	<u>436,335</u>	<u>391,930</u>	<u>44,405</u>
Capital outlay:	<u>414,629</u>	<u>387,782</u>	<u>26,847</u>
Total capital outlay	<u>414,629</u>	<u>387,782</u>	<u>26,847</u>
Total expenditures	<u>1,528,689</u>	<u>1,455,126</u>	<u>73,563</u>
Revenue over (under) expenditures	<u>90,736</u>	<u>340,018</u>	<u>249,282</u>
Other Financing Sources/(Uses)			
Fund balance appropriated	619,264	-	(619,264)
Installment purchase obligation issued	250,000	250,000	-
Transfer to General Fund	(960,000)	(914,000)	46,000
Total other financing (uses)	<u>(90,736)</u>	<u>(664,000)</u>	<u>(573,264)</u>
Revenues under expenditures and other financing sources (uses)	<u>\$ -</u>	<u>(323,982)</u>	<u>\$ (323,982)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital Outlay		387,782	
Depreciation		(179,449)	
Installment purchase obligation issued		(250,000)	
Increase in deferred outflows of resources - pensions		59,758	
Increase in net pension liability		(61,138)	
Decrease in deferred inflows of resources - pensions		7,376	
Total reconciling items		<u>(35,671)</u>	
Change in net position		<u>\$ (359,653)</u>	

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

**Town of Atlantic Beach, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2017**

Exhibit E-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$2,589,541	\$2,584,668	\$ 4,873
2015-2016	4,883	-	2,865	2,018
2014-2015	1,771	-	1,181	590
2013-2014	573	-	544	29
2012-2013	701	-	646	55
2011-2012	17	-	-	17
2010-2011	84	-	-	84
2009-2010	573	-	-	573
2008-2009	54	-	-	54
	<u>\$ 8,656</u>	<u>\$2,589,541</u>	<u>\$2,589,904</u>	<u>\$ 8,293</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$2,594,908
Reconciling items:	
Interest collected	(5,387)
Discounts allowed	(12,786)
Taxes written off	13,169
	<u>13,169</u>

Total ad valorem collections \$2,589,904

Town of Atlantic Beach, North Carolina
Analysis of Current Tax Levy
Town –Wide Levy
For the Fiscal Year Ended June 30, 2017

Exhibit E-2

	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	\$ 1,575,402,424	0.165	\$ 2,599,414	\$ 2,553,456	\$ 45,958
Total	<u>1,575,402,424</u>		<u>2,599,414</u>	<u>2,553,456</u>	<u>45,958</u>
Discoveries:					
Current year taxes	1,329,091	0.165	\$ 2,193	2,193	-
Total	<u>1,576,731,515</u>		<u>2,601,607</u>	<u>2,555,649</u>	<u>45,958</u>
Abatements	(7,312,727)	0.165	(12,066)	(12,066)	-
Total property valuation	<u>\$ 1,569,418,788</u>				
Net levy			2,589,541	2,543,583	45,958
Uncollected taxes at June 30, 2017			<u>(4,873)</u>	<u>(4,873)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,584,668</u>	<u>\$ 2,538,710</u>	<u>\$ 45,958</u>
Current levy collection percentage			<u>99.81%</u>	<u>99.81%</u>	<u>100.00%</u>



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Statistical Section
Unaudited



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Town of Atlantic Beach
Description of the Statistical Schedules
June 30, 2017

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Net position:										
Invested in capital assets, net of related debt	\$ 9,460,931	\$ 7,233,720	\$ 5,790,759	\$ 5,190,369	\$ 4,006,135	\$ 3,556,987	\$ 3,197,982	\$ 2,751,369	\$ 2,617,018	\$ 2,570,315
Restricted - Streets -P.Bill	243,827	184,581	124,689	64,459	185,307	156,533	167,736	377,427	353,406	307,546
Restricted - State Statute	546,284	522,930	486,513	405,933	351,456	354,059	391,994	-	-	-
Unrestricted	2,139,816	3,697,071	4,360,854	4,099,790	4,877,637	4,932,707	4,901,359	5,091,272	4,956,440	4,271,874
Total net position	<u>\$ 12,390,858</u>	<u>\$ 11,638,302</u>	<u>\$ 10,762,815</u>	<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>
Business Type Activities										
Net position:										
Invested in capital assets, net of related debt	\$ 2,586,059	\$ 2,627,726	\$ 2,639,622	\$ 2,849,277	\$ 2,923,729	\$ 3,037,055	\$ 3,060,385	\$ 3,131,135	\$ 3,326,753	\$ 3,494,054
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,270,412	1,588,398	1,668,060	1,714,055	1,951,590	2,215,488	2,334,469	2,349,454	2,149,696	2,055,076
Total net position	<u>\$ 3,856,471</u>	<u>\$ 4,216,124</u>	<u>\$ 4,307,682</u>	<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>
Total Primary Government										
Net position:										
Invested in capital assets, net of related debt	\$ 12,046,990	\$ 9,861,446	\$ 8,430,381	\$ 8,039,646	\$ 6,929,864	\$ 6,594,042	\$ 6,258,367	\$ 5,882,504	\$ 5,943,771	\$ 5,145,374
Restricted - Streets -P.Bill	243,827	184,581	124,689	64,459	185,307	156,533	167,736	377,427	353,406	307,546
Restricted - State Statute	546,284	522,930	486,513	405,933	351,456	354,059	391,994	-	-	-
Unrestricted	3,410,228	5,285,469	6,028,914	5,813,845	6,829,227	7,148,195	7,235,828	7,440,726	7,106,136	7,245,945
Total net position	<u>\$ 16,247,329</u>	<u>\$ 15,854,426</u>	<u>\$ 15,070,497</u>	<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>

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

Table 2

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Program revenues:										
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	696,489	645,932	726,246	511,600	532,682	503,019	429,284	384,492	433,747	336,939
Transportation	-	-	-	-	-	-	-	-	-	-
Economic/Physical Development	99,087	82,451	-	-	58,641	60,995	56,476	53,662	54,166	51,300
Environmental Protection	538,977	534,696	531,006	525,441	517,538	518,760	519,316	515,609	514,593	504,988
Interest on Long Term Debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	58,699	197,194	302,200	217,777	267,984	266,272	169,915	84,438	182,277	122,820
Capital Grants & Contributions	371,884	487,900	-	-	-	-	80,000	-	30,000	-
General revenues:										
Property taxes	2,594,542	2,555,682	2,737,747	2,750,669	2,819,505	2,835,564	2,870,414	2,874,994	2,871,129	3,393,084
Other taxes	5,395	6,955	1,562	13,951	22,742	23,181	20,699	20,270	21,539	17,534
Unrestricted intergovernmental revenues:										
Local option sales tax	1,062,861	1,036,874	1,037,273	980,257	960,118	914,057	829,358	841,881	1,044,378	993,403
Carteret County ABC revenue	176,750	170,194	160,112	135,328	107,870	105,156	102,922	53,702	62,122	64,874
Utilities sales tax	304,233	324,601	309,061	205,112	188,339	184,028	208,444	204,847	194,759	181,411
Cable vision franchise tax	87,061	87,123	92,565	90,306	92,300	94,653	124,288	124,388	128,329	120,394
Telecommunications sales tax	33,801	34,098	40,513	42,142	44,151	47,493	48,468	51,022	53,216	48,688
Other intergovernmental revenues	11,084	10,919	11,677	11,090	10,930	11,475	12,139	6,978	12,860	12,846
Gain (loss) on disposal of assets	-	-	-	-	-	-	(138)	6,000	-	-
Other	27,811	15,014	103,838	27,946	55,431	26,372	29,298	64,259	124,668	239,093
Total Revenues	6,068,674	6,189,633	6,053,800	5,511,619	5,678,231	5,591,025	5,500,883	5,286,542	5,727,783	6,087,374
Expenses:										
General Government	1,181,915	1,210,450	1,110,812	772,997	1,068,784	1,187,227	1,168,657	1,215,910	1,333,389	1,200,796
Public Safety	3,063,905	2,909,381	2,705,676	2,926,342	2,888,154	3,093,509	3,007,024	3,025,793	2,912,027	2,803,457
Transportation	690,001	603,668	528,964	466,616	531,179	478,512	624,524	425,540	382,097	437,038
Economic & Physical Development	408,935	95,982	15,616	111,892	99,748	114,032	90,149	79,807	112,193	152,834
Environmental Protection	149,295	482,931	445,113	468,563	443,724	437,892	319,445	419,622	394,632	416,381
Cultural and Recreation	509,490	236,053	168,692	478,995	301,301	205,558	100,741	23,995	-	-
Interest on Long-Term Debt	29,050	34,327	42,337	49,099	81,425	103,169	127,753	158,410	174,271	179,920
Water	-	-	-	-	-	-	-	-	-	-
Total Expenses	6,032,591	5,572,792	5,017,210	5,274,504	5,414,315	5,619,899	5,438,293	5,349,077	5,308,609	5,190,426
Increase (decrease) in net position before transfers	36,083	616,841	1,036,590	237,115	263,916	(28,874)	62,590	(62,535)	419,174	896,948
Transfers	914,000	258,646	365,025	102,900	156,333	370,089	376,413	355,737	357,955	350,125
Increase (decrease) in net position	\$ 950,083	\$ 875,487	\$ 1,401,615	\$ 340,016	\$ 420,249	\$ 341,215	\$ 439,003	\$ 293,202	\$ 777,129	\$ 1,247,073

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

Table 2.1

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Program revenues:										
Charges for services-Water	\$ 1,790,537	\$ 1,448,973	\$ 1,435,891	\$ 1,188,448	\$ 1,133,273	\$ 1,150,477	\$ 1,206,785	\$ 1,171,130	\$ 1,089,455	\$ 967,728
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	-	-	-	-	-	-	-	-	-	-
Other	4,607	4,011	5,161	6,347	7,085	8,840	11,006	80,737	55,449	96,083
Total Revenues	<u>1,795,144</u>	<u>1,452,984</u>	<u>1,441,052</u>	<u>1,194,795</u>	<u>1,140,358</u>	<u>1,159,317</u>	<u>1,217,791</u>	<u>1,251,867</u>	<u>1,144,904</u>	<u>1,063,811</u>
Expenses:										
General Government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Economic and Physical Developmen	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Water	1,240,797	1,285,896	1,296,950	1,403,882	1,361,249	931,539	927,113	891,990	859,629	1,043,074
Total Expenses	<u>1,240,797</u>	<u>1,285,896</u>	<u>1,296,950</u>	<u>1,403,882</u>	<u>1,361,249</u>	<u>931,539</u>	<u>927,113</u>	<u>891,990</u>	<u>859,629</u>	<u>1,043,074</u>
Increase (decrease) in net position before transfers	554,347	167,088	144,102	(209,087)	(220,891)	227,778	290,678	359,877	285,275	20,737
Transfers	(914,000)	(258,646)	(365,025)	(102,900)	(156,333)	(370,089)	(376,413)	(355,737)	(357,955)	(350,125)
Increase (decrease) in net position after transfers	<u>\$ (359,653)</u>	<u>\$ (91,558)</u>	<u>\$ (220,923)</u>	<u>\$ (311,987)</u>	<u>\$ (377,224)</u>	<u>\$ (142,311)</u>	<u>\$ (85,735)</u>	<u>\$ 4,140</u>	<u>\$ (72,680)</u>	<u>\$ (329,388)</u>

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Program revenues:										
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	696,489	645,932	726,246	511,600	532,682	503,019	429,284	384,492	433,747	336,939
Transportation	-	-	-	-	-	-	-	-	-	-
Economic/Physical Development	99,087	82,451	-	-	58,641	60,995	56,476	53,662	54,166	51,300
Environmental Protection	538,977	534,696	531,006	525,441	517,538	518,760	519,316	515,609	514,593	504,988
Water	1,790,537	1,448,973	1,435,891	1,188,448	1,133,273	1,150,477	1,206,785	1,171,130	1,089,455	967,728
Operating grants and contributions	58,699	197,194	302,200	217,777	267,984	266,272	169,915	84,438	182,277	122,820
Capital Grants & Contributions	371,884	487,900	-	-	-	-	80,000	-	30,000	-
General revenues:										
Property taxes	2,594,542	2,555,682	2,737,747	2,750,669	2,819,505	2,835,564	2,870,414	2,874,994	2,871,129	3,393,084
Other taxes	5,395	6,955	1,562	13,951	22,742	23,181	20,699	20,270	21,539	17,534
Unrestricted intergovernmental revenues:										
Local option sales tax	1,062,861	1,036,874	1,037,273	980,257	960,118	914,057	829,358	841,881	1,044,378	993,403
Carteret County ABC revenue	176,750	170,194	160,112	135,328	107,870	105,156	102,922	53,702	62,122	64,874
Utilities franchise tax	304,233	324,601	309,061	205,112	188,339	184,028	208,444	204,847	194,759	181,411
Cable vision franchise tax	87,061	87,123	92,565	90,306	92,300	94,653	124,288	124,388	128,329	120,394
Telecommunications sales tax	33,801	34,098	40,513	42,142	44,151	47,493	48,468	51,022	53,216	48,688
Other intergovernmental revenues	11,084	10,919	11,677	11,090	10,930	11,475	12,139	6,978	12,860	12,846
Gain (loss) on disposal of assets	-	-	-	-	-	-	(138)	6,000	-	-
Other	32,418	19,025	108,999	34,293	62,516	35,212	40,304	144,996	180,117	335,176
Total Revenues	<u>7,863,818</u>	<u>7,642,617</u>	<u>7,494,852</u>	<u>6,706,414</u>	<u>6,818,589</u>	<u>6,750,342</u>	<u>6,718,674</u>	<u>6,538,409</u>	<u>6,872,687</u>	<u>7,151,185</u>
Expenses:										
General Government	1,181,915	1,210,450	1,110,812	772,997	1,068,784	1,187,227	1,168,657	1,215,910	1,333,389	1,200,796
Public safety	3,063,905	2,909,381	2,705,676	2,926,342	2,888,154	3,093,509	3,007,024	3,025,793	2,912,027	2,803,457
Transportation	690,001	603,668	528,964	466,616	531,179	478,512	624,524	425,540	382,097	437,038
Economic and Physical Development	408,935	95,982	15,616	111,892	99,748	114,032	90,149	79,807	112,193	152,834
Environmental Protection	149,295	482,931	445,113	468,563	443,724	437,892	319,445	419,622	394,632	416,381
Parks and Recreation	509,490	236,053	168,692	478,995	301,301	205,558	100,741	23,995	-	-
Interest on Long-Term Debt	29,050	34,327	42,337	49,099	81,425	103,169	127,753	158,410	174,271	179,920
Water	1,240,797	1,285,896	1,296,950	1,403,882	1,361,249	931,539	927,113	891,990	859,629	1,043,074
Total Expenses	<u>7,273,388</u>	<u>6,858,688</u>	<u>6,314,160</u>	<u>6,678,386</u>	<u>6,775,564</u>	<u>6,551,438</u>	<u>6,365,406</u>	<u>6,241,067</u>	<u>6,168,238</u>	<u>6,233,500</u>
Increase (decrease) in net position before transfers	590,430	783,929	1,180,692	28,028	43,025	198,904	353,268	297,342	704,449	917,685
Transfers	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in net position after transfers	<u>\$ 590,430</u>	<u>\$ 783,929</u>	<u>\$ 1,180,692</u>	<u>\$ 28,029</u>	<u>\$ 43,025</u>	<u>\$ 198,904</u>	<u>\$ 353,268</u>	<u>\$ 297,342</u>	<u>\$ 704,449</u>	<u>\$ 917,685</u>

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

Table 3

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Restricted for:										
State statute	\$ 546,284	\$ 522,930	\$ 486,513	\$ 405,933	\$ 351,456	\$ 354,059	\$ 391,994	\$ 341,800	\$ 338,399	\$ 340,476
Streets Powell bill	243,827	184,581	124,689	64,459	185,307	156,533	167,736	377,427	353,406	\$307,546
Unassigned, General Fund	2,584,031	3,909,063	4,707,935	4,342,286	5,115,741	5,024,380	4,961,504	4,756,227	4,538,848	3,851,623
Assigned - Subsequent Year's Expenditures	-	-	-	-	-	-	-	-	-	-
Total	3,374,142	4,616,574	5,319,137	4,812,678	5,652,504	5,534,972	5,521,234	5,475,454	5,230,653	4,499,645
All other Governmental Funds										
Assigned, reported in:										
Special Revenue Funds	217,007	216,485	215,967	236,473	235,828	338,035	336,902	335,557	334,380	355,325
Total Fund Balances of Governmental Funds	\$3,591,149	\$4,833,059	\$5,535,104	\$5,049,151	\$5,888,332	\$5,873,007	\$5,858,136	\$ 5,811,011	\$ 5,565,033	\$ 4,854,970

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

Table 4

	Fiscal Year										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
REVENUES											
Ad valorem taxes	\$ 2,594,908	\$ 2,559,319	\$ 2,748,662	\$ 2,750,085	\$ 2,827,985	\$ 2,814,843	\$ 2,871,282	\$ 2,911,432	\$ 2,845,137	\$ 3,390,177	\$ 2,375,991
Other taxes and licenses	5,395	6,955	1,562	13,951	22,742	23,181	20,699	20,270	21,539	17,534	923,986
Unrestricted intergovernmental	1,675,790	1,663,809	1,651,201	1,464,235	1,403,708	1,356,862	1,325,619	1,282,818	1,495,664	1,421,616	445,100
Restricted intergovernmental	430,583	686,895	177,662	99,986	260,084	257,236	239,374	74,921	204,977	100,213	718,610
Permits and fees	280,887	270,312	379,055	159,201	158,723	118,539	122,504	127,390	176,469	95,761	233,733
Sales and services	960,372	904,391	907,169	882,823	906,816	876,180	846,075	801,721	790,277	731,062	678,528
Investment earnings	13,768	8,896	8,114	9,434	15,735	25,239	24,355	47,356	111,826	170,210	114,148
Miscellaneous	93,294	86,576	95,566	112,809	56,792	78,610	47,038	34,169	43,062	89,010	743,302
Total revenues	6,054,997	6,187,153	5,968,991	5,492,524	5,652,585	5,550,690	5,496,946	5,300,077	5,688,951	6,015,583	6,233,398
EXPENDITURES											
Current:											
General government	1,140,399	1,247,370	1,030,216	985,726	1,009,350	1,139,634	1,120,438	1,164,434	1,235,362	1,120,346	613,479
Public safety	2,954,692	2,815,623	2,729,138	2,721,876	2,688,525	2,877,657	2,801,622	2,757,490	2,658,210	2,606,088	2,713,204
Transportation	1,042,595	474,525	561,307	479,020	512,795	469,745	501,367	431,225	421,171	408,287	200,212
Environmental Protection	452,712	456,520	471,181	458,579	443,423	436,142	427,808	418,975	394,416	416,698	2,123,498
Economic & Physical Development	132,999	123,895	92,852	90,427	95,130	113,027	89,577	79,455	112,487	150,388	-
Public Services	433,124	249,100	168,692	201,953	276,865	200,321	92,396	23,556	-	-	-
Capital outlay	1,679,934	1,398,275	502,222	1,111,282	779,645	134,285	320,122	51,111	9,387	527,203	1,248,920
Debt service:											
Principal	357,181	355,660	354,155	352,676	300,734	446,717	344,717	342,183	339,731	323,296	317,790
Interest and other charges	31,313	38,087	44,846	51,578	92,391	107,995	140,428	164,310	178,922	182,122	196,026
Total expenditures	8,224,949	7,159,055	5,954,609	6,453,117	6,198,858	5,925,523	5,838,475	5,432,739	5,349,686	5,734,428	7,413,129
Revenue over (under) expenditures	(2,169,952)	(971,902)	14,382	(960,593)	(546,273)	(374,833)	(341,529)	(132,662)	339,265	281,155	(1,179,731)
OTHER FINANCING SOURCES (USES)											
Transfers from other funds	914,000	258,646	386,084	102,900	259,510	370,089	376,413	355,737	357,955	350,125	432,084
Transfers to/from major funds	-	-	-	-	-	-	-	-	27,040	1,271,448	424,705
Proceeds from sale of assets	10,050	10,193	90,978	16,466	41,046	16,890	7,298	6,000	-	41,728	-
Proceeds from insurance recovery	3,470	500	15,015	1,401	-	1,592	3,598	15,726	6,748	12,454	-
Proceeds from issuance of debt	-	-	-	-	363,249	-	-	-	-	352,205	-
Total other financing sources (uses)	927,520	269,339	492,077	120,767	663,805	388,571	387,309	377,463	391,743	2,027,960	856,789
Net change in fund balance	\$ (1,242,432)	\$ (702,563)	\$ 506,459	\$ (839,826)	\$ 117,532	\$ 13,738	\$ 45,780	\$ 244,801	\$ 731,008	\$ 2,309,115	\$ (322,942)
Debt Service as a percentage of noncapital expenditures	5.94%	6.83%	7.32%	7.87%	7.64%	9.92%	8.94%	9.45%	9.71%	9.71%	8.34%

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

Table 5

Fiscal Year Ending June 30	Real Property	Personal Property	Public Service Companies	Less Elderly Exemptions	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value of Real Property
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	1,762,879,544	108.42%
2015	1,583,650,114	69,565,997	4,887,773	1,324,350	1,656,779,534	0.165	1,789,806,144	108.40%
2016	1,460,634,761	81,552,851	5,402,610	1,096,445	1,546,493,777	0.165	1,545,909,523	99.96%
2017	1,475,519,789	88,241,025	5,481,832	1,143,276	1,568,099,370	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. Property taxes for registered motor vehicles on behalf of the Town are billed and collected under the NC Tax & Tag Program. The values reported above include property taxes billed and collected by the Town and North Carolina.

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>	Total Direct & Overlapping <u>Rates</u>
2008	0.15	0.23	0.38
2009	0.125	0.23	0.36
2010	0.125	0.23	0.36
2011	0.125	0.23	0.36
2012	0.17	0.30	0.47
2013	0.17	0.29	0.46
2014	0.165	0.29	0.46
2015	0.165	0.30	0.47
2016	0.165	0.30	0.47
2017	0.165	0.31	0.48

Notes:

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

2. Atlantic Beach does not set property tax rates by various components, such as by operations and debt service.

**Town of Atlantic Beach
Principal Property Tax Payers
June 30, 2017**

Table 7

	FY 2017				FY 2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Atlantic Newport Hospitality	\$20,947,744	1	28.32%				
Atlantic Station Prtnr LLC	10,586,379	2	14.31%	Atlantic Station Inc	\$ 6,788,275	2	14.32%
Dunes Club, Inc	8,192,157	3	11.07%	Dunes Club Inc	5,687,271	3	12.00%
Fred M Bunn Etal	8,104,782	4	10.96%	Fred M Bunn etal James	4,638,237	4	9.79%
Coral Bay Club, Inc.	6,936,476	5	9.38%	Coral Bay Club Inc	3,552,123	5	7.49%
Crow Nest Yacht Club, Inc.	6,866,000	6	9.28%				0.00%
Oceanana Resort LLC	3,908,621	7	5.28%	Oceanana Resort LLC	3,035,641	6	6.40%
Duke Energy Progress Inc	2,942,075	8	3.98%				
Pelican Park Assn	2,788,200	9	3.77%				
Crosswinds of Atlantic Bch LLC	2,698,000	10	3.65%				
				GR&S Atlantic Beach LLC	15,297,645	1	32.28%
				Ned T Grady Etus Etal	1,928,423	8	4.07%
				James H Pou Bailey Jr	2,794,363	7	5.90%
				CP&L -Progress Energy Serv	1,756,078	10	3.71%
				Form Meshekoff Family Ltd	1,917,301	9	4.05%
	<u>\$ 73,970,434</u>		<u>100.00%</u>		<u>\$ 47,395,357</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>
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%	3,233	2,843,147	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%	18,855	2,767,024	99.91%
2013	2,777,939	2,767,352	99.62%	8,266	2,775,618	99.92%
2014	2,696,648	2,687,724	99.67%	8,657	2,696,381	99.99%
2015	2,692,663	2,688,525	99.85%	3,453	2,691,978	99.97%
2016	2,506,890	2,502,007	99.81%	2,702	2,504,709	99.91%
2017	2,543,583	2,538,710	99.81%	0	2,538,710	99.81%

Source: Town of Atlantic Beach Tax Reports

Town of Atlantic Beach
Computation of Legal Debt Margin
June 30, 2017

Table 9

Total Assessed Valuation	\$ 1,569,418,788
Legal Debt Margin:	
Debt Limit 8% of Total Assessed Value	125,553,503
Amount of Debt Applicable to Debt Limit	<u>1,267,077</u>
Legal Debt Margin	<u><u>\$ 124,286,426</u></u>

Town of Atlantic Beach
Computation of Direct and Overlapping Debt
June 30, 2017

Table 10

	Net General Obligation Bonded Debt	Percentage Applicable to Town (1)	Amount Applicable to Town
Direct:			
Town of Atlantic Beach	\$ -	100%	\$ -
Overlapping:			
Carteret County	42,385,234	10.66%	4,518,911
	\$ 42,385,234		\$ 4,518,911

Town's assessed valuation	\$ 1,569,418,788		
County's assessed valuation	\$ 14,720,400,000		
	10.66%		

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>
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
2015	0	1,510	0
2016	0	1,511	0
2017	0	1,501	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 June 30,	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>
	General Bonded Debt Outstanding	Installment Contracts	General Bonded Debt Outstanding	Installment Contracts					
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	2,888,870	0.09%
2014	-	2,334,070	-	-	2,334,070	1,517	1,539	3,021,043	0.08%
2015	-	1,979,915	-	-	1,979,915	1,510	1,311	3,044,352	0.07%
2016	-	1,624,255	-	-	1,624,255	1,511	1,075	N/A	N/A
2017	-	1,267,077	-	-	1,267,077	1,501	844	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>
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	42,214	2,888,870
2014	1,517	5.5	43,903	3,021,043
2015	1,510	6.0	44,199	3,044,352
2016	1,511	4.8	N/A	N/A
2017	1,501	3.9	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, 2017**

Table 14

<u>Employer</u>	Calendar Year 2016			2007		
	Employees (FTE's)	Rank	Percentage of Total	Employees (FTE's)	Rank	Percentage of Total Employment
Carteret County Board of Education	1000+	1	N/A	1000+	1	N/A
Carteret Health Care	500-999	2	N/A	1000+	2	N/A
County of Carteret	500-999	3	N/A	250-499	4	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	5	N/A
Big Rock Sports LLC	250-499	6	N/A			
Food Lion, LLC	250-499	7	N/A	100-249	9	N/A
Lowes Home Improvement	250-499	8	N/A			
Refrigerated Boxes Inc	100-249	9	N/A			
Town of Morehead City	100-249	10	N/A	100-249	10	N/A
State of North Carolina				250-499	6	N/A
SSA Security Inc				250-499	7	N/A
Atlantic Veneer Corp				250-499	8	N/A

Notes:

1. 2016 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 Ten Years

Table 15

Functions/Program	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government:										
Administration	3	3	3	3	3	3	3	3	3	3
Finance	3	3	3	3	3	3	3	3	3	3
Public Buildings (1)	8	8	8	8	8	8	7	7	6	6
Public Safety:										
Police	18	18	18	18	18	19	19	18	18	17
Communications	0	0	0	0	0	0	0	4	4	5
Fire/EMS	14	14	14	14	14	14	14	14	14	14
Inspections	2	2	3	2	2	2	3	3	3	3
Transportation:										
Streets and Highways (1)	8	8	8	8	8	8	8	8	8	8
Economic & Physical Development										
Planning	2	2	1	1	1	1	1	1	1	1
Environmental Protection:										
Solid Waste	1	1	1	1	1	1	1	1	1	1
Water:										
Operations	4	4	4	4	4	4	4	4	4	4
Total	63	63	63	62	62	63	63	66	65	65

Notes:

1. Work-release inmates and contract-labor inmates included in FTE calculations

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

Table 16

<u>Functions/Program</u>	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety:										
Police calls answered	43688	54639	61646	52325	30462	36382	33248	15846	16588	16765
Fire calls answered	633	633	823	734	574	614	395	473	570	629
EMS calls answered	651	632	518	548	509	500	494	485	463	474
Lifeguard calls answered	130	82	235	241	154	133	245	253	267	177
Transportation: (Streets & Highways)										
Miles of streets maintained	23.43	23.43	23.43	23.43	22.93	22.93	22.93	22.93	22.93	22.93
Environmental Protection: (Solid Waste & Sanitation)										
Solid waste collected (tons)	1,736	1,736	1,553	1,606	1,595	1,726	2,067	2,307	2,071	2,176
Recyclables collected (tons)	213	213	197	215	197	167	205	164	184	122
Yard debris collected (tons)	179	125	351	458	404	434	519	517	421	312
Public beach accesses (improved w/ structures)	19	17	16	16	15	15	15	15	15	15
Public beach accesses (unimproved)	1	3	4	4	4	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	4.6	4.6
Water:										
Number of customers served	7,147	7,106	7,089	6,969	6,980	6,984	6,859	6,973	6,998	6,932
Ave. daily consumption - summer (gallons)	770,236	845,710	839,260	857,890	796,674	892,126	1,241,000	1,030,000	856,361	864,000
Ave. daily consumption - winter (gallons)	380,369	395,732	427,879	414,953	401,830	410,725	349,570	360,940	495,344	416,920

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

Table 17

Functions/Program	2017	2016	2015	2014	2013	Fiscal Year 2012	2011	2010	2009	2008
General Government:										
Public beach accesses (improved w/ structures)	19	17	16	16	15	15	15	15	15	15
Public Safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	20	20	20	20	20	20	20	20	20	20
Number of patrol boats	2	2	2	2	2	2	2	2	2	2
Number of fire/EMS stations	1	1	1	1	1	1	1	1	1	1
Number of engines	2	2	2	2	2	2	2	2	2	2
Number of ambulances	2	2	2	2	2	2	2	2	2	2
Number of rescue trucks	1	1	1	1	1	1	1	1	1	1
Number of rescue boats	1	1	1	1	1	1	1	1	1	1
Transportation: (Streets & Highways)										
Miles of streets	23.43	23.43	23.43	23.43	22.93	22.93	22.93	22.93	22.93	22.93
Environmental Protection: (Solid Waste & Sanitation)										
Number of yard waste trucks	2	2	2	2	2	2	2	2	2	2
Number of backhoes	2	2	2	2	2	2	2	2	2	2
Water:										
Number of Wells	7	6	6	6	6	6	6	6	6	6
Number of water tanks	3	3	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	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	2,500,000	2,500,000	2,500,000	1,740,000
Miles of water mains	50	50	50	50	50	50	50	50	50	50

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, 2017, 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 31, 2017.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 31, 2017

Town of Atlantic Beach, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2017

Section I. Summary of Auditor's Results

Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X_no
- Significant Deficiency(s) identified? ___yes X_no

Noncompliance material to financial
statements noted? ___yes X_no

**Town of Atlantic Beach
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2017**

Section II – Financial Statements Findings

None

**Town of Atlantic Beach
Corrective Action Plan
For the Fiscal Year Ended June 30, 2017**

Section II – Financial Statements Findings

None