

Town of Atlantic Beach, North Carolina

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

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Introductory Section

- Letter of Transmittal
- List of Principal Officials
- Organizational Chart
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October 31, 2018

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, 2018, 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 unmodified 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, 2018. 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 1,497 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 and continues to implement drainage mitigation projects throughout town. The most recent drainage project completed was in FY2017-18 at Old Causeway Rd and Pond Drive. A major priority of Council is providing a Town Park with a wide variety of entertainment for our residents and visitors. During FY2015-16 and FY2016-17, the Town received \$600,000 in donations toward adding a state of the art skatepark, miniature golf course, and restroom/concession facilities to the Town Park. The Town Council continues to seek innovative recreational features to add to the Town Park, investigating concepts such as a future water slide, dune slide, or walking trails. Council continues to plan renovations to or replacements of aging Town Facilities. During FY2016-17, the Town completed the construction of a new Public Services/Water facility due to deterioration of the prior facility while continuing discussions with engineers and architects on options available with the existing Police/Fire/Town Hall facilities. Other major initiatives during FY2017-18 include installing the SCADA system for the water plant, added an 80-foot flagpole to the point of the main beach access as the focal point in Town, and using Town staff labor to renovate the Henderson Beach Access and installing a new sidewalk along East Fort Macon Rd.

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, Carolina KiteFest, National Night Out, and various beach run events.

For the Future

The Town Council adopted the fiscal year 2018-19 budget in June 2018. Property taxes provide approximately 43% 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 FY2018-19 budget.

Major capital purchases and projects during FY2018-19 include a replacement vehicle in the Police Department, a replacement ambulance and replacement cardiac monitor in the Fire Department, continued dredging of major waterways using NC DENR grant opportunities, and a replacement generator and fencing at the Water Plant.

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, 2017. This was the eighteenth 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, 2018

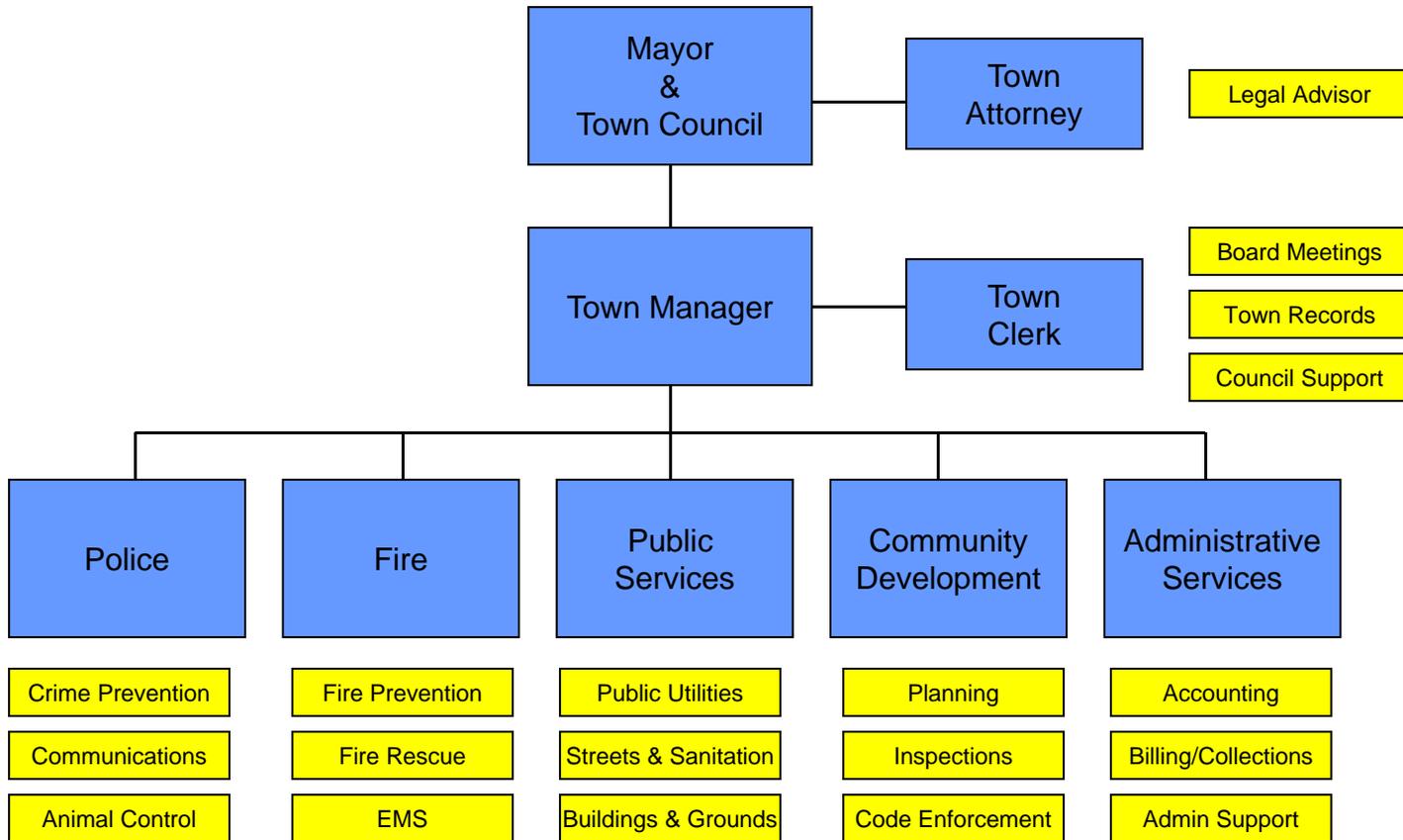
TOWN COUNCIL

Honorable A. B. Cooper, III, Mayor
Richard Porter, Mayor Pro Tem
Harry Archer
Richard Johnson
Danny Navey
Austin Waters

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

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, 2017

Christopher P. Morill

Executive Director/CEO

Financial Section

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



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atlantic Beach, North Carolina, as of and for the year ended June 30, 2018, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atlantic Beach, North Carolina as of June 30, 2018, 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, the other Postemployment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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 January 30, 2019 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., PA
Wilmington, North Carolina
January 30, 2019

Management's Discussion and Analysis

As management of Town of Atlantic Beach, we offer readers of Town of Atlantic Beach's (the "Town") financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

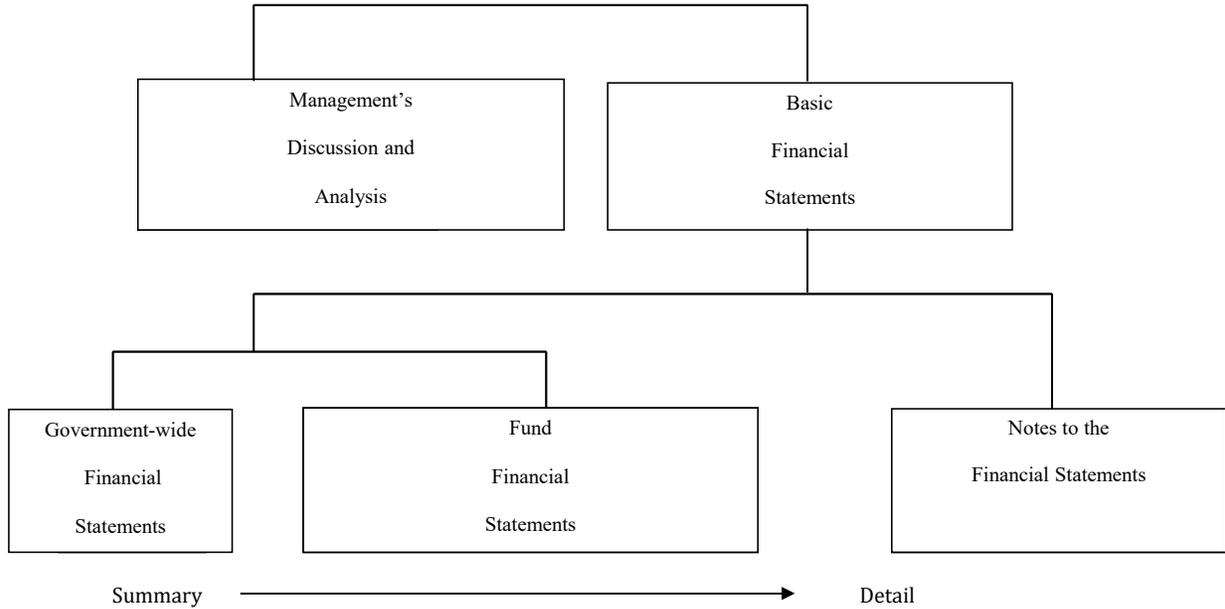
Financial Highlights

- The assets and deferred outflows of resources of Town of Atlantic Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,545,600 (net position).
- The government's total net position increased by \$629,197 primarily due to increased net position in the governmental activities.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,852,724. Approximately 75% of this total amount or \$2,899,567 is available for spending at the government's discretion (unassigned fund balance) in the general fund. Assigned fund balance in Beach Renourishment Special Revenue Fund totals \$219,175.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,899,567, or 48% of total general fund expenditures (\$6,038,396) for the fiscal year.
- The government's total debt (change in long-term liabilities) increased by \$583,949 during the current fiscal year. The majority of this change, \$1,101,158, is due to the OPEB Liability increase.
- The Town of Atlantic Beach has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting each consecutive year beginning with the June 30, 2000 annual report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Atlantic Beach's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Atlantic Beach.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Following the Notes is the required supplemental information. This section contains funding information about the Town's Pension Plans.

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Atlantic Beach, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Atlantic Beach can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there more or less financial resources available to finance the Town's programs. The relationship between activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Town of Atlantic Beach's progress in funding its obligation to provide pension benefits to its employees.

Government Wide Financial Analysis

Town of Atlantic Beach's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 4,176,333	\$ 3,950,896	\$ 1,515,362	\$ 1,355,329	\$ 5,691,695	\$ 5,306,225
Capital assets	10,531,330	10,728,008	2,699,960	2,836,059	13,231,290	13,564,067
Total assets	<u>14,707,663</u>	<u>14,678,904</u>	<u>4,215,322</u>	<u>4,191,388</u>	<u>18,922,985</u>	<u>18,870,292</u>
Deferred outflows of resources	1,049,737	1,152,423	82,516	98,465	1,132,253	1,250,888
Long-term liabilities outstanding	3,106,571	2,658,536	363,453	366,364	3,470,024	3,024,900
Other liabilities	798,296	730,680	117,645	63,488	915,941	794,168
Total liabilities	<u>3,904,867</u>	<u>3,389,216</u>	<u>481,098</u>	<u>429,852</u>	<u>4,385,965</u>	<u>3,819,068</u>
Deferred inflows of resources	113,779	51,253	9,894	3,530	123,673	54,783
Net Position:						
Net investment						
in capital assets	9,623,001	9,460,931	2,483,094	2,836,059	12,106,095	12,296,990
Restricted	733,982	790,111	-	-	733,982	790,111
Unrestricted	1,381,771	2,139,816	1,323,752	1,020,412	2,705,523	3,160,228
Total net position	<u>\$ 11,738,754</u>	<u>\$ 12,390,858</u>	<u>\$ 3,806,846</u>	<u>\$ 3,856,471</u>	<u>\$ 15,545,600</u>	<u>\$ 16,247,329</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Atlantic Beach exceeded liabilities and deferred inflows by \$15,545,600 as of June 30, 2018. The Town's net position decreased by \$701,729 for the fiscal year ended June 30, 2018. However, the largest portion (78%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Atlantic Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Atlantic Beach's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Atlantic Beach's net position, \$733,982, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,705,523 is unrestricted.

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

- Continued diligence in the collection of property taxes by accomplishing a tax collection percentage of 99.82%.

**Town of Atlantic Beach
Changes in Net Position
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues						
Charges for Services	\$ 1,385,055	\$ 1,334,553	\$ 1,634,484	\$ 1,790,537	\$ 3,019,539	\$ 3,125,090
Operating grants and contributions	166,832	58,699	-	-	166,832	58,699
Capital grants and contributions	-	371,884	-	-	-	371,884
General revenues:						
Property taxes	2,614,742	2,594,542	-	-	2,614,742	2,594,542
Other taxes	1,749,284	5,395	-	-	1,749,284	5,395
Unrestricted intergovernmental revenues:						
Local Option sales tax	-	1,062,861	-	-	-	1,062,861
Carteret County ABC revenue	-	176,750	-	-	-	176,750
Cable vision franchise tax	-	304,233	-	-	-	304,233
Utilities Franchise sales tax	-	87,061	-	-	-	87,061
telecommunications sales tax	-	33,801	-	-	-	33,801
Other intergovernmental revenues	-	11,084	-	-	-	11,084
Other	76,703	27,811	11,321	4,607	88,024	32,418
Total revenues	5,992,616	6,068,674	1,645,805	1,795,144	7,638,421	7,863,818
Expenses:						
General government	1,087,970	1,181,915	-	-	1,087,970	1,181,915
Public Safety	3,012,566	3,063,905	-	-	3,012,566	3,063,905
Transportation	568,436	690,001	-	-	568,436	690,001
Economic and physical development	146,868	408,935	-	-	146,868	408,935
Environmental protection	488,961	149,295	-	-	488,961	149,295
Parks and recreation	386,532	509,490	-	-	386,532	509,490
Interest on long-term debt	22,218	29,050	-	-	22,218	29,050
Water	-	-	1,295,673	1,240,797	1,295,673	1,240,797
Total expenses	5,713,551	6,032,591	1,295,673	1,240,797	7,009,224	7,273,388
Increase (decrease) in net position before transfers and special items	279,065	36,083	350,132	554,347	629,197	590,430
Transfers	306,200	914,000	(306,200)	(914,000)	-	-
Increase (decrease) in net position	585,265	950,083	43,932	(359,653)	629,197	590,430
Net position, beginning, previously reported	12,390,858	11,638,302	3,856,471	4,216,124	16,247,329	15,854,426
Restatement	(1,237,369)	(197,527)	(93,557)	-	(1,330,926)	(197,527)
Net position, beginning, restated	11,153,489	11,440,775	3,762,914	4,216,124	14,916,403	15,656,899
Net position, ending	\$ 11,738,754	\$ 12,390,858	\$ 3,806,846	\$ 3,856,471	\$ 15,545,600	\$ 16,247,329

Governmental activities. Governmental activities increased the Town's net position by \$585,265, whereas the net position in the business-type activities increased by \$43,932. The total growth in net position was \$629,197. This increase in the Town's governmental activities net position can be attributed to several factors. While State-shared revenues of utility and telecom franchise tax revenues were lower than anticipated, this was offset with higher than expected local option sales tax revenues, the Town's strong tax collection rate of 99.82% of stable tax values, and the foresight to acknowledge and plan for the continued economic downturn by freezing spending, salaries, and capital purchases except where necessary.

Business-type activities. Business-type activities increased the Town of Atlantic Beach net position by \$43,932. There was no increase in water rates, but some minimum gallonages were adjusted by meter size based upon an engineering study performed last winter to insure we were not selling water below the cost of production. Costs to contribute toward the construction of the new Public Services/Water Facility and major stormwater mediation projects resulted in a decrease in net position.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Atlantic Beach. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,899,567 while total fund balance reached \$3,633,549. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures, which were \$6,038,396. Unassigned fund balance represents 48% of total General Fund expenditures, while total fund balance represents 60% of that same amount.

At June 30, 2018, the governmental funds of Town of Atlantic Beach reported a combined fund balance of \$3,852,724, an increase of \$261,574 from last year. Total fund balance for all governmental funds represents 64% of total Governmental Funds expenditures. While there were higher than anticipated revenues, strict oversight of personnel, operating and routine capital expenditures, we used the opportunity to proceed with multiple major projects in lieu of keeping the reserves in the bank producing very minimal interest returns in the low market environment. Some of the major capital purchases included the completion of large stormwater drainage projects at Old Causeway Road and Pond Drive, completion of a new Public Services/Water Facility, completion of the ADA walkway at the Raleigh Avenue beach access, completion of the Town Park restroom and concession facilities, and replacement of three town vehicles.

General Fund Budgetary Highlights:

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The final amended budget and actual amounts varied, largely due to the downward economic trends and capital projects budgeted and in progress, though not completed by June 30, 2018. The Town budgeted conservatively for State-collected revenues and building permits/capacity use fees based on trends in building construction and real estate development projects. While the State-wide and local economic trends have continued on a declining scale, the Town of Atlantic Beach collected more of these revenues than expected. The most significant favorable variances were in other unrestricted intergovernmental taxes. Total revenue realized was approximately \$156,574 more than the final budget amount, primarily due to the collection of property taxes and service fees with a higher collection rate than anticipated. Expenditures were tightly controlled, and the Town was able to comply with its budgetary requirements in all categories. The favorable variances were the result of expenditure reductions in operations and routine replacement capital outlay to the extent possible with while still providing for the completion of large stormwater drainage projects at Old Causeway Road and Pond Drive, completion of the ADA renovations and walkway at the Henderson beach access, completion of the Town Park facilities, installation of a new 80 ft flagpole at the point of our main beach access, replacement of a town vehicles, and hosting events to bring more family entertainment opportunities to Atlantic Beach stretching throughout the summer including the AB Beach Music Festival, fireworks during July 4th, weekly live music at the Town Park, and weekly outdoor movies "by the Sea". Total expenditures were approximately \$337,432 less than budgeted. The Town's focus on improving the infrastructure and completion of major projects while carefully monitoring State-shared revenue trends, maintaining a high local tax collection rate, and selling surplus vehicles and equipment resulted in total expenditures being \$494,006 less than total revenues, with an increase in fund balance of \$259,407 while still maintaining an unassigned fund balance of \$2,899,567.

Proprietary Funds. The Town of Atlantic Beach's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$1,323,752. The total change in net position for the Utility Fund was an increase of \$43,932. While equipment and infrastructure capital improvement needs have been postponed in an attempt to keep the rates as low as possible, several capital projects were continued or completed. Some of these projects were the installation of the SCADA system for the water plant and the purchase of GIS equipment to better track the locations of water lines, meters, and other assets.

Capital Asset and Debt Administration

Capital assets. Town of Atlantic Beach’s investment in capital assets for its governmental and business-type activities as of June 30, 2018, totaled \$13,231,290 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

Major capital assets transactions during the year include:

- 2018 Dodge Ram 1500
- Flagpole at Circle
- East Fort Macon Rd Sidewalk
- Henderson Beach Access Walkway

**Town of Atlantic Beach’s Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 5,222,967	\$ 5,222,967	\$ 934,400	\$ 934,400	\$ 6,157,367	\$ 6,157,367
Buildings and plant systems	2,095,501	455,528	1,401,704	1,125,232	3,497,205	1,580,760
Infrastructure	2,717,657	2,716,466	-	-	2,717,657	2,716,466
Equipment	146,262	207,714	322,142	76,738	468,404	284,452
Vehicles and motorized equipment	348,943	499,100	41,713	44,465	390,656	543,565
Construction in Progress	-	1,626,233	-	655,224	-	2,281,457
Total	\$ 10,531,330	\$ 10,728,008	\$ 2,699,960	\$ 2,836,059	\$ 13,231,290	\$ 13,564,067

Additional information on Town of Atlantic Beach's capital assets can be found in the notes to the financial statements.

Long-term Debt. As of June 30, 2018, the Town of Atlantic Beach had total debt outstanding of \$1,125,195. The entire amount of the Town's debt represents installment purchases for government activities, as we currently have no debt backed by the full faith and credit of the Town (bonded), or Utility (revenue bonds).

**Town of Atlantic Beach's Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Installment purchases	\$ 908,329	\$ 1,267,077	\$ 216,866	\$ 250,000	\$ 1,125,195	\$ 1,517,077
Total	\$ 908,329	\$ 1,267,077	\$ 216,866	\$ 250,000	\$ 1,125,195	\$ 1,517,077

The Town of Atlantic Beach’s total installment debt decreased by \$391,882 during the current fiscal year. North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Town of Atlantic Beach is \$126,773,465. Additional information regarding the Town of Atlantic Beach’s long-term debt can be found in the notes of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- 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, 2019

Governmental Activities

The Town of Atlantic Beach budget for the Fiscal Year Ending June 30, 2019 totals \$7,510,892 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 2018-19 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, one replacement Fire Department ambulance, and a replacement Fire Department cardiac monitor. 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 FY2018-19. The Town intends to increase the Powell Bill reserves for several years planning for another major repaving project in approximately FY2019-20. 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 generator at Well 2A and replacement fencing at the Water Plant. No fund balance monies were appropriated in the Water Fund budget for FY2018-19.

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 \$1,563,717,000 tax base. The \$2,567,000 ad valorem property tax revenue comprises approximately 43% 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.



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BASIC FINANCIAL STATEMENTS



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Town of Atlantic Beach, North Carolina
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,435,002	\$ 1,249,461	\$ 4,684,463
Restricted cash	267,838	12,559	280,397
Taxes receivables (net)	7,349	-	7,349
Accounts receivable (net)	466,144	212,268	678,412
Inventories	-	41,074	41,074
Total current assets	4,176,333	1,515,362	5,691,695
Non-current assets:			
Capital Assets (Note 4):			
Land, non-depreciable improvements, and construction in progress	5,222,967	934,400	6,157,367
Other capital assets, net of depreciation	5,308,363	1,765,560	7,073,923
Total capital assets	10,531,330	2,699,960	13,231,290
Total assets	14,707,663	4,215,322	18,922,985
DEFERRED OUTFLOWS OF RESOURCES	1,049,737	82,516	1,132,253
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	316,260	38,908	355,168
Accrued interest payable	5,834	-	5,834
Accrued vacation	117,454	9,485	126,939
Customer advances	-	23,559	23,559
Payable from restricted assets	-	-	-
Current portion of long term liabilities	320,361	33,959	354,320
Payable from restricted assets	-	12,559	12,559
Total current liabilities	759,909	118,470	878,379
Long-term liabilities:			
Net pension liability	664,522	57,785	722,307
Total pension liability	547,700	-	547,700
OPEB liability	1,276,700	111,017	1,387,717
Accrued vacation	68,068	10,919	78,987
Due in more than one year	587,968	182,907	770,875
Total long term liabilities	3,144,958	362,628	3,507,586
Total liabilities	3,904,867	481,098	4,385,965
DEFERRED INFLOWS OF RESOURCES	113,779	9,894	123,673
NET POSITION			
Net investment in capital assets	9,623,001	2,483,094	12,106,095
Restricted for:			
Streets - Powell Bill	267,838	-	267,838
Stabilization by State Statute	466,144	-	466,144
Unrestricted	1,381,771	1,323,752	2,705,523
Total net position	\$ 11,738,754	\$ 3,806,846	\$ 15,545,600

**Town of Atlantic Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1,087,970	\$ 86,282	\$ 49,140	\$ -	\$ (952,548)	\$ -	\$ (952,548)
Public safety	3,012,566	593,458	5,904	-	(2,413,204)	-	(2,413,204)
Transportation	568,436	-	58,235	-	(510,201)	-	(510,201)
Economic and physical development	146,868	-	38,890	-	(107,978)	-	(107,978)
Environmental protection	488,961	620,392	9,663	-	141,094	-	141,094
Cultural and recreation	386,532	84,923	5,000	-	(296,609)	-	(296,609)
Interest on long-term debt	22,218	-	-	-	(22,218)	-	(22,218)
Total governmental activities (See Note 1)	5,713,551	1,385,055	166,832	-	(4,161,664)	-	(4,161,664)
Business-type activities:							
Water	1,295,673	1,634,484	-	-	-	338,811	338,811
Total business-type activities	1,295,673	1,634,484	-	-	-	338,811	338,811
Total primary government	\$ 7,009,224	\$ 3,019,539	\$ 166,832	\$ -	(4,161,664)	338,811	(3,822,853)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,614,742	-	2,614,742
Other taxes					1,749,284	-	1,749,284
Grants and contributions not restricted to specific programs					-	-	-
Miscellaneous					45,784	-	45,784
Unrestricted investment earnings					30,919	11,321	42,240
Transfers					306,200	(306,200)	-
Total general revenues, special items, and transfers					4,746,929	(294,879)	4,452,050
Change in net position					585,265	43,932	629,197
Net position, beginning, previously reported					12,390,858	3,856,471	16,247,329
Restatement					(1,237,369)	(93,557)	(1,330,926)
Net position, beginning, restated					11,153,489	3,762,914	14,916,403
Net position, ending					\$ 11,738,754	\$ 3,806,846	\$ 15,545,600

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, 2018

	Major General Fund	Non-Major Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,215,827	219,175	3,435,002
Restricted cash	267,838	-	267,838
Receivables, net:			
Taxes	6,457	-	6,457
Accounts	466,144	-	466,144
Total assets	<u>\$ 3,956,266</u>	<u>\$ 219,175</u>	<u>\$ 4,175,441</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 316,260	\$ -	\$ 316,260
Total liabilities	<u>316,260</u>	<u>-</u>	<u>316,260</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	6,457	-	6,457
Prepaid taxes	-	-	-
Total deferred inflows of resources	<u>6,457</u>	<u>-</u>	<u>6,457</u>
FUND BALANCES			
Restricted			
Stabilization by State Statute	\$ 466,144	\$ -	\$ 466,144
Streets - Powell Bill	267,838	-	267,838
Assigned			
Beach Renourishment	-	219,175	219,175
Unassigned	2,899,567	-	2,899,567
Total fund balances	<u>3,633,549</u>	<u>219,175</u>	<u>3,852,724</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,956,266</u>	<u>\$ 219,175</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,531,330
Net pension liability	(664,522)
Total pension liability	(547,700)
OPEB liability	(1,276,700)
Deferred outflows of resources related to pensions are not reported in the funds	1,049,737
Liabilities for earned revenues considered deferred inflows of resources in fund statements	6,457
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(1,092,959)
Deferred inflows of resources related to pensions are not reported in the funds	(113,779)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(5,834)
	<u>(5,834)</u>
Net position of governmental activities	<u>\$ 11,738,754</u>

Town of Atlantic Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	<u>Major</u>		Total Governmental Funds
	General Fund	Non-Major Fund	
REVENUES			
Ad valorem taxes	\$ 2,619,334	\$ -	\$ 2,619,334
Other taxes and licenses	-	-	-
Unrestricted intergovernmental	1,682,535	-	1,682,535
Restricted intergovernmental	114,492	-	114,492
Permits and fees	309,621	-	309,621
Sales and services	1,075,434	-	1,075,434
Investment earnings	28,752	2,167	30,919
Miscellaneous	129,136	-	129,136
Total revenues	<u>5,959,304</u>	<u>2,167</u>	<u>5,961,471</u>
EXPENDITURES			
Current:			
General government	1,266,342	-	1,266,342
Public safety	2,925,082	-	2,925,082
Transportation	515,622	-	515,622
Environmental protection	462,519	-	462,519
Economic and physical development	147,520	-	147,520
Public services	338,070	-	338,070
Debt service:			
Principal	358,748	-	358,748
Interest and other charges	24,493	-	24,493
Total expenditures	<u>6,038,396</u>	<u>-</u>	<u>6,038,396</u>
Revenue over (under) expenditures	<u>(79,092)</u>	<u>2,167</u>	<u>(76,925)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	306,200	-	306,200
Proceeds from sale of assets	8,573	-	8,573
Insurance Proceeds	23,726	-	23,726
Total other financing sources (uses)	<u>338,499</u>	<u>-</u>	<u>338,499</u>
Net change in fund balance	259,407	2,167	261,574
Fund balance, beginning	3,374,142	217,008	3,591,150
Fund balance, ending	<u>\$ 3,633,549</u>	<u>\$ 219,175</u>	<u>\$ 3,852,724</u>

(continued)

Town of Atlantic Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

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

Net changes in fund balances - total governmental funds	\$	261,574
<p>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.</p>		
Capital outlay expenditures which were capitalized		220,741
Depreciation expense from governmental assets		(417,208)
Loss of disposal of asset		<u>(211)</u>
		(196,678)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		372,573
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		26,018
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		4,592
<p>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.</p>		
		358,748
<p>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.</p>		
Compensated absences		3,479
Accrued interest payable		2,275
Pension Expense		(222,104)
Other postemployment benefits		<u>(25,212)</u>
Total changes in net position of governmental activities	\$	<u><u>585,265</u></u>

Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,582,050	\$ 2,603,550	\$ 2,619,334	\$ 15,784
Unrestricted intergovernmental	1,750,000	1,657,150	1,682,535	25,385
Restricted intergovernmental	230,000	140,640	114,492	(26,148)
Permits and fees	961,500	293,250	309,621	16,371
Sales and services	190,150	974,500	1,075,434	100,934
Investment earnings	7,000	7,300	28,752	21,452
Miscellaneous	50,000	126,340	129,136	2,796
Total revenues	<u>5,770,700</u>	<u>5,802,730</u>	<u>5,959,304</u>	<u>156,574</u>
Expenditures:				
Current:				
General government	1,481,779	1,373,289	1,266,342	106,947
Public safety	2,837,306	3,013,346	2,925,082	88,264
Transportation	369,865	631,048	515,622	115,426
Environmental protection	480,000	471,500	462,519	8,981
Economic and physical development	168,500	149,760	147,520	2,240
Public services	50,000	353,635	338,070	15,565
Debt service:				
Principal retirement	358,250	358,757	358,748	9
Interest and other charges	25,000	24,493	24,493	-
Contingency	-	-	-	-
Total expenditures	<u>5,770,700</u>	<u>6,375,828</u>	<u>6,038,396</u>	<u>337,432</u>
Revenues over (under) expenditures	<u>-</u>	<u>(573,098)</u>	<u>(79,092)</u>	<u>494,006</u>
Other Financing Sources:				
Proceeds from sale of assets	-	-	8,573	8,573
Insurance Proceeds	-	-	23,726	23,726
Transfers from other funds	-	375,128	306,200	(68,928)
	<u>-</u>	<u>375,128</u>	<u>338,499</u>	<u>(36,629)</u>
Fund balance appropriated	<u>-</u>	<u>197,970</u>	<u>-</u>	<u>(197,970)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>259,407</u>	<u>\$ 259,407</u>
Fund balances, beginning			<u>3,374,142</u>	
Fund balances, ending			<u>\$ 3,633,549</u>	

Town of Atlantic Beach, North Carolina
Statement of Fund Net Position
Proprietary Fund - Public Utilities Fund
June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,249,461
Restricted cash and cash equivalents	12,559
Accounts receivable (net) - billed	135,602
Accounts receivable (net) - unbilled	76,666
Inventories	41,074
Total current assets	<u>1,515,362</u>

Non-current assets:

Capital assets:

Land and construction in progress	934,400
Capital assets, net of depreciation	1,765,560
Capital assets	<u>2,699,960</u>
Total non-current assets	2,699,960

Total assets	<u>\$ 4,215,322</u>
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DEFERRED OUTFLOWS OF RESOURCES

	<u>82,516</u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$ 38,908
Customer advances on water bills	23,559
Current portion of accrued vacation	9,485
Installment debt	33,959
Liabilities payable from restricted assets	
Customer deposits	12,559
Total current liabilities	<u>118,470</u>

Noncurrent liabilities:

Installment debt	182,907
OPEB liability	111,017
Accrued vacation	10,919
Net pension liability	57,785
Total non-current liabilities	<u>362,628</u>

Total liabilities	<u>481,098</u>
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DEFERRED INFLOWS OF RESOURCES

	<u>9,894</u>
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NET POSITION

Net investment in capital assets	2,483,094
Unrestricted	<u>1,323,752</u>
Total net position	<u>\$ 3,806,846</u>

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

Town of Atlantic Beach, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund - Public Utilities Fund
For the Year Ended June 30, 2018

OPERATING REVENUES	
Charges for services	\$ 1,139,078
Stormwater fees	337,996
Other operating revenues	157,410
Total operating revenues	<u>1,634,484</u>
OPERATING EXPENSES	
Administration	727,808
Water treatment and distribution	380,753
Depreciation	179,082
Total operating expenses	<u>1,287,643</u>
Operating income	<u>346,841</u>
NONOPERATING REVENUE (EXPENSES)	
Interest expense	(8,030)
Investment income	11,321
Total nonoperating revenue (expenses)	<u>3,291</u>
Income before contributions and transfers	350,132
Transfers to other funds	<u>(306,200)</u>
Change in net position	43,932
Total net position, beginning as previously reported	3,856,471
Restatement	(93,557)
Total net position, beginning	3,762,914
Total net position, ending	<u>\$ 3,806,846</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,645,874
Cash paid to employees	(277,357)
Cash paid for services	(824,344)
Net cash provided by operating activities	<u>544,173</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to other funds	<u>(306,200)</u>
Net cash flows (used) by noncapital financing activities	<u>(306,200)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(42,982)
Principal repayments on long-term debt	(33,134)
Interest expense	(8,030)
Installment purchase obligation issued	-
Net cash used by capital and related financing activities	<u>(84,146)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest	<u>11,321</u>
Net decrease in cash and cash equivalents	165,148

Balances, beginning	<u>1,096,872</u>
Balances, ending	<u><u>\$ 1,262,020</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, 2018

Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u>\$ 346,841</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	179,082
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivable	11,390
(Increase) decrease in inventory	(6,275)
Increase (decrease) in accounts payable and accrued liabilities	13,901
Increase (decrease) in net pension liability	(22,235)
(Increase) decrease in deferred outflows of resources	15,949
Increase (decrease) in deferred inflows of resources	6,364
Increase(decrease) in deposits	1,968
Increase (decrease) in accrued vacation pay	(5,362)
Increase (decrease) in OPEB liability	2,550
Total adjustments	<u>197,332</u>
Net cash provided by operating activities	<u><u>\$ 544,173</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, 2018

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Atlantic Beach, NC and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of 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 and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. 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.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State 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 and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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 beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Atlantic Beach because the tax is levied by Brunswick County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town'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, Tourist Accommodations Fund, Airport Grant Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. An annual budget is also adopted for the Special Revenue Funds. 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. The Finance Officer is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$10,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$10,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. 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 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 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 Powel Bill revenue is classified as restricted assets in governmental funds because the use is completely restricted by State Law. The balance at June 30, 2018 was \$267,838. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

<u>Town of Atlantic Beach Restricted Cash</u>		
Governmental Activities		
General Fund		
	Streets	\$ 267,838
Total governmental activities		<u>267,838</u>
Business-type Activities		
Public Utilities Fund:		
	Customer Deposits	<u>12,559</u>
Total Business-type Activities		<u>12,559</u>
Total Restricted Cash		<u>\$ 280,397</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 169-13(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, 2017. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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 cost 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 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 estimate 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 subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
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 outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does have one item that meet this criterion, pension deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category - property taxes receivable and pension deferrals for the 2018 fiscal year.

8. Long-Term Obligations

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

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

9. Compensated Absences

Vacation leave is accumulated at the rate of up to thirty (30) days per year with each leave being fully vested when earned. For the Town's government wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded with the funds 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 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 policies provide 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 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 investment in capital assets, restricted, and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of 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 (the adoption of another ordinance) 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-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted 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 with 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's employer contributions are recognized when due and the Town 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.

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, 2018, the Town's deposits had a carrying amount of \$512,976 and a bank balance of \$589,140. All of which was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2018, the Town's petty cash fund totaled \$1,400.

2. Investments

At June 30, 2018, the Town had \$4,450,484 invested with the North Carolina Capital management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard or Poor's. The Town has no policy regarding credit risk.

3. Receivables

Receivable at the government-wide level at June 30, 2018, were as follows:

Fund	June 30, 2018
General Fund:	
ABC tax receivable	\$ 47,184
Telecommunication sales tax receivable	7,204
Franchise tax receivable	63,227
Local option sales tax receivable	193,354
Video programming	20,477
Services receivable	74,162
Miscellaneous receivables	60,536
Total	<u>466,144</u>
Public Utilities Fund:	
Services receivable	212,268
	<u>\$ 678,412</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	Beginning Balances	Reclassifications	Increases	Decreases	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 5,222,967	\$ -	\$ -	\$ -	\$ 5,222,967
Construction in progress	1,626,233	-	74,555	1,700,788	-
Total capital assets not being depreciated	6,849,200	-	74,555	1,700,788	5,222,967
Capital assets being depreciated:					
Buildings & improvement	945,609	(232)	1,700,788	-	2,646,165
Infrastructure	3,101,580	-	96,603	-	3,198,183
Equipment	506,283	(72,054)	18,461	-	452,690
Vehicles and motorized equipment	2,590,232	73,723	31,122	37,673	2,657,404
Total capital assets being depreciated	7,143,704	1,437	1,846,974	37,673	8,954,442
Less accumulated depreciation for:					
Buildings & improvements	490,081	(511)	61,094	-	550,664
Infrastructure	385,114	511	94,901	-	480,526
Equipment	298,569	(41,968)	49,827	-	306,428
Vehicles and motorized equipment	2,091,132	43,405	211,386	37,462	2,308,461
Total accumulated depreciation	3,264,896	\$ 1,437	\$ 417,208	\$ 37,462	3,646,079
Total capital assets being depreciated, net	3,878,808				5,308,363
Governmental activity capital assets, net	\$ 10,728,008				\$ 10,531,330

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

General Government	\$ 41,047
Public Safety	191,907
Transportation	78,659
Economic & Physical Development	28,657
Environmental Protection	28,476
Cultural & Recreation	48,461
Total Depreciation Expense	<u>\$ 417,208</u>

Business-Type Activities:

	Beginning Balances	Reclassifications	Increases	Decreases	Ending Balances
Water Fund					
Capital assets not being depreciated:					
Land	\$ 934,400	\$ -	\$ -	\$ -	\$ 934,400
Construction in progress	655,224	-	27,000	682,224	-
Total capital assets not being depreciated	1,589,624	-	27,000	682,224	934,400
Capital assets being depreciated:					
Plant and Distribution Systems	6,590,245	(11,752)	399,224	-	6,977,717
Furniture, Equipment & Maintenance	567,730	-	298,982	-	866,712
Vehicles	99,334	(999)	-	-	98,335
Total capital assets being depreciated	7,257,309	(12,751)	698,206	-	7,942,764
Less accumulated depreciation for:					
Plant and Distribution Systems	5,465,013	-	111,000	-	5,576,013
Furniture, Equipment & Maintenance	490,992	-	53,578	-	544,570
Vehicles	54,868	(12,751)	14,505	-	56,622
Total accumulated depreciation	6,010,873	\$ (12,751)	\$ 179,082	\$ -	6,177,204
Total capital assets being depreciated, net	1,246,436				1,765,560
Business type capital assets, net	\$ 2,836,060				\$ 2,699,960

B. Liabilities

1. Pension Plan and Postemployment 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 Town 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, 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 or have completed five years of service 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 15 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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town 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, 2018, was 14.48% of compensation for law enforcement officers and 13.90% for general employees, 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 \$404,971 for the year ended June 30, 2018.

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, 2018, the Town reported a liability of \$722,307 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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, 2017, the Town's proportion was 0.04728%, which was an increase of 0.00018% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$339,283. At June 30, 2018, 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	\$ 41,612	\$ 20,446
Change of assumptions	103,156	-
Net difference between projected and actual earnings on pension plan investments	175,378	-
Change in proportion and differences between Town contributions and proportionate share of contributions	274,278	4,516
Town contributions subsequent to the measurement date	404,971	-
Total	<u>\$ 999,395</u>	<u>\$ 24,962</u>

\$404,971 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2019	\$ 128,113
2020	297,792
2021	162,976
2022	(19,419)
2023	-
Thereafter	-
	<u>\$ 569,462</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of position 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, 2016 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 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Credit	7%	6.0%
Inflation Protection	6%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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 7.20%. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Town's proportionate share of net pension liability (asset)	\$ 2,168,383	\$ 722,307	\$ (484,709)

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 years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Town has made no contributions to this plan.

All full-time Town law enforcement officers 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	<u>16</u>
Total	<u><u>20</u></u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

Basis of Accounting – The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. 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 Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 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, 2017.

Mortality rates are based on the 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 benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employee. 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 \$46,085 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, 2018, the Town reported a total pension liability of \$547,700. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$64,189.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 114,887	\$ -
Changes of assumptions	17,971	-
Town benefit payments and plan administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ 132,858</u>	<u>\$ -</u>

\$0.00 paid as benefits came due and \$0.00 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2019	\$ 31,889
2020	31,889
2021	31,889
2022	32,627
2023	4,564
Thereafter	-
	<u>\$ 132,858</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1 % Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Town's pension liability (asset)	\$ 579,563	\$ 547,700	\$ 518,340

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

	2018
Beginning balance	\$ 393,196
Service Cost	18,012
Interest on the total pension liability	14,288
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	143,184
Changes of assumptions or other inputs	25,105
Benefit payments	(46,085)
Other changes	-
Ending balance of the total pension liability	<u>\$ 547,700</u>

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 assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 339,283	\$ 64,189	\$ 403,472
Pension Liability	722,307	547,700	1,270,007
Proportionate share of the net pension liability	0.04728%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	41,612	114,887	156,499
Changes of assumptions	103,156	17,971	121,127
Net difference between projected and actual earnings on plan investments	175,378	-	175,378
Changes in proportion and differences between contributions and proportionate share of contributions	274,278	-	274,278
Benefit payments and administrative costs paid subsequent to the measurement date	404,971	-	404,971
Deferred of Inflows of Resources			
Differences between expected and actual experience	20,446		20,446
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,516	-	4,516

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 (5%) of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers make voluntary contributions to the plan.

The Town made contributions of \$39,078 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, 2018 were \$104,491 from the Town and \$52,696 from the non-law enforcement employees.

e. Other Postemployment Benefits (OPEB)

1. Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single employer defined benefit Healthcare 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 creditable 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 Town'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, 2017 date of the latest actuarial valuation.

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	3	4
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	60	16
Total	63	20

Funding Policy. By Town resolution, the Town pays the full cost of the 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, 2018, the Town was not required to make contributions in the fiscal year.

Total OPEB Liability

The Town's total OPEB liability of \$1,387,717 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following

Inflation	2.5 percent
Salary increases	3.5 to 7.75 percent, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	7.5% For 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	<u>\$ 1,362,050</u>
Change for the year	\$ 1,362,050
Service cost	100,558
Interest	40,905
Changes of benefit terms	-
Differences between expected and actual experience	(23,034)
Changes in assumptions or other inputs	(86,548)
Benefit payments	(6,214)
Net changes	<u>25,667</u>
Balance at June 30, 2018	<u><u>\$ 1,387,717</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01 % to 3.56%.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 1,549,181	\$ 1,387,717	\$ 1,243,768

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Total OPEB liability	\$ 1,202,889	\$ 1,387,717	\$ 1,610,118

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized OPEB expense of \$130,592. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 20,749
Changes of assumptions	-	77,962
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 98,711</u>

\$0.00 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June	
30	
2019	\$ (10,871)
2020	(10,871)
2021	(10,871)
2022	(10,871)
2023	(10,871)
Thereafter	(44,356)
	<u>\$ (98,711)</u>

2. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 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.

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Differences between expected and actual experience	\$ 156,499
Change of assumptions	121,127
Net difference between projected and actual earnings on pension plan investments	175,378
Change in proportion and differences between Town contributions and proportionate share of contributions	274,278
Town contributions subsequent to the measurement date	404,971
Total	<u>\$ 1,132,253</u>

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	\$ -	\$ 6,457
Prepaid taxes (General Fund)	-	-
Differences between expected and actual experience	41,195	-
Changes in assumptions	77,962	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,516	-
Total	<u>\$ 123,673</u>	<u>\$ 6,457</u>

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 insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health 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 Town 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 vent 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 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, 2018, 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, 2018 was \$800,001.

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 if 1.75%. The balance outstanding at June 30, 2018 was \$108,328.

In March 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, 2018 was \$216,866.

Annual debt service payments of all installment notes as of June 30, 2018, including \$53,659 of interest, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	-	-	37,470	1,889
2024	-	-	38,403	956
Total	\$ 908,329	\$ 34,372	\$ 216,866	\$ 19,287

b. Changes in General Long-Term Liabilities

At June 30 2018, the Town of Atlantic Beach had a legal debt margin of \$126,773,465.

	Balance 07/01/17	Increases	Decreases	Balance 06/30/18	Current Portion
Governmental activities:					
Installment purchases	\$ 1,267,077	\$ -	\$ 358,748	\$ 908,329	\$ 320,361
Compensated absences	182,043	120,933	117,454	185,522	117,454
Total OPEB liability	271,649	1,005,051	-	1,276,700	-
Net pension liability (LGERS)	920,236	-	255,714	664,522	-
Net pension liability (LEOSSA)	393,196	154,504	-	547,700	-
Governmental activity long-term liabilities	\$ 3,034,201	\$ 1,280,488	\$ 731,916	\$ 3,582,773	\$ 437,815
Business-type activities:					
Installment purchases	\$ 250,000	\$ -	\$ 33,134	\$ 216,866	\$ 33,959
Net pension liability (LGERS)	80,020	-	22,235	57,785	-
Compensated absences	25,765	4,124	9,485	20,404	9,485
Total OPEB liability	14,910	96,107	-	111,017	-
Business-type activity long-term liabilities	\$ 370,695	\$ 100,231	\$ 64,854	\$ 406,072	\$ 43,444

c. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2018, consist of the following:

Descriptions	Transfer In	Transfer Out
General Fund	\$ 306,200	\$ -
Public Utilities Fund	\$ -	\$ 306,200
	\$ 306,200	\$ 306,200

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 user by both funds (\$96,000) and for stormwater project construction (\$210,200).

d. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 10,531,330	\$ 2,699,960
Less: Long-term debt	908,329	216,866
Net investment in capital assets	\$ 9,623,001	\$ 2,483,094

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	\$ 3,633,549
Less:	
Stabilization by State Statute	466,144
Streets - Powell Bill	267,838
Working Capital/Fund Balance Policy	751,089
Remaining Fund Balance	2,148,478

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 Assisted Programs

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$1,237,369 and \$93,557 for the business-type activities.

VI. Significant Effects of Subsequent Events

There is 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
Town of Atlantic Beach's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Five Fiscal Years

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.04728%	0.04710%	0.05260%	0.0510%	0.0511%
County's proportion of the net pension liability (asset) (\$)	\$ 722,307	\$ 1,000,256	\$ 236,021	\$ (299,237)	\$ 615,951
County's covered-employee payroll	\$ 2,836,696	\$ 2,815,405	\$ 2,599,100	\$ 2,572,741	\$ 2,384,890
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	25.46%	35.53%	9.08%	(11.63%)	25.83%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each 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 Five Fiscal Years**

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 404,971	\$ 394,056	\$ 357,608	\$ 358,156	\$ 347,320
Contributions in relation to the contractually required contribution	404,971	394,056	357,608	358,156	347,320
Contribution deficiency (excess)	<u>\$ -</u>				
Town's covered-employee payroll	\$ 2,880,471	\$ 2,836,696	\$ 2,815,405	\$ 2,599,100	\$ 2,572,741
Contributions as a percentage of covered-employee payroll	14.06%	13.89%	12.70%	13.78%	13.50%

Town of Atlantic Beach, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

	<u>2018</u>	<u>2017</u>
Beginning balance	393,196	397,437
Service Cost	18,012	19,431
Interest on the total pension liability	14,288	13,656
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	143,184	-
Changes of assumptions or other inputs	25,105	(7,476)
Benefit payments	(46,085)	(29,852)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 547,700</u>	<u>\$ 393,196</u>

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, 2018

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 547,700	\$ 393,196
Covered payroll	832,244	850,042
Total pension liability as a percentage of covered payroll	65.81%	46.26%

Notes to the schedules:

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

Town of Atlantic Beach, North Carolina
Schedule of Changes in the Net OPEB Liability and Related Ratios
Healthcare Benefits Plan
For the Year Ended June 30, 2018*

	2018
Total OPEB Liability	
Service cost	\$ 100,558
Interest	40,905
Changes of benefit terms	-
Differences between expected and actual experience	(23,034)
Changes of assumptions	(86,548)
Benefit payments	(6,214)
Net change in total OPEB liability	25,667
Total OPEB liability - beginning	1,362,050
Total OPEB liability - ending	\$ 1,387,717
Town's covered-employee payroll	\$ 2,825,143
Town's OPEB liability as a percentage of its covered-employee payroll	49.12%

* Plan measurement date is the reporting date. Employer measurement date is one year prior to reporting date.

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%

General Fund

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



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Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Ad valorem taxes:			
Current collections of unit-wide levy		2,608,808	
Prior years' levy collections		4,689	
Penalties and interest		5,837	
	<u>2,603,550</u>	<u>2,619,334</u>	<u>15,784</u>
Total taxes			
Unrestricted intergovernmental:			
Local option sales tax		1,091,179	
Carteret County ABC revenue		160,320	
Beer/wine tax		6,501	
Utilities sales tax		305,925	
Cable Vision franchise tax		83,160	
Telecommunications sales tax		30,995	
Solid Waste Disposal Tax		1,026	
Payment in lieu of taxes (Fire district distribution)		2,692	
Court fees		737	
	<u>1,657,150</u>	<u>1,682,535</u>	<u>25,385</u>
Restricted intergovernmental:			
Public Safety Grants		2,704	
Dredging Grant		38,890	
CAMA Beach Access		9,663	
Donations/Skatepark		5,000	
Powell Bill allocation		58,235	
	<u>140,640</u>	<u>114,492</u>	<u>(26,148)</u>
Total intergovernmental	<u>1,797,790</u>	<u>1,797,027</u>	<u>(763)</u>
Permits, fees and assessments:			
Beach permits		27,675	
Building permits		277,676	
Business registration fee		4,270	
	<u>293,250</u>	<u>309,621</u>	<u>16,371</u>
Total permits, fees and assessments			

**Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Sales and services:			
Parking meter		171,522	
Solid waste fees		531,611	
Parking violations		20,668	
Refuse cart sales		17,042	
Debris/White goods fee		71,739	
EMS revenue		91,647	
Cell tower lease		68,654	
Recreation fees		84,923	
Other Fees		17,628	
Total sales and services	<u>974,500</u>	<u>1,075,434</u>	<u>100,934</u>
Investment Earnings:			
General fund interest on investments		26,198	
Other funds interest on investments		2,554	
Total interest	<u>7,300</u>	<u>28,752</u>	<u>21,452</u>
Miscellaneous revenue:			
ABPD citizen donations		3,200	
Private donations		49,140	
Sales tax refund		66,749	
Miscellaneous		10,047	
Total miscellaneous	<u>126,340</u>	<u>129,136</u>	<u>2,796</u>
Total revenue	<u>5,802,730</u>	<u>5,959,304</u>	<u>156,574</u>
Expenditures			
General Government:			
Mayor and council:			
Salaries and employee benefits		22,219	
Professional services		51,798	
Membership dues		5,046	
Other operating expenditures		23,837	
	<u>113,996</u>	<u>102,900</u>	<u>11,096</u>

**Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Administration:			
Salaries and employee benefits		221,819	
Insurance - other		902	
Employee development		1,631	
Printing and postage		22,023	
Computers and small equipment		26,173	
Supplies		4,254	
Equipment rental		5,017	
Miscellaneous		6,250	
	<u>318,805</u>	<u>288,069</u>	<u>30,736</u>
Finance:			
Salaries and employee benefits		147,370	
Employee development		260	
Professional services		38,335	
Departmental supplies		6,207	
Bank charges		10,598	
Sales tax		41,803	
Miscellaneous		282	
	<u>302,243</u>	<u>244,855</u>	<u>57,388</u>
Public buildings:			
Salaries and employee benefits		358,066	
Insurance - other		20,025	
Utilities		31,323	
Building maintenance		11,986	
Janitorial supplies		2,884	
Landscaping		8,173	
Professional services		18,043	
Departmental supplies		33,848	
Capital outlay		62,366	
Miscellaneous		83,804	
	<u>638,245</u>	<u>630,518</u>	<u>7,727</u>
Total general government	<u>1,373,289</u>	<u>1,266,342</u>	<u>106,947</u>

**Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and employee benefits		1,316,193	
Insurance - other		20,893	
Employee development		8,147	
Fuel		31,839	
Repairs and maintenance		13,837	
Printing and postage		1,662	
Departmental supplies		14,940	
Computers and small equipment		13,838	
Capital outlay		31,122	
Uniforms		13,614	
Marine patrol		7,364	
USDOJ Vest grant		3,033	
Miscellaneous		22,952	
	<u>1,545,271</u>	<u>1,499,434</u>	<u>45,837</u>
Fire/EMS:			
Salaries and employee benefits		1,086,415	
Insurance-other		18,453	
Communication maintenance		4,878	
Employee development		1,245	
Fuel		7,526	
Equipment maintenance		411	
Postage		2,343	
Departmental supplies		3,748	
Fire prevention supplies		7,752	
Uniforms		3,841	
Vehicle maintenance		20,060	
EMS Collections		6,896	
Rescue supplies		15,809	
Computers and small equipment		8,152	
Miscellaneous		13,910	
	<u>1,226,400</u>	<u>1,201,439</u>	<u>24,961</u>

Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Public safety:			
Building inspection			
Salaries and employee benefits		152,185	
Insurance - other		1,357	
Employee development		4,510	
Fuel		1,331	
Equipment maintenance		346	
Postage		1,536	
Department supplies		7,594	
Miscellaneous		2,414	
	<u>185,775</u>	<u>171,273</u>	<u>14,502</u>
Rescue units:			
Departmental supplies		4,541	
Employee development		1,435	
Miscellaneous		2,121	
	<u>10,500</u>	<u>8,097</u>	<u>2,403</u>
Lifeguards:			
Salaries and employee benefits		35,952	
Departmental supplies		1,727	
Uniforms		1,684	
Miscellaneous		5,476	
	<u>45,400</u>	<u>44,839</u>	<u>561</u>
Total public safety	<u>3,013,346</u>	<u>2,925,082</u>	<u>88,264</u>

**Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Transportation:			
Streets and highways:			
Salaries and employee benefits and benefits		223,541	
Repairs and maintenance		19,303	
Storm drainage		23,371	
Street Lights		64,033	
Dredging		86,345	
Paving/patching		1,046	
Traffic control devices		1,380	
Capital outlay		18,883	
Beach access - cama grant		19,417	
Drainage		58,303	
Miscellaneous		-	
	<u>631,048</u>	<u>515,622</u>	<u>115,426</u>
Total transportation	<u>631,048</u>	<u>515,622</u>	<u>115,426</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		47,805	
Fuel		5,974	
Landfill		89,659	
Contract services		296,309	
Supplies		17,947	
Vehicle maintenance		4,545	
Miscellaneous		280	
	<u>471,500</u>	<u>462,519</u>	<u>8,981</u>
Total environmental protection	<u>471,500</u>	<u>462,519</u>	<u>8,981</u>

**Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Economic and Physical Development:			
Planning and Zoning:			
Salaries and employee benefits		129,310	
Insurance - other		902	
Advertising		920	
Employee development		10,617	
Telephone and postage		1,606	
Departmental supplies		2,719	
Miscellaneous		1,446	
	<u>149,760</u>	<u>147,520</u>	<u>2,240</u>
Total economic and physical development	<u>149,760</u>	<u>147,520</u>	<u>2,240</u>
Public Services:			
Beach Access			
Parking supplies		12,817	
Building maintenance		3,396	
Department supplies		8,761	
Janitorial supplies		6,367	
Miscellaneous		23,770	
	<u>56,600</u>	<u>55,111</u>	<u>1,489</u>
Community Events/Recreation:			
Salaries and employee benefits		32,741	
Contracted services		15,275	
Supplies		103,199	
Community promotions		37,278	
Christmas event		5,414	
Beach music festival		34,398	
Capital outlay		30,649	
Small equipment		6,145	
Street lights		5,316	
Miscellaneous		12,544	
	<u>297,035</u>	<u>282,959</u>	<u>14,076</u>
Total public services	<u>353,635</u>	<u>338,070</u>	<u>15,565</u>

**Town of Atlantic Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Debt retirement:			
Principal		358,748	
Interest		24,493	
	<u>383,250</u>	<u>383,241</u>	<u>9</u>
Contingency	-	-	-
Total expenditures	<u>6,375,828</u>	<u>6,038,396</u>	<u>337,432</u>
Revenue over (under) expenditures	<u>(573,098)</u>	<u>(79,092)</u>	<u>494,006</u>
Other financing sources			
Transfers from other funds:			
Public utilities fund		306,200	
Proceeds from sale of assets		8,573	
Insurance Proceeds		23,726	
Total other financing sources (uses)	<u>\$ 375,128</u>	<u>\$ 338,499</u>	<u>\$ (36,629)</u>
Fund balance appropriated	197,970	-	197,970
Net Change in fund balance	<u>\$ -</u>	259,407	<u>\$ 259,407</u>
Fund balances, beginning		3,374,142	
Fund balances, ending		<u>\$ 3,633,549</u>	

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, 2018

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Interest income	\$ -	\$ 61,139	2,167	\$ 63,306
Occupancy tax income	100,000	100,000	-	100,000
 Total revenue	 100,000	 161,139	 2,167	 163,306
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	 <u>\$ -</u>	 <u>\$ 217,008</u>	 \$ 2,167	 <u>\$ 219,175</u>
Fund balance, beginning			217,008	
Fund balance, ending			<u>\$ 219,175</u>	



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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, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Utility Charges	\$ 1,160,000	\$ 1,139,078	\$ (20,922)
Total operating revenues	<u>1,160,000</u>	<u>1,139,078</u>	<u>(20,922)</u>
Non-operating revenues:			
Interest earnings		11,321	
Availability fees		4,951	
Fire hydrants		5,400	
Late fees		24,056	
Reconnect fees		250	
Storm water impact fees		338,152	
Connection fees		8,400	
Water capacity use fees		113,954	
Other		243	
Total non-operating revenues	<u>443,225</u>	<u>506,727</u>	<u>63,502</u>
Total revenues	<u>1,603,225</u>	<u>1,645,805</u>	<u>42,580</u>
Expenditures:			
Administration:			
Salaries		258,603	
Social Security		18,754	
Retirement		29,190	
Pension		12,377	
Insurance - health		23,832	
Workman's comp		4,063	
Communication		8,997	
Employee development		3,073	
Dues		4,628	
Professional Services		11,078	
Computers and small equipment		28,925	
Other		47,648	
Total administration	<u>451,715</u>	<u>451,168</u>	<u>547</u>

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, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Water treatment and distribution:			
Contracted services - maintenance		53,946	
Fuel		9,413	
Lab Analysis		13,010	
Repairs and maintenance - equipment		13,826	
Insurance - other		31,320	
Postage		15,132	
Utilities		58,621	
Building Maintenance		2,063	
Supplies - for operations		80,900	
Supplies - for inventory		20,405	
Uniforms		2,463	
Vehicle maintenance		3,968	
Professional services		385,460	
Total water treatment and distribution	<u>703,650</u>	<u>690,527</u>	<u>13,123</u>
Debt Services:			
Principal retirement		33,134	
Interest		8,030	
Total debt services	<u>41,360</u>	<u>41,164</u>	<u>196</u>
Capital outlay:			
Total capital outlay	<u>101,500</u>	<u>42,982</u>	<u>58,518</u>
Total expenditures	<u>1,298,225</u>	<u>1,225,841</u>	<u>72,384</u>
Revenue over (under) expenditures	<u>305,000</u>	<u>419,964</u>	<u>114,964</u>

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, 2018

	Budget	Actual	Variance Positive (Negative)
Other Financing Sources/(Uses)			
Proceeds from sale of assets	-	-	-
Fund balance appropriated	1,200	-	(1,200)
Transfer to General Fund	(306,200)	(306,200)	-
Total other financing (uses)	(305,000)	(306,200)	(1,200)
 Revenues under expenditures and other financing sources (uses)	 \$ -	 113,764	 \$ 113,764
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital Outlay		42,982	
Princiapl payments		33,134	
Depreciation		(179,082)	
Change in accrued vacation pay		5,362	
(Increase) decrease in net pension liability		22,235	
Increase (decrease) in deferred outflows of resources for pensions		(15,949)	
(Increase) decrease in deferred inflows of resources for pensions		(6,364)	
Change in accrued OPEB		(2,550)	
Total reconciling items		(69,832)	
Change in net position		\$ 43,932	



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Additional and Required Financial Data

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

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



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**Town of Atlantic Beach, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2018**

<u>Fiscal Year</u>	<u>Uncollected Balance July 01, 2017</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 2,633,437	\$ 2,628,724	\$ 4,713
2016-2017	4,873	-	4,298	575
2015-2016	2,018	-	1,768	250
2014-2015	590	-	470	120
2013-2014	29	-	9	20
2012-2013	55	-	4	51
2011-2012	17	-	-	17
2010-2011	84	-	-	84
2009-2010	573	-	-	573
2008-2009	54	-	-	54
	<u>\$ 8,293</u>	<u>\$ 2,633,437</u>	<u>\$ 2,635,273</u>	<u>\$ 6,457</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 2,619,334
Reconciling items:	
Interest collected	(5,837)
Taxes written off	21,776

Total ad valorem collections	<u>\$ 2,635,273</u>
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**Town of Atlantic Beach, North Carolina
 Analysis of Current Tax Levy
 Town - Wide Levy
 For the Fiscal Year Ended June 30, 2018**

	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	\$ 1,604,903,636	0.165	\$ 2,648,091	\$ 2,597,445	\$ 50,646
Total	<u>1,604,903,636</u>		<u>2,648,091</u>	<u>2,597,445</u>	<u>50,646</u>
Discoveries:					
Current year taxes	278,182	0.165	\$ 459	459	-
Total	<u>1,605,181,818</u>		<u>2,648,550</u>	<u>2,597,904</u>	<u>50,646</u>
Abatements	<u>(9,159,394)</u>	0.165	<u>(15,113)</u>	<u>(15,113)</u>	-
Total property valuation	<u>\$ 1,596,022,424</u>				
Net levy			2,633,437	2,582,791	50,646
Uncollected taxes at June 30, 2018			<u>(4,713)</u>	<u>(4,713)</u>	-
Current year's taxes collected			<u>\$ 2,628,724</u>	<u>\$ 2,578,078</u>	<u>\$ 50,646</u>
Current levy collection percentage			<u>99.82%</u>	<u>99.82%</u>	<u>100.00%</u>

Statistical Section
Unaudited



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**Town of Atlantic Beach
Description of the Statistical
Schedules June 30, 2018**

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
Net position:										
Invested in capital assets, net of related debt	\$ 9,623,001	\$ 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
Restricted - Streets -P.Bill	267,838	243,827	184,581	124,689	64,459	185,307	156,533	167,736	377,427	353,406
Restricted - State Statute	466,144	546,284	522,930	486,513	405,933	351,456	354,059	391,994	-	-
Unrestricted	1,381,771	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
Total net position	<u>\$ 11,738,754</u>	<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>
Business Type Activities										
Net position:										
Invested in capital assets, net of related debt	\$ 2,483,094	\$ 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
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,323,752	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
Total net position	<u>\$ 3,806,846</u>	<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>
Total Primary Government										
Net position:										
Invested in capital assets, net of related debt	\$ 12,106,095	\$ 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
Restricted - Streets -P.Bill	267,838	243,827	184,581	124,689	64,459	185,307	156,533	167,736	377,427	353,406
Restricted - State Statute	466,144	546,284	522,930	486,513	405,933	351,456	354,059	391,994	-	-
Unrestricted	2,705,523	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
Total net position	<u>\$ 15,545,600</u>	<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>

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

Table 2

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Program revenues:										
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Government	86,282	-	-	-	-	-	-	-	-	-
Public Safety	593,458	696,489	645,932	726,246	511,600	532,682	503,019	429,284	384,492	433,747
Transportation	-	-	-	-	-	-	-	-	-	-
Economic/Physical Development	-	99,087	82,451	-	-	58,641	60,995	56,476	53,662	54,166
Environmental Protection	620,392	538,977	534,696	531,006	525,441	517,538	518,760	519,316	515,609	514,593
Cultural and Recreation	84,923	-	-	-	-	-	-	-	-	-
Interest on Long Term Debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	166,832	58,699	197,194	302,200	217,777	267,984	266,272	169,915	84,438	182,277
Capital Grants & Contributions	-	371,884	487,900	-	-	-	-	80,000	-	30,000
General revenues:										
Property taxes	2,614,742	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
Other taxes	66,749	5,395	6,955	1,562	13,951	22,742	23,181	20,699	20,270	21,539
Unrestricted intergovernmental revenues:										
Local option sales tax	1,091,179	1,062,861	1,036,874	1,037,273	980,257	960,118	914,057	829,358	841,881	1,044,378
Carteret County ABC revenue	160,320	176,750	170,194	160,112	135,328	107,870	105,156	102,922	53,702	62,122
Utilities sales tax	305,925	304,233	324,601	309,061	205,112	188,339	184,028	208,444	204,847	194,759
Cable vision franchise tax	83,160	87,061	87,123	92,565	90,306	92,300	94,653	124,288	124,388	128,329
Telecommunications sales tax	30,995	33,801	34,098	40,513	42,142	44,151	47,493	48,468	51,022	53,216
Other intergovernmental revenues	10,956	11,084	10,919	11,677	11,090	10,930	11,475	12,139	6,978	12,860
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	(138)	6,000	-
Other	76,703	27,811	15,014	103,838	27,946	55,431	26,372	29,298	64,259	124,668
Total Revenues	5,992,616	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
Expenses:										
General Government	1,087,970	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
Public Safety	3,012,566	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
Transportation	568,436	690,001	603,668	528,964	466,616	531,179	478,512	624,524	425,540	382,097
Economic & Physical Development	146,868	408,935	95,982	15,616	111,892	99,748	114,032	90,149	79,807	112,193
Environmental Protection	488,961	149,295	482,931	445,113	468,563	443,724	437,892	319,445	419,622	394,632
Cultural and Recreation	386,532	509,490	236,053	168,692	478,995	301,301	205,558	100,741	23,995	-
Interest on Long-Term Debt	22,218	29,050	34,327	42,337	49,099	81,425	103,169	127,753	158,410	174,271
Water	-	-	-	-	-	-	-	-	-	-
Total Expenses	5,713,551	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
Increase (decrease) in net position before transfers	279,065	36,083	616,841	1,036,590	237,115	263,916	(28,874)	62,590	(62,535)	419,174
Transfers	306,200	914,000	258,646	365,025	102,900	156,333	370,089	376,413	355,737	357,955
Increase (decrease) in net position	\$ 585,265	\$ 950,083	\$ 875,487	\$ 1,401,615	\$ 340,016	\$ 420,249	\$ 341,215	\$ 439,003	\$ 293,202	\$ 777,129

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

Table 2.1

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Program revenues:										
Charges for services-Water	\$ 1,634,484	\$ 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
Operating grants and contribution:	-	-	-	-	-	-	-	-	-	-
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	11,321	4,607	4,011	5,161	6,347	7,085	8,840	11,006	80,737	55,449
Total Revenues	1,645,805	1,795,144	1,452,984	1,441,052	1,194,795	1,140,358	1,159,317	1,217,791	1,251,867	1,144,904
Expenses:										
General Government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Economic and Physical Developmen	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Water	1,295,673	1,240,797	1,285,896	1,296,950	1,403,882	1,361,249	931,539	927,113	891,990	859,629
Total Expenses	1,295,673	1,240,797	1,285,896	1,296,950	1,403,882	1,361,249	931,539	927,113	891,990	859,629
Increase (decrease) in net position before transfers	350,132	554,347	167,088	144,102	(209,087)	(220,891)	227,778	290,678	359,877	285,275
Transfers	(306,200)	(914,000)	(258,646)	(365,025)	(102,900)	(156,333)	(370,089)	(376,413)	(355,737)	(357,955)
Increase (decrease) in net position after transfers	\$ 43,932	\$ (359,653)	\$ (91,558)	\$ (220,923)	\$ (311,987)	\$ (377,224)	\$ (142,311)	\$ (85,735)	\$ 4,140	\$ (72,680)

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

Table 2.2

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Program revenues:										
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Government	86,282	-	-	-	-	-	-	-	-	-
Public Safety	593,458	696,489	645,932	726,246	511,600	532,682	503,019	429,284	384,492	433,747
Transportation	-	-	-	-	-	-	-	-	-	-
Economic/Physical Development	-	99,087	82,451	-	-	58,641	60,995	56,476	53,662	54,166
Environmental Protection	620,392	538,977	534,696	531,006	525,441	517,538	518,760	519,316	515,609	514,593
Cultural and Recreation	84,923	-	-	-	-	-	-	-	-	-
Interest on Long Term Debt	-	-	-	-	-	-	-	-	-	-
Water	1,634,484	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
Operating grants and contributions	166,832	58,699	197,194	302,200	217,777	267,984	266,272	169,915	84,438	182,277
Capital Grants & Contributions	-	371,884	487,900	-	-	-	-	80,000	-	30,000
General revenues:										
Property taxes	2,614,742	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
Other taxes	66,749	5,395	6,955	1,562	13,951	22,742	23,181	20,699	20,270	21,539
Unrestricted intergovernmental revenues:										
Local option sales tax	1,091,179	1,062,861	1,036,874	1,037,273	980,257	960,118	914,057	829,358	841,881	1,044,378
Carteret County ABC revenue	160,320	176,750	170,194	160,112	135,328	107,870	105,156	102,922	53,702	62,122
Utilities franchise tax	305,925	304,233	324,601	309,061	205,112	188,339	184,028	208,444	204,847	194,759
Cable vision franchise tax	83,160	87,061	87,123	92,565	90,306	92,300	94,653	124,288	124,388	128,329
Telecommunications sales tax	30,995	33,801	34,098	40,513	42,142	44,151	47,493	48,468	51,022	53,216
Other intergovernmental revenues	10,956	11,084	10,919	11,677	11,090	10,930	11,475	12,139	6,978	12,860
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	(138)	6,000	-
Other	88,024	32,418	19,025	108,999	34,293	62,516	35,212	40,304	144,996	180,117
Total Revenues	7,638,421	7,863,818	7,642,617	7,494,852	6,706,414	6,818,589	6,750,342	6,718,674	6,538,409	6,872,687
Expenses:										
General Government	1,087,970	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
Public safety	3,012,566	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
Transportation	568,436	690,001	603,668	528,964	466,616	531,179	478,512	624,524	425,540	382,097
Economic and Physical Development	146,868	408,935	95,982	15,616	111,892	99,748	114,032	90,149	79,807	112,193
Environmental Protection	488,961	149,295	482,931	445,113	468,563	443,724	437,892	319,445	419,622	394,632
Cultural and Recreation	386,532	509,490	236,053	168,692	478,995	301,301	205,558	100,741	23,995	-
Interest on Long-Term Debt	22,218	29,050	34,327	42,337	49,099	81,425	103,169	127,753	158,410	174,271
Water	1,295,673	1,240,797	1,285,896	1,296,950	1,403,882	1,361,249	931,539	927,113	891,990	859,629
Total Expenses	7,009,224	7,273,388	6,858,688	6,314,160	6,678,386	6,775,564	6,551,438	6,365,406	6,241,067	6,168,238
Increase (decrease) in net position before transfers	629,197	590,430	783,929	1,180,692	28,028	43,025	198,904	353,268	297,342	704,449
Transfers	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in net position after transfers	\$ 629,197	\$ 590,430	\$ 783,929	\$ 1,180,692	\$ 28,029	\$ 43,025	\$ 198,904	\$ 353,268	\$ 297,342	\$ 704,449

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

Table 3

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Restricted for:										
State statute	\$ 466,144	\$ 546,284	\$ 522,930	\$ 486,513	\$ 405,933	\$ 351,456	\$ 354,059	\$ 391,994	\$ 341,800	\$ 338,399
Streets Powell bill	267,838	243,827	184,581	124,689	64,459	185,307	156,533	167,736	377,427	353,406
Unassigned, General Fund	2,899,567	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
Assigned - Subsequent Year's Expenditures	-	-	-	-	-	-	-	-	-	-
Total	3,633,549	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
All other Governmental Funds										
Assigned, reported in:										
Beach Renourishment	219,175	217,007	216,485	215,967	236,473	235,828	338,035	336,902	335,557	334,380
Total Fund Balances of Governmental Funds	\$3,852,724	\$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

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

Table 4

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
REVENUES										
Ad valorem taxes	\$ 2,619,334	\$ 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
Other taxes and licenses	-	5,395	6,955	1,562	13,951	22,742	23,181	20,699	20,270	21,539
Unrestricted intergovernmental	1,682,535	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
Restricted intergovernmental	114,492	430,583	686,895	177,662	99,986	260,084	257,236	239,374	74,921	204,977
Permits and fees	309,621	280,887	270,312	379,055	159,201	158,723	118,539	122,504	127,390	176,469
Sales and services	1,075,434	960,372	904,391	907,169	882,823	906,816	876,180	846,075	801,721	790,277
Investment earnings	28,752	13,768	8,896	8,114	9,434	15,735	25,239	24,355	47,356	111,826
Miscellaneous	129,136	93,294	86,576	95,566	112,809	56,792	78,610	47,038	34,169	43,062
Total revenues	5,959,304	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
EXPENDITURES										
Current:										
General government	1,203,976	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
Public safety	2,893,960	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
Transportation	443,292	1,042,595	474,525	561,307	479,020	512,795	469,745	501,367	431,225	421,171
Environmental Protection	462,519	452,712	456,520	471,181	458,579	443,423	436,142	427,808	418,975	394,416
Economic & Physical Development	147,520	132,999	123,895	92,852	90,427	95,130	113,027	89,577	79,455	112,487
Public Services	307,421	433,124	249,100	168,692	201,953	276,865	200,321	92,396	23,556	-
Capital outlay	196,467	1,679,934	1,398,275	502,222	1,111,282	779,645	134,285	320,122	51,111	9,387
Debt service:										
Principal	358,748	357,181	355,660	354,155	352,676	300,734	446,717	344,717	342,183	339,731
Interest and other charges	24,493	31,313	38,087	44,846	51,578	92,391	107,995	140,428	164,310	178,922
Total expenditures	6,038,396	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
Revenue over (under) expenditures	(79,092)	(2,169,952)	(971,902)	14,382	(960,593)	(546,273)	(374,833)	(341,529)	(132,662)	339,265
OTHER FINANCING SOURCES (USES)										
Transfers from other funds	306,200	914,000	258,646	386,084	102,900	259,510	370,089	376,413	355,737	357,955
Transfers to/from major funds	-	-	-	-	-	-	-	-	-	27,040
Proceeds from sale of assets	8,573	10,050	10,193	90,978	16,466	41,046	16,890	7,298	6,000	-
Proceeds from insurance proceeds	23,726	3,470	500	15,015	1,401	-	1,592	3,598	15,726	6,748
Proceeds from issuance of debt	-	-	-	-	-	363,249	-	-	-	-
Total other financing sources (uses)	338,499	927,520	269,339	492,077	120,767	663,805	388,571	387,309	377,463	391,743
Net change in fund balance	\$ 259,407	\$ (1,242,432)	\$ (702,563)	\$ 506,459	\$ (839,826)	\$ 117,532	\$ 13,738	\$ 45,780	\$ 244,801	\$ 731,008
Debt Service as a percentage of noncapital expenditures	6.56%	5.94%	6.83%	7.32%	7.87%	7.64%	9.92%	8.94%	9.45%	9.71%

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

Table 5

Fiscal Year Ending <u>June 30</u>	Real <u>Property</u>	Personal <u>Property</u>	Public Service <u>Companies</u>	Less Elderly <u>Exemptions</u>	Total Assessed <u>Value</u>	Total Direct <u>Tax Rate</u>	Estimated Actual Taxable <u>Value</u>	Taxable Assessed Value as a Percentage of Actual Taxable Value of Real <u>Property</u>
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	1,555,114,796	99.12%
2018	1,484,089,281	96,081,946	5,503,545	1,170,855	1,584,503,917	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, 2016.
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>
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
2018	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, 2018**

Table 7

	FY 2018			FY 2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Atlantic Newport Hospitality	\$22,233,422	1	29.41%			
Atlantic Station Prtnr LLC	10,586,379	2	14.00%	13,153,261	2	14.88%
Dunes Club, Inc	8,220,907	3	10.87%	12,095,970	3	13.68%
Bunn Fred M Etal	8,105,781	4	10.72%	8,243,109	4	9.33%
Coral Bay Club, Inc.	6,889,938	5	9.11%	8,023,975	5	9.08%
Crow Nest Yacht Club, Inc.	6,866,000	6	9.08%	3,828,863	9	4.33%
Oceanana Resort LLC	3,920,899	7	5.19%	4,997,353	6	5.65%
Williamson Charles Donald	3,128,515	8	4.14%			
Duke Energy Progress Inc	3,086,088	9	4.08%			
Blue Water Adventures LLC	2,571,223	10	3.40%			
Crosswinds of Atlantic Bch LLC				6,034,752	10	6.83%
GR&S Atlantic Beach LLC				21,764,283	1	24.62%
James H Pou Bailey Jr				6,572,603	7	7.44%
Ned T Grady Etux Etal				3,679,490	8	4.16%
	<u>\$75,609,152</u>		<u>100.00%</u>	<u>\$88,393,659</u>		<u>100.00%</u>

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 Collected</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%	8,190	2,775,542	99.91%
2014	2,696,648	2,687,724	99.67%	8,583	2,696,308	99.99%
2015	2,692,663	2,688,525	99.85%	3,809	2,692,334	99.99%
2016	2,506,890	2,502,007	99.81%	3,884	2,505,891	99.96%
2017	2,543,583	2,538,710	99.81%	3,311	2,542,021	99.94%
2018	2,566,717	2,562,004	99.82%	0	2,562,004	99.82%

Source: Town of Atlantic Beach Tax Reports

**Town of Atlantic Beach
Computation of Legal Debt Margin
June 30, 2018**

Table 9

Total Assessed Valuation	\$ 1,596,022,424
Legal Debt Margin:	
Debt Limit 8% of Total Assessed Value	127,681,794
Amount of Debt Applicable to Debt Limit	<u>908,329</u>
Legal Debt Margin	<u><u>\$ 126,773,465</u></u>

Town of Atlantic Beach
Computation of Direct and Overlapping Debt
June 30, 2018

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	36,437,355	10.64%	3,877,785
	\$ 36,437,355		\$ 3,877,785

Town's assessed valuation	\$ 1,596,022,424		
County's assessed valuation	\$ 14,996,922,830		
		10.64%	

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>
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
2018	0	1,497	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)	Total Debt % of Personal Income
	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	3,172,812	0.05%
2017	-	1,267,075	-	250,000.00	1,517,075	1,501	1,011	N/A	N/A
2018	-	908,328	-	216,866.13	1,125,194	1,497	752	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>
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	46,056	3,172,812
2017	1,501	3.9	N/A	N/A
2018	1,497	4.0	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, 2018**

Table 14

<u>Employer</u>	Calendar Year 2017			Calendar Year 2008		
	Employees (FTE's)	Rank	Total Employment	Employees (FTE's)	Rank	Percentage of Total Employment
Carteret County Board of Education	1000+	1	N/A	1000+	1	N/A
Carteret Health Care	1000+	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	250-499	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			
Lowe's Home Improvement	250-499	7	N/A			
Food Lion, LLC	250-499	8	N/A	100-249	8	N/A
Refrigerated Boxes Inc	100-249	9	N/A	100-249	9	N/A
Town of Morehead City	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				100-249	10	N/A

Notes:

1. 2017 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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
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	8	7	7	6
Public Safety:										
Police	18	18	18	18	18	18	19	19	18	18
Communications	0	0	0	0	0	0	0	0	4	4
Fire/EMS	14	14	14	14	14	14	14	14	14	14
Inspections	1	2	2	3	2	2	2	3	3	3
Transportation:										
Streets and Highways (1)	8	8	8	8	8	8	8	8	8	8
Economic & Physical Development:										
Planning	2	2	2	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	62	63	63	63	62	62	63	63	66	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

Functions/Program	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety:										
Police calls answered	19588	43688	54639	61646	52325	30462	36382	33248	15846	16588
Fire calls answered	521	633	633	823	734	574	614	395	473	570
EMS calls answered	617	651	632	518	548	509	500	494	485	463
Lifeguard calls answered	119	130	82	235	241	154	133	245	253	267
Transportation: (Streets & Highways)										
Miles of streets maintained	23.45	23.45	23.43	23.43	23.43	22.93	22.93	22.93	22.93	22.93
Environmental Protection: (Solid Waste & Sanitation)										
Solid waste collected (tons)	1,605	1,736	1,736	1,553	1,606	1,595	1,726	2,067	2,307	2,071
Recyclables collected (tons)	261	231	213	197	215	197	167	205	164	184
Yard debris collected (tons)	197	179	125	351	458	404	434	519	517	421
Public beach accesses (improved w/ structures)	20	20	17	16	16	15	15	15	15	15
Public beach accesses (unimproved)	2	2	3	4	4	4	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	7,160	7,147	7,106	7,089	6,969	6,980	6,984	6,859	6,973	6,998
Ave. daily consumption - summer (gallons)	843,447	770,236	845,710	839,260	857,890	796,674	892,126	1,241,000	1,030,000	856,361
Ave. daily consumption - winter (gallons)	456,104	380,369	395,732	427,879	414,953	401,830	410,725	349,570	360,940	495,344

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

Table 17

<u>Functions/Program</u>	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government:										
Public beach accesses (improved w/ structures)	20	20	17	16	16	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	23.45	23.45	23.43	23.43	23.43	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	7	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	2,500,000
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, 2018, 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 January 30, 2019.

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., PA

Wilmington, North Carolina

January 30, 2019

Town of Atlantic Beach, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2018

Section II - Financial Statement Findings

None.

Town of Atlantic Beach, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2018

Section II - Financial Statement Findings

None.