

**Comprehensive Annual
Financial Report**

of the

**Town of Atlantic Beach
North Carolina**



**For The Fiscal Year
Ended June 30, 2016**

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Town of Atlantic Beach, North Carolina
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June 30, 2016

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Introductory Section

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



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October 31, 2016

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, 2016, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures within this report rests with the management of the **Town of Atlantic Beach**. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of **Thompson, Price, Scott, Adams & Co., P.A.** and their unqualified opinion is included in the financial section of the Comprehensive Annual Financial Report.

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

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

Immediately following the Independent Auditor's report is Management's Discussion and Analysis (MD&A), which provides a narrative overview of the Town's financial performance for fiscal year ended June 30, 2016. 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 1,511 and encompasses 2.3 square miles. Atlantic Beach is located on a barrier island in Carteret County on the eastern end of Bogue Banks. The Atlantic Ocean is to the south while the Bogue Sound lies to the north of the island. Atlantic Beach prides itself on being a seasonal residential resort community. Atlantic Beach is a thriving coastal community that is a major tourist destination along the coast of North Carolina. The Town of Atlantic Beach has a strong commitment to preserving its environment and protecting the ocean dunes and maritime forest. The Town's developmental priorities and goals of environmental and resource protection clearly states its strong desire to encourage and promote tourism.

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

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

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

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

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

Fire – The department objective is to continue to maintain the Town's fire department as a professional responding department through proper training requirements, certifications, and the retention of quality professionals. Each shift is now composed of three paramedics and one licensed EMT. The fire department maintains an ISO rating of three (3) for homeowners insurance.

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

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

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

Economic Condition and Outlook

The information in the financial statements may be best understood when considered in the context of the environment in which the Town operates. Atlantic Beach's economy is driven by the seasonal tourist industry. Atlantic Beach is primarily a residential community with commerce related primarily to tourism and construction. The industry generates strong retail, construction, and real estate employment. The Town is also located near

the historical tourist site of the Fort Macon State Park. The Town is in close proximity of the Cherry Point Marine Corps Air Station, which is a major employer of Carteret County. A large marine science community is a surrounding neighbor of the Town of Atlantic Beach. This includes the C-MAST, NOAA, NC State Fisheries, UNC Institute of Marine Sciences and Duke University Marine Laboratory. The State Port of Morehead City is in close proximity of the Town. The Town is bordered by water on two sides by Bogue Sound and the Atlantic Ocean. The Town of Pine Knoll Shores is its neighbor to the west and the Fort Macon State Park is its neighbor to the east.

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

Major Initiatives

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

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

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

The Town has completed the planning phase of the stormwater management project. Connected to this project and in anticipation of the need for significant land acreage to support the stormwater infrastructure, the Town acquired a large parcel of land within the Town limits in fiscal year 2006-07. Said property serves as the Town Park with playground, splashpad, greenspace and other amenities in the interim. During FY2015-16, the Town received \$400,000 in donations toward adding a state of the art skatepark and miniature golf course to the Town Park, with plans to add lighting and restroom/concession facilities next winter.

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, Beach Yoga and various drum circle events, multiple surf fishing tournaments, Crystal Coast Music Festival, Carolina KiteFest, National Night Out, and various beach run events including the Chum Run Obstacle Course and Run.

For the Future

The Town Council adopted the fiscal year 2016-17 budget in May 2016. 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 2016-17 budget.

Based upon efforts taken in FY2015-16 to decrease the health insurance premiums, the Town changed insurance providers from fully insured with BCBS to partially self-insured with Aultra Administrative Group effective July 1, 2016. This plan maintains the same or better copays and deductibles with a potential to cut the total annual cost by up to 25%; a savings of over \$100,000 per year.

Major capital purchases and projects during FY2016-17 include a replacement vehicle in the Fire Department, a replacement vehicle in the Police Department, completion of the Town Park lighting and restroom/concession facility, bidding and construction of a new Public Works and Water Department facility due to deterioration of the existing facility, continued dredging of major waterways using NC DENR grant opportunities, and the creation of a new ADA-approved beach access at Raleigh Avenue partially funded by NC DENR.

Internal Controls, Budgetary Controls, and Independent Audit

Internal Controls. The management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the separation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that the objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

Awards and Acknowledgements

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Atlantic Beach for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the sixteenth 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, 2016

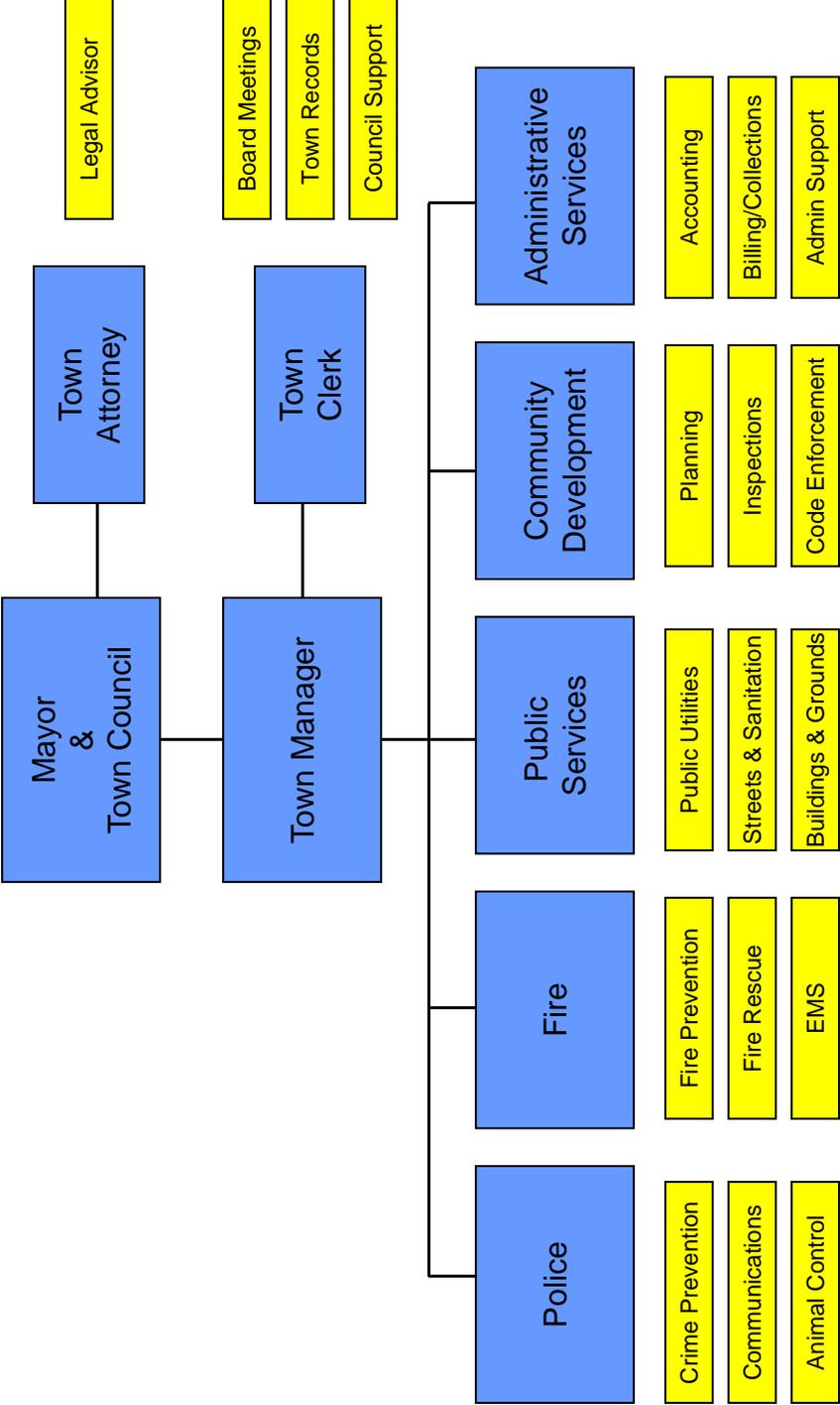
TOWN COUNCIL

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

ADMINISTRATION

David R. Walker, Town Manager & CFO
Sabrina Simpson, Administrative Services Director
Laurie Hasulak, Tax Collector
Katrina Tyer, Town Clerk
Marc Schulze, Public Services Director
Jeff Harvey, Police Chief
Adam Snyder, Fire Chief
Michelle Shreve, Planning Director
John Harrell, Chief Inspector

Town of Atlantic Beach Organization Functions





Government Finance Officers Association

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

Presented to

**Town of Atlantic Beach
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Financial Section

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



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atlantic Beach, North Carolina, as of and for the year then ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Atlantic Beach's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atlantic Beach, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Atlantic Beach, North Carolina. The combining and individual fund statements, budgetary schedules and, other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules and, other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016 on our consideration of the Town of Atlantic Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Atlantic Beach's internal control over financial reporting and compliance.

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

Thompson, Price, Scott, Adams & Co., P.A
Wilmington, North Carolina
October 31, 2016

TOWN OF ATLANTIC BEACH

Management's Discussion and Analysis

As management of the Town of Atlantic Beach (Town), we offer readers of the Town financial statements this narrative overview and analysis of the financial activities of the Town of Atlantic Beach for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Town of Atlantic Beach exceeded its liabilities at the close of the fiscal year by \$15,854,426 (net position).
- The government's total net position increased by \$783,929 due to an increase in the governmental activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,833,059. Approximately 80.9% of this total amount or \$3,909,063 is available for spending at the government's discretion (unassigned fund balance) in the general fund. Assigned fund balance in the special revenue fund totals \$216,485.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,909,063, or 54.6% of total general fund expenditures (\$7,159,055) for the fiscal year.
- The government's total debt (change in long-term liabilities) decreased by \$810,349 during the current fiscal year. The majority of this change, \$372,550, is due to the net pension obligation with the Local Government Employer Retirement System.
- The Town of Atlantic Beach has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting each consecutive year beginning with the June 30, 2000 annual report.

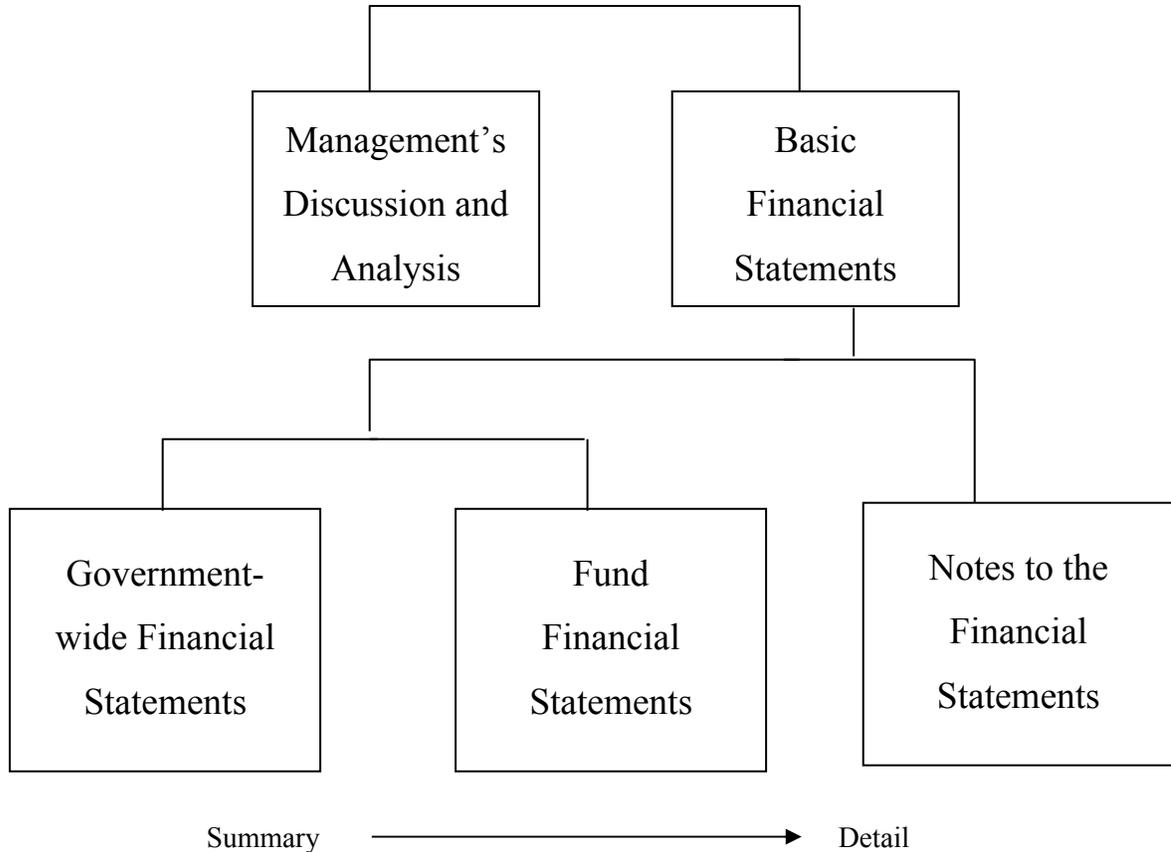
Overview of the Financial Statements

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

TOWN OF ATLANTIC BEACH Management's Discussion and Analysis

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

TOWN OF ATLANTIC BEACH

Management's Discussion and Analysis

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

TOWN OF ATLANTIC BEACH

Management's Discussion and Analysis

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. The notes to the financial statements begin on page 31 of this report.

Other Information In addition to the basic financial statements and accompanying notes, this report includes certain other required schedules concerning the Town of Atlantic Beach. The other schedules can be found beginning on page 59 of this report.

TOWN OF ATLANTIC BEACH

Management's Discussion and Analysis

Government-Wide Financial Analysis

Town of Atlantic Beach - Net Position
Figure 2

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	5,369,513	5,755,487	1,697,968	1,754,185	7,067,481	7,509,672
Capital assets	8,857,975	7,770,674	2,627,726	2,639,622	11,485,701	10,410,296
Other assets	-	275,298	-	23,939	-	299,237
Deferred outflows of resources	445,130	329,513	38,707	28,653	483,837	358,166
Total assets and deferred outflows of resources	14,672,618	14,130,972	4,364,401	4,446,399	19,037,019	18,577,371
Current liabilities	892,151	592,859	90,135	53,870	982,286	646,729
Long-term liabilities	2,013,560	2,082,166	47,236	25,045	2,060,796	2,107,211
Deferred inflows of resources	128,605	693,132	10,906	59,802	139,511	752,934
Total liabilities and deferred inflows of resources	3,034,316	3,368,157	148,277	138,717	3,182,593	3,506,874
Net position						
Net investment in capital assets	7,233,720	5,790,759	2,627,726	2,639,622	9,861,446	8,430,381
Restricted- Streets - Powell Bill	184,581	124,689	-	-	184,581	124,689
Restricted - Stabilization by State Statute	522,930	486,513	-	-	522,930	486,513
Unrestricted	3,697,071	4,360,854	1,588,398	1,668,060	5,285,469	6,028,914
Total Net position	11,638,302	10,762,815	4,216,124	4,307,682	15,854,426	15,070,497

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Atlantic Beach exceeded liabilities by \$15,854,426 as of June 30, 2016. The Town's net position increased by \$783,929 for the fiscal year ended June 30, 2016. The Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items makes up a large portion of the net position of \$9,861,446. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Atlantic Beach investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A minor portion of the Town's net assets, \$707,511 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,285,469 is unrestricted.

Several particular aspects of the Town's financial operations influenced the total unrestricted governmental net assets, notably, the continued diligence in the collection of property taxes by accomplishing a tax collection percentage of 99.81%.

TOWN OF ATLANTIC BEACH

Management's Discussion and Analysis

Town of Atlantic Beach - Changes in Net Position

Figure 3

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues					-	-
Charges for services	1,263,079	1,257,252	1,448,973	1,435,891	2,712,052	2,693,143
Operating grants & contributions	197,194	302,200			197,194	302,200
Capital grants & contributions	487,900	-	-	-	487,900	-
General Revenues					-	-
Property taxes	2,555,682	2,737,747	-	-	2,555,682	2,737,747
Other taxes	6,955	1,562	-	-	6,955	1,562
Unrestricted intergovernmental revenues					-	-
Local option sales tax	1,036,874	1,037,273	-	-	1,036,874	1,037,273
Carteret County ABC revenue	170,194	167,347	-	-	170,194	167,347
Utilities franchise tax	324,601	309,061	-	-	324,601	309,061
Cable vision franchise tax	87,123	92,565	-	-	87,123	92,565
Telecommunications sales tax	34,098	40,513	-	-	34,098	40,513
Other intergovernmental revenues	10,919	4,442	-	-	10,919	4,442
Gain (loss) on disposal of assets					-	-
Other	15,014	103,838	4,011	5,161	19,025	108,999
Total revenues	<u>6,189,633</u>	<u>6,053,800</u>	<u>1,452,984</u>	<u>1,441,052</u>	<u>7,642,617</u>	<u>7,494,852</u>
Expenses						
General government	1,210,450	1,110,812	-	-	1,210,450	1,110,812
Public safety	2,909,381	2,705,676	-	-	2,909,381	2,705,676
Transportation	603,668	528,964	-	-	603,668	528,964
Economic & physical development	95,982	15,616	-	-	95,982	15,616
Environmental protection	482,931	445,113	-	-	482,931	445,113
Parks and recreation	236,053	168,692	-	-	236,053	168,692
Interest on long-term debt	34,327	42,337	-	-	34,327	42,337
Water	-	-	1,285,896	1,296,950	1,285,896	1,296,950
Total expenses	<u>5,572,792</u>	<u>5,017,210</u>	<u>1,285,896</u>	<u>1,296,950</u>	<u>6,858,688</u>	<u>6,314,160</u>
Increase (decrease) in net position before transfers	616,841	1,036,590	167,088	144,102	783,929	1,180,692
Transfers	258,646	365,025	(258,646)	(365,025)	-	-
	<u>875,487</u>	<u>1,401,615</u>	<u>(91,558)</u>	<u>(220,923)</u>	<u>783,929</u>	<u>1,180,692</u>
Increase (decrease) in net position after transfers	875,487	1,401,615	(91,558)	(220,923)	783,929	1,180,692
Net position, July 1	10,762,815	9,760,551	4,619,669	4,875,319	15,382,484	14,635,870
Restatement	-	(399,351)	-	(34,727)	-	(434,078)
Net position, July 1 after restatement	<u>10,762,815</u>	<u>9,361,200</u>	<u>4,619,669</u>	<u>4,840,592</u>	<u>15,382,484</u>	<u>14,201,792</u>
Net position, June 30	<u>11,638,302</u>	<u>10,762,815</u>	<u>4,528,111</u>	<u>4,619,669</u>	<u>16,166,413</u>	<u>15,382,484</u>

Governmental activities. Governmental activities increased the Town's net position by \$875,487, whereas the net position in the business-type activities decreased by \$91,558. The total growth in net position was \$783,929. This increase in the Town's governmental activities net position can be attributed to several factors. While State-shared revenues of telecom franchise tax revenues were lower than anticipated, this was offset with higher than expected local option sales tax revenues, utilities franchise tax revenues, and local ABC revenues, the Town's strong tax collection rate of 99.81% 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.

TOWN OF ATLANTIC BEACH

Management's Discussion and Analysis

Business-type activities. Business-type activities decreased the Town of Atlantic Beach net position by \$91,558. 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 continue town-wide implementation of an automated meter reading system and associated meters and transmitters resulted in a decrease in net position.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Atlantic Beach. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,909,063 while total fund balance reached \$4,616,574. 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 \$7,159,055. Unassigned fund balance represents 54.6% of total General Fund expenditures, while total fund balance represents 64.5% of that same amount.

At June 30, 2016, the governmental funds of Town of Atlantic Beach reported a combined fund balance of \$4,833,059, a decrease of \$702,045 from last year. Total fund balance for all governmental funds represents 67.5% 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 a large stormwater drainage project at West Bogue and Cedar Lane, completion of the bridge abutment project including parking, completion of the ADA walkway at the Dunes Avenue beach access, completion of the Town Park skatepark and mini golf course, and replacement of two 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.

TOWN OF ATLANTIC BEACH

Management's Discussion and Analysis

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, 2016. The Town budgeted conservatively for State-collected revenues and building permits / impact fees based on trends in building construction and real estate development projects. While the State-wide and local economic trends have continued on a declining scale, the Town of Atlantic Beach collected more of these revenues than expected. The most significant favorable variances were in other unrestricted intergovernmental taxes. Total revenue realized was approximately \$66,000 less than the final budget amount, primarily due to the budgeted dredging grant and park donations not received by year end. 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 a large stormwater drainage project at West Bogue and Cedar Lane, completion of the bridge abutment project including parking, completion of the ADA walkway at the Dunes Avenue beach access, completion of the Town Park skatepark and mini golf course, and replacement of two 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 both Memorial weekend and July 4th and weekly outdoor movies "by the Sea". Total expenditures were approximately \$731,000 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 \$971,000 more than total revenues, with an decrease in fund balance of \$702,563 while still maintaining an unassigned fund balance of \$3,909,063.

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 \$1,588,398. The total change in net position for the Utility Fund was a decrease of \$91,558. While equipment and infrastructure capital improvement needs have been postponed in an attempt to keep the rates as low as possible, several capital projects were continued or completed. Some of these projects were the on-going implementation of an automated meter reading system and purchase of associated meters and transmitters, and the replacement of a pickup truck. The Town continues the installation phase of an additional water well (#2A).

Capital Asset and Debt Administration

Capital Assets. The Town of Atlantic Beach investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$11,485,701 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles. For the year ending June 30, 2016, some routine replacement vehicle capital outlay purchases were delayed while several major capital outlay projects were completed. Major purchases in the General Fund were the completion of a large stormwater drainage project at West Bogue and Cedar Lane, completion of the bridge abutment project including parking, completion of the ADA walkway at the Dunes Avenue beach access, completion of the Town Park skatepark and mini golf course, and replacement of two town vehicles. Major purchases in the Utility Fund were the meters and transmitters associated with the on-going automated meter reading replacement program, a pickup truck, and the partial installation of an additional water well (construction in progress).

TOWN OF ATLANTIC BEACH

Management's Discussion and Analysis

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

Figure 4

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	5,222,967	5,222,967	934,400	934,400	6,157,367	6,157,367
Construction in progress	755,901	-	300,595	112,200	1,056,496	112,200
Buildings & plant system	486,817	361,552	1,262,696	1,428,478	1,749,513	1,790,030
Infrastructure	1,552,830	1,196,699	-	-	1,552,830	1,196,699
Equipment	225,054	119,285	110,296	144,846	335,350	264,131
Vehicles & motorized equipment	614,406	870,171	19,739	19,698	634,145	889,869
	<u>8,857,975</u>	<u>7,770,674</u>	<u>2,627,726</u>	<u>2,639,622</u>	<u>11,485,701</u>	<u>10,410,296</u>

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

Long-term Debt. As of June 30, 2016, the Town of Atlantic Beach had total debt outstanding of \$1,624,255. The entire amount of the Town's debt represents installment purchases for government activities, as we currently have no debt backed by the full faith and credit of the Town (bonded), or Utility (revenue bonds).

Town of Atlantic Beach' Outstanding Debt Installment Purchase Debt

Figure 5

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Vehicles & motorized equipment	1,624,255	1,979,915	-	-	1,624,255	1,979,915
	<u>1,624,255</u>	<u>1,979,915</u>	<u>-</u>	<u>-</u>	<u>1,624,255</u>	<u>1,979,915</u>

The Town of Atlantic Beach's total installment debt decreased by \$355,660 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 \$122,205,069.

Additional information regarding the Town of Atlantic Beach's long-term debt can be found in note III.B.6 of the Basic Financial Statements.

TOWN OF ATLANTIC BEACH
Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

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

- Low unemployment. The Town of Atlantic Beach is too small to be statistically categorized in unemployment figures. However, as of June, Carteret County as a whole has an unemployment rate of 4.8%, which is below both the State average of 4.9% and the national average of 4.9%.
- 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, 2017

The Town of Atlantic Beach budget for the Fiscal Year Ending June 30, 2017 totals \$7,280,442 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 2016-17 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 and one replacement Fire Department vehicle. The General Fund continues to plan for improvements to beach accesses, a restroom/concessions facility at the Town Park, and additional stormwater drainage projects. Fund balance of \$114,417 was appropriated in the General Fund budget for FY2016-17. The Town intends to increase the Powell Bill reserves for several years planning for another major repaving project in approximately FY2017-18. The Water Fund plans to complete the additional water well (#2A) and the AMR meter reading replacement project. The Water Fund capital outlay expenditures include one replacement vehicle. No fund balance monies were appropriated in the Water Fund budget for FY2016-17.

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 \$1,542,053,693 tax base. The \$2,525,000 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 through September 2016. Effective October 2016, the minimum gallons provided per month will be adjusted downward to coincide with local utility provider trends, while maintaining the same minimum monthly rate.

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, 2016

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,648,883	\$ 1,462,419	\$ 6,111,302
Restricted cash	184,581	9,538	194,119
Taxes receivables (net)	8,656	-	8,656
Accounts receivable (net)	527,393	194,427	721,820
Inventories	-	31,584	31,584
Total current assets	<u>5,369,513</u>	<u>1,697,968</u>	<u>7,067,481</u>
Non-current assets:			
Capital Assets (Note 4):			
progress	5,978,869	1,234,995	7,213,864
Other capital assets, net of depreciation	2,879,106	1,392,731	4,271,837
Total capital assets	<u>8,857,975</u>	<u>2,627,726</u>	<u>11,485,701</u>
Total assets	<u>14,227,488</u>	<u>4,325,694</u>	<u>18,553,182</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	445,130	38,707	483,837
Total deferred outflows of resources	<u>445,130</u>	<u>38,707</u>	<u>483,837</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	524,598	60,011	584,609
Accrued interest payable	10,372	-	10,372
Customer advances	-	16,255	16,255
Payable from restricted assets	-	-	-
Current portion of long term liabilities	357,181	4,331	361,512
Payable from restricted assets	-	9,538	9,538
Total current liabilities	<u>892,151</u>	<u>90,135</u>	<u>982,286</u>
Long-term liabilities:			
Net pension liability	353,668	18,882	372,550
Due in more than one year	1,659,892	28,354	1,688,246
Total long term liabilities	<u>2,013,560</u>	<u>47,236</u>	<u>2,060,796</u>
Total liabilities	<u>2,905,711</u>	<u>137,371</u>	<u>3,043,082</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	3,200	-	3,200
Pension deferrals	125,405	10,906	136,311
Total deferred inflows of resources	<u>128,605</u>	<u>10,906</u>	<u>139,511</u>
NET POSITION			
Net investment in capital assets	7,233,720	2,627,726	9,861,446
Restricted for:			
Streets - Powell Bill	184,581	-	184,581
Stabilization by State Statute	522,930	-	522,930
Unrestricted	3,697,071	1,588,398	5,285,469
Total net position	<u>\$ 11,638,302</u>	<u>\$ 4,216,124</u>	<u>\$ 15,854,426</u>

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

Town of Atlantic Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2016

Exhibit 2

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental Activities:				
General government	\$ 1,210,450	\$ -	\$ -	\$ -
Public safety	2,909,381	645,932	137,703	-
Transportation	603,668	-	59,491	-
Economic and physical development	95,982	82,451	-	487,900
Environmental protection	482,931	534,696	-	-
Cultural and recreation	236,053	-	-	-
Interest on long-term debt	34,327	-	-	-
Total governmental activities (See Note 1)	5,572,792	1,263,079	197,194	487,900
Business-type activities:				
Water	1,285,896	1,448,973	-	-
Total business-type activities	1,285,896	1,448,973	-	-
Total primary government	\$ 6,858,688	\$ 2,712,052	\$ 197,194	\$ 487,900

General revenues:

- Taxes:
 - Property taxes, levied for general purpose
 - Other taxes
- Grants and contributions not restricted to specific programs
- Miscellaneous
- Insurance Proceeds
- Unrestricted investment earnings
- Transfers
 - Total general revenues, special items, and transfers
 - Change in net position
- Net position, beginning
- Net position, ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,210,450)	\$ -	\$ (1,210,450)
(2,125,746)	-	(2,125,746)
(544,177)	-	(544,177)
474,369	-	474,369
51,765	-	51,765
(236,053)	-	(236,053)
(34,327)	-	(34,327)
(3,624,619)	-	(3,624,619)
-	163,077	163,077
-	163,077	163,077
(3,624,619)	163,077	(3,461,542)
2,555,682	-	2,555,682
6,955	-	6,955
1,663,809	-	1,663,809
5,100	-	5,100
500	-	500
9,414	4,011	13,425
258,646	(258,646)	-
4,500,106	(254,635)	4,245,471
875,487	(91,558)	783,929
10,762,815	4,307,682	15,070,497
\$ 11,638,302	\$ 4,216,124	\$ 15,854,426

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, 2016

Exhibit 3

	Major General Fund	Non-Major Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,432,398	\$ 216,485	\$ 4,648,883
Restricted cash	184,581	-	184,581
Receivables, net:			
Taxes	8,656	-	8,656
Accounts	527,393	-	527,393
Total assets	\$ 5,153,028	\$ 216,485	\$ 5,369,513
LIABILITIES			
Accounts payable and accrued liabilities	\$ 524,598	\$ -	\$ 524,598
Total liabilities	524,598	-	524,598
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	8,656	-	8,656
Prepaid taxes	3,200	-	3,200
Total deferred inflows of resources	11,856	-	11,856
FUND BALANCES			
Restricted			
Stabilization by State Statute	\$ 522,930	\$ -	\$ 522,930
Streets - Powell Bill	184,581	-	184,581
Assigned			
Beach Renourishment	-	216,485	216,485
Unassigned	3,909,063	-	3,909,063
Total fund balances	4,616,574	216,485	4,833,059
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,153,028	\$ 216,485	

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, 2016

Exhibit 3

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,857,975
Net pension liability	(353,668)
Deferred outflows of resources related to pensions are not reported in the funds	445,130
Liabilities for earned revenues considered deferred inflows of resources in fund statements	8,656
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(2,017,073)
Deferred inflows of resources related to pensions are not reported in the funds	(125,405)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	<u>(10,372)</u>
Net position of governmental activities	<u><u>\$ 11,638,302</u></u>

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

Town of Atlantic Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

Exhibit 4

	Major		Total
	General Fund	Non-Major Fund	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,559,319	\$ -	\$ 2,559,319
Other taxes and licenses	6,955	-	6,955
Unrestricted intergovernmental	1,663,809	-	1,663,809
Restricted intergovernmental	686,895	-	686,895
Permits and fees	270,312	-	270,312
Sales and services	904,391	-	904,391
Investment earnings	8,896	518	9,414
Miscellaneous	86,576	-	86,576
Total revenues	6,187,153	518	6,187,671
EXPENDITURES			
Current:			
General government	1,372,711	-	1,372,711
Public safety	2,879,146	-	2,879,146
Transportation	964,799	-	964,799
Environmental protection	456,520	-	456,520
Economic and physical development	123,895	-	123,895
Public services	968,237	-	968,237
Debt service:			
Principal	355,660	-	355,660
Interest and other charges	38,087	-	38,087
Total expenditures	7,159,055	-	7,159,055
Revenue over (under) expenditures	(971,902)	518	(971,384)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	258,646	-	258,646
Proceeds from sale of assets	10,193	-	10,193
Insurance Proceeds	500	-	500
Total other financing sources (uses)	269,339	-	269,339
Net change in fund balance	(702,563)	518	(702,045)
Fund balance, beginning	5,319,137	215,967	5,535,104
Fund balance, ending	\$ 4,616,574	\$ 216,485	\$ 4,833,059

(continued)

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

Town of Atlantic Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

Exhibit 4

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

Net changes in fund balances - total governmental funds		\$ (702,045)
<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	1,398,275	
Depreciation expense from governmental assets	(334,527)	
Capital assets disposed of during the year	(5,093)	
Capital assets transferred into general fund	28,646	1,087,301
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		328,999
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(3,636)
<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>		
		355,660
<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		(3,330)
Accrued interest payable		3,760
Pension Expense		(143,502)
Net pension obligation (LEO)		(5,377)
Other postemployment benefits		(42,343)
Total changes in net position of governmental activities		\$ 875,487

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

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2016

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	2,581,715	\$ 2,564,215	\$ 2,559,319	\$ (4,896)
Other taxes and licenses	-	4,600	6,955	2,355
Unrestricted intergovernmental	1,700,794	1,525,854	1,663,809	137,955
Restricted intergovernmental	2,000	893,889	686,895	(206,994)
Permits and fees	280,000	287,000	270,312	(16,688)
Sales and services	897,785	884,885	904,391	19,506
Investment earnings	1,000	8,100	8,896	796
Miscellaneous	87,600	85,370	86,576	1,206
Total revenues	5,550,894	6,253,913	6,187,153	(66,760)
Expenditures:				
Current:				
General government	1,105,691	1,419,663	1,372,711	46,952
Public safety	2,983,826	2,951,486	2,879,146	72,340
Transportation	456,232	1,119,765	964,799	154,966
Environmental protection	483,368	457,513	456,520	993
Economic and physical development	94,761	132,531	123,895	8,636
Public services	170,400	1,400,070	968,237	431,833
Debt service:				
Principal retirement	355,665	355,665	355,660	5
Interest and other charges	38,090	38,090	38,087	3
Contingency	92,861	16,111	-	16,111
Total expenditures	5,780,894	7,890,894	7,159,055	731,839
Revenues over (under) expenditures	(230,000)	(1,636,981)	(971,902)	(665,079)
Other Financing Sources:				
Proceeds from sale of assets	-	10,000	10,193	193
Insurance Proceeds	-	-	500	500
Transfers from other funds	230,000	230,000	258,646	28,646
	230,000	240,000	269,339	29,339
Fund balance appropriated	-	(1,396,981)	-	(1,396,981)
Net change in fund balance	\$ -	\$ -	(702,563)	\$ (702,563)
Fund balances, beginning			5,319,137	
Fund balances, ending			\$ 4,616,574	

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

Town of Atlantic Beach, North Carolina
Statement of Fund Net Position
Proprietary Fund – Public Utilities Fund
June 30, 2016

Exhibit 6

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,462,419
Restricted cash and cash equivalents	9,538
Accounts receivable (net) - billed	122,795
Accounts receivable (net) - unbilled	71,632
Inventories	31,584
Total current assets	1,697,968

Non-current assets:

Capital assets:

Land	1,234,995
Capital assets, net of depreciation	1,392,731
Capital assets	2,627,726
Total non-current assets	2,627,726

Total assets	\$ 4,325,694
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DEFERRED OUTFLOWS OF RESOURCES

Pension deferrals	38,707
Total deferred outflows of resources	38,707

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$ 60,011
Customer advances on water bills	16,255
Current portion of accrued vacation	4,331
Liabilities payable from restricted assets	
Customer deposits	9,538
Total current liabilities	90,135

Noncurrent liabilities:

OPEB liability	11,030
Accrued vacation	17,324
Net pension liability	18,882
Total non-current liabilities	47,236

Total liabilities	137,371
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DEFERRED INFLOWS OF RESOURCES

Pension deferrals	10,906
Total deferred inflows of resources	10,906

NET POSITION

Net investment in capital assets	2,627,726
Unrestricted	1,588,398
Total net position	\$ 4,216,124

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, 2016

Exhibit 7

OPERATING REVENUES

Charges for services	\$ 1,053,016
Stormwater fees	316,559
Other operating revenues	79,398
Total operating revenues	1,448,973

OPERATING EXPENSES

Administration	678,660
Water treatment and distribution	401,932
Depreciation	205,304
Total operating expenses	1,285,896

Operating income	163,077
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NONOPERATING REVENUE (EXPENSES)

Investment income	4,011
Total nonoperating revenue (expenses)	4,011

Income before contributions and transfers	167,088
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Transfers to other funds	(258,646)
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Change in net position	(91,558)
Total net position, beginning	4,307,682
Total net position, ending	\$ 4,216,124

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, 2016

Exhibit 8

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,454,831
Cash paid to employees	(259,122)
Cash paid for services	(809,046)
Net cash provided by operating activities	<u>386,664</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to other funds	<u>(258,646)</u>
Net cash flows (used) by noncapital financing activities	<u>(258,646)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(222,055)
Transfer of capital assets to general fixed assets	<u>31,250</u>
Net cash used by capital and related financing activities	<u>(190,805)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest	<u>4,011</u>
Net decrease in cash and cash equivalents	(58,776)

Balances, beginning	<u>1,530,733</u>
Balances, ending	<u>\$ 1,471,957</u>

(continued)

Town of Atlantic Beach, North Carolina
Statement of Cash Flows
Proprietary Fund – Public Utilities Fund
For the Year Ended June 30, 2016

Exhibit 8

Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u>\$ 163,077</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	205,304
Net capital assets transferred to general fixed assets	(2,604)
Changes in assets, deferred outflows of resources, and liabilities:	
Increase in accounts receivable	(5,858)
Decrease in inventory	3,299
Decrease in net pension asset	23,939
Decrease in deferred outflows of resources - pensions	(47,999)
Increase in net pension liability	18,882
Decrease in deferred inflows of resources - pensions	(10,951)
Increase in accounts payable and accrued liabilities	40,648
(Decrease) in customer advances on water bills	(1,308)
Increase in customer deposits	38
Increase in accrued vacation pay	<u>196</u>
Total adjustments	<u>223,586</u>
Net cash provided by operating activities	<u><u>\$ 386,664</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, 2016

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Atlantic Beach conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following non-major governmental fund:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until an annual ordinance can be adopted.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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

1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended Powell Bill revenue is classified as restricted assets in governmental funds because the use is completely restricted by State law. The balance at June 30, 2016 was \$184,581. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

Town of Atlantic Beach Restricted Cash

Governmental Activities

General Fund

Streets	\$ 184,581
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Total governmental activities	\$ 184,581
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Business-type Activities

Public Utilities Fund:

Customer Deposits	\$ 9,538
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Total Business-type Activities	\$ 9,538
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Total Restricted Cash	\$ 194,119
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015.

5. Inventory and Prepaid Items

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

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

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; and computer software, \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of the donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

8. Long-Term Obligations

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

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

9. Compensated Absences

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

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

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Atlantic Beach’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

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

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

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

The Town of Atlantic Beach has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

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

11. Pensions

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

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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016, the Town's deposits had a carrying amount of \$5,294,989 and a bank balance of \$5,444,311. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2016, the Town's petty cash fund totaled \$400.

2. Investments

At June 30, 2016, the Town had \$1,010,032 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables

Receivables at the government-wide level at June 30, 2016, were as follows:

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

Fund	June 30, 2016
General Fund:	
ABC tax receivable	\$ 46,441
Telecommunication sales tax receivable	8,519
Franchise tax receivable	64,145
Local option sales tax receivable	181,157
Video programming	22,589
Services receivable	79,693
Misellaneous receivables	124,849
Total	527,393
Public Utilities Fund:	
Services receivable	194,427
	\$ 721,820

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning				Ending
	Balances	Reclassification	Increases	Decreases	Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 5,222,967	\$ -	\$ -	\$ -	\$ 5,222,967
Construction in progress	-	-	755,901	-	755,901
Total capital assets not being depreciated	5,222,967	-	755,901	-	5,978,868
Capital assets being depreciated:					
Buildings & improvements	791,621	-	153,988	-	945,609
Infrastructure	1,442,091	-	412,662	-	1,854,753
Equipment	476,258	-	12,201	-	488,459
Vehicles and motorized equipment	2,550,423	31,250	63,523	53,067	2,592,129
Total capital assets being depreciated	5,260,393	31,250	642,374	53,067	5,880,950
Less accumulated depreciation for:					
Buildings & improvements	430,069	-	28,723	-	458,792
Infrastructure	245,159	-	56,764	-	301,923
Equipment	223,753	-	39,652	-	263,405
Vehicles and motorized equipment	1,813,705	2,604	209,388	47,974	1,977,723
Total accumulated depreciation	2,712,686	2,604	334,527	47,974	3,001,843
Total capital assets being depreciated, net	2,547,707				2,879,107
Governmental activity capital assets, net	\$ 7,770,674				\$ 8,857,975

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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

General government	\$ 37,007
Public safety	185,460
Transportation	42,072
Economic & Physical Development	18,354
Environmental Protection	28,476
Cultural & Recreation	23,158
Total depreciation expense	<u>\$ 334,527</u>

	Beginning Balances	Reclassification	Increases	Decreases	Ending Balances
Business type activities:					
Water Fund					
Capital assets not being depreciated:					
Land	\$ 934,400	\$ -	\$ -	\$ -	\$ 934,400
Construction in Progress	112,200	-	188,395	-	300,595
Total capital assets not being depreciated	<u>1,046,400</u>	-	188,395	-	<u>1,234,995</u>
Capital assets being depreciated:					
Plant and distribution systems	6,590,245			-	6,590,245
Furniture and maintenance equipment	567,730			-	567,730
Vehicles	63,770	(31,250)	33,660	-	66,180
Total capital assets being depreciated	<u>7,221,745</u>	<u>(31,250)</u>	<u>33,660</u>	-	<u>7,224,155</u>
Less accumulated depreciation for:					
Plant and distribution systems	5,161,767		165,782	-	5,327,549
Furniture and maintenance equipment	422,884		34,550	-	457,434
Vehicles	44,072	(2,604)	4,973	-	46,441
Total accumulated depreciation	<u>5,628,723</u>	<u>(2,604)</u>	<u>205,305</u>	-	<u>5,831,424</u>
Total capital assets being depreciated, net	<u>1,593,022</u>				<u>1,392,731</u>
Business type capital assets, net	<u>\$ 2,639,422</u>				<u>\$ 2,627,726</u>

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

B. Liabilities and Post Employment

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Atlantic Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2016, was 13.38% of compensation for law enforcement officers and 13.10% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$357,608 for the year ended June 30, 2016.

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, 2016, the Town reported a liability of \$236,021 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.053%, which was an increase of 0.002% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$155,982. At June 30, 2016, 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	\$ -	\$ 55,478
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	67,194
Changes in proportion and differences between Town contributions and proportionate share of contributions	126,229	13,639
Town contributions subsequent to the measurement date	357,608	-
Total	\$ 483,837	\$ 136,311

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

\$357,608 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (49,810)
2018	(49,810)
2019	(49,680)
2020	139,219
2021	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2015 are summarized in the following table:

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of net pension liability (asset)	\$ 1,645,807	\$ 236,021	\$ (951,693)

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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015 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>18</u>
	<u><u>22</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 Statements 67 and 68:

- Contributions to the pension plan and earning on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5 % investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85%. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases.

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

Annual required contribution	\$ 41,344
Interest on net pension obligation	6,558
Adjustment to annual required contribution	<u>(11,525)</u>
Annual pension cost	36,377
Contributions made	<u>31,000</u>
Increase (decrease) in net pension obligation	5,377
Net pension obligation beginning of year	<u>131,152</u>
Net pension obligation end of year	<u><u>\$ 136,529</u></u>

3 Year Trend Information			
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 25,830	96.38%	126,942
2015	32,474	87.04%	131,152
2016	36,377	85.22%	136,529

Town of Atlantic Beach, North Carolina
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For the Fiscal Year Ended June 30, 2016

The annual required contribution (ARC) for the fiscal year ended June 30, 2016 is calculated as of December 31, 2015 using the following information:

Valuation date	12/31/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	3.50 - 7.35%
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

4. Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$397,437. The covered payroll (annual payroll of active employees covered by the plan) was \$850,042, and the ratio of the UAAL to the covered payroll was 46.75 percent.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$41,882, all contributed by the Town.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016 were \$97,699 from the Town and \$41,882 from the non-law enforcement employees.

e. Other Postemployment Benefits

Healthcare Benefits

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

Membership of the HCB Plan consisted of the following at December 31, 2015 date of the latest actuarial valuation.

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

Funding Policy. By Town Resolution, the Town pays the full cost of coverage for the healthcare benefits to qualified retirees. The Town has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016, the Town was not required to make contributions in the fiscal year.

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

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

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

Annual required contribution	\$	59,482
Interest on net OPEB obligation		7,403
Adjustment to annual required contribution		<u>(6,387)</u>
Annual OPEB cost (expense)		60,498
Contributions made		<u>15,001</u>
Increase (decrease) in net OPEB obligation		45,497
Net OPEB obligation beginning of year		<u>185,075</u>
Net OPEB obligation end of year		<u>\$ 230,572</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 were as follows:

		Percentage of Annual	
For Year Ended June 30	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
2014	\$ -	0.00%	\$ 185,075
2015	\$ -	0.00%	\$ 185,075
2016	\$ 60,498	24.80%	\$ 230,572

Funded Status and Funding Progress. As of June 30, 2016, the actuarial accrued liability for benefits was \$396,021, all of which was unfunded. The covered payroll was \$2,815,405, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 13.92 percent. Actuarial valuations of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared

Town of Atlantic Beach, North Carolina
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For the Fiscal Year Ended June 30, 2016

with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The following simplifying assumptions were made:

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

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

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

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

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

Health insurance premiums – 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 4.00 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2016, was 27 years.

2. Other Employment Benefit

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

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

3. Deferred Outflows and Inflows of Resources

The Town has several deferred inflows of resources. Deferred inflows of resources are comprised of the following:

Source	Amount
Taxes receivable (General Fund) less penalties	\$ 8,655
Prepaid taxes (General Fund)	3,200
Differences between expected and actual experience	55,478
Net difference between projected and actual earnings on pension plan investments	67,194
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,638
	\$ 148,165

Town of Atlantic Beach, North Carolina
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Deferred outflows of resources at year-end are comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 357,608
Changes in proportion and difference between employer contributions and proportionate share of contributions	126,229
	\$ 483,837

4. Risk Management

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

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated as A, B, C, and X zones by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance to cover its buildings and structures in the A, B, C, and X zones in the event of flood damage.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The 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, 2016, the Town has no pending claims or judgments.

Town of Atlantic Beach, North Carolina
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For the Fiscal Year Ended June 30, 2016

6. Long-Term Obligations

a. Installment Purchases:

In March 2006, the Town entered into an installment purchase contract with BB&T for the purchase of property located on 915 W. Ft. Macon Rd, Atlantic Beach. Payments were broken down into two separate payment plans: taxable (due to standing lease with Rite Aid) and tax-exempt for the remainder. In November 2010, Rite Aid relocated and the two loans, with a combined balance of \$2,933,333, were modified with BB&T with interest at an annual rate of 1.97%. The note is due in annual variable installments with a fixed principal component of \$266,667. Payments are due beginning on March 15, 2007, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on March 15, 2021. The Town does not expect to prepay any of the obligations prior to the scheduled payment dates. The combined balance outstanding at June 30, 2016 was \$1,333,335.

In April 2008, the Town entered into an installment purchase contract with BB&T for the purchase of a Rescue Truck. The note was refinanced in the current year and is due in annual installments beginning April 15, 2013 of \$39,971, with an interest rate of 1.68%. The balance outstanding at June 30, 2016 was \$77,972.

In November 2012, the Town entered into an installment purchase contract with First Bank for the purchase of an Emergency Fire Truck. The note is due in annual installments beginning November 1, 2013 of \$55,590, with an interest rate of 1.75%. The balance outstanding at June 30, 2016 was \$212,951.

Annual debt service payments of all installment notes as of June 30, 2016, including \$90,178 of interest, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	357,181	31,314
2018	358,748	24,492
2019	320,361	17,656
2020	321,301	11,463
2021	266,664	5,253
Total	<u>\$ 1,624,255</u>	<u>\$ 90,178</u>

b. Changes in Long-Term Liabilities

At June 30, 2016, the Town of Atlantic Beach had a legal debt margin of \$122,205,069.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

	Balance			Balance	Current
	6/30/2015	Increases	Decreases	6/30/2016	Portion of
					Balance
Governmental activities:					
Installment purchases	\$1,979,915	\$ -	\$ 355,660	\$ 1,624,255	\$ 357,181
Compensated absences	169,956	125,418	122,097	173,277	-
Other post employment benefits	177,198	42,343	-	219,541	-
Net pension liability (LGERS)	-	217,139	-	217,139	-
Net pension obligation (LEO)	131,152	5,377	-	136,529	-
Governmental activity long-term liabilities	\$2,458,221	\$ 390,277	\$ 477,757	\$2,370,741	\$ 357,181
Business-type activities:					
Net pension liability (LGERS)	\$ -	\$ 18,882	\$ -	\$ 18,882	\$ -
Compensated absences	21,459	13,946	13,750	21,655	4,331
Other post employment benefits	7,877	3,153	-	11,030	-
Business-type activity long-term liabilities	\$ 29,336	\$ 35,981	\$ 13,750	\$ 51,567	\$ 4,331

The LGERS plan had a net pension liability as of June 30, 2016; however, the plan had a net pension asset at the beginning of the fiscal year.

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2016, consist of the following:

<u>Descriptions</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 258,646	\$ -
Public Utilities Fund	-	258,646
	<u>\$ 258,646</u>	<u>\$ 258,646</u>

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

The transfer from the Public Utility Fund to the General Fund is for debt service payment for the Town-owned property purchased for future use by both funds (\$258,646).

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 8,857,975	\$ 2,627,726
less: long-term debt	1,624,255	-
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 7,233,720</u>	<u>\$ 2,627,726</u>

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

E. Fund Balance

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

Total fund balance - General Fund	<u>\$ 4,612,111</u>
Less:	
Stabilization by State Statute	522,930
Streets - Powell Bill	184,581
Working Capital/Fund Balance Policy	<u>789,089</u>
Remaining Fund Balance	<u><u>\$ 3,115,511</u></u>

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

IV. Summary Disclosure of Significant Contingencies

Federal and State Assistance Programs

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

Required Supplementary Financial Data

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

- Schedule of Funding in Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- 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



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

Exhibit A-1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2008	-	151,557	151,557	0.00%	748,793	20.95%
12/31/2009	-	197,088	197,088	0.00%	704,170	27.99%
12/31/2010	-	156,007	156,007	0.00%	676,513	23.06%
12/31/2011	-	257,027	257,027	0.00%	736,034	34.92%
12/31/2012	-	261,363	261,363	0.00%	722,655	36.17%
12/31/2013	-	270,212	270,212	0.00%	763,695	35.38%
12/31/2014	-	304,833	304,833	0.00%	774,853	39.34%
12/31/2015	-	397,437	397,437	0.00%	850,042	46.75%

* Information presented for available years

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

Exhibit A-2

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	15,915	0.00%
2009	18,051	0.00%
2010	20,654	25.75%
2011	25,268	34.86%
2012	20,330	102.70%
2013	28,357	78.74%
2014	29,796	84.00%
2015	36,851	76.70%
2016	41,344	74.98%

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

Exhibit A-3

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2012	-	452,699	452,699	0.00%	2,603,377	17.39%
6/30/2013	-	421,435	421,435	0.00%	2,629,113	16.03%
6/30/2014	-	421,435	421,435	0.00%	2,629,113	16.03%
6/30/2015	-	421,435	421,435	0.00%	2,629,113	16.03%
6/30/2016	-	396,021	392,021	0.00%	2,815,405	13.92%

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

Exhibit A-4

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2012	64,495	21.29%
2013	58,244	35.37%
2014	-	0.00%
2015	-	0.00%
2016	59,482	25.22%

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

Exhibit A-5

Local Government Employees' Retirement System

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

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

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

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

Exhibit A-6

Local Government Employees' Retirement System

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

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**

Exhibit B-1

**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes			
Current collections of unit-wide levy	\$ 2,548,215	2,547,792	(423)
Prior years' levy collections	11,000	4,940	(6,060)
Penalties and interest	5,000	6,587	1,587
Total taxes	2,564,215	2,559,319	(4,896)
Unrestricted intergovernmental:			
Local option sales tax	929,860	1,036,874	107,014
Carteret County ABC revenue	150,000	170,194	20,194
Beer/wine tax	6,560	6,642	82
Utilities sales tax	320,000	324,601	4,601
Cable Vision franchise tax	82,200	87,123	4,923
Telecommunications sales tax	33,000	34,098	1,098
Solid Waste Disposal Tax	700	961	261
Payment in lieu of taxes (Fire district distribution)	2,734	2,713	(21)
Court fees	800	603	(197)
	1,525,854	1,663,809	137,955
Restricted intergovernmental:			
Public Safety Grants	2,000	2,767	767
Dredging Grant	100,000	58,030	(41,970)
CAMA Bridge Abutment Grant	72,699	72,699	-
GOV COMM Body-Cam Grant	4,210	4,208	(2)
Donations/Skatepark	655,000	489,700	(165,300)
Powell Bill allocation	59,980	59,491	(489)
	893,889	686,895	(206,994)
Total intergovernmental	2,419,743	2,350,704	(69,039)
Permits, fees and assessments:			
Beach permits	27,000	27,080	80
Building permits	260,000	243,232	(16,768)
Business registration fee	4,600	6,955	2,355
Total permits, fees and assessments	291,600	277,267	(14,333)

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

Exhibit B-1

**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Parking meter	110,750	112,500	1,750
Solid waste fees	518,800	520,370	1,570
Parking violations	13,500	15,405	1,905
Refuse cart sales	12,100	14,326	2,226
Debris/White goods fee	70,000	70,853	853
EMS revenue	69,600	67,500	(2,100)
Cell tower lease	63,000	63,177	177
Souvenirs	-	7,108	7,108
Other Fees	27,135	33,152	6,017
Total sales and services	884,885	904,391	19,506
Investment Earnings:			
General fund interest on investments	8,000	8,495	495
Other funds interest on investments	100	401	301
Total interest	8,100	8,896	796
Miscellaneous revenue:			
ABPD citizen donations	-	1,325	1,325
Private donations	31,970	31,970	-
Sales tax refund	48,100	48,086	(14)
Miscellaneous	5,300	5,195	(105)
Total miscellaneous	85,370	86,576	1,206
Total revenue	6,253,913	6,187,153	(66,760)
Expenditures			
General Government:			
Mayor and council:			
Salaries and employee benefits		20,133	
Professional services		97,513	
Membership dues		4,321	
Other operating expenditures		19,558	
	154,646	141,525	13,121

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

Exhibit B-1

**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Administration:			
Salaries and employee benefits		236,400	
Insurance - other		1,040	
Employee development		3,246	
Printing and postage		28,063	
Computers and small equipment		30,835	
Supplies		4,117	
Equipment rental		7,411	
Miscellaneous		5,700	
	333,102	316,812	16,290
Finance:			
Salaries and employee benefits		161,616	
Insurance - other		1,274	
Employee development		1,741	
Professional services		30,600	
Departmental supplies		5,968	
Bank charges		9,446	
Sales tax		39,747	
Miscellaneous		1,285	
	266,389	251,677	14,712
Public buildings:			
Salaries and employee benefits		311,734	
Insurance - other		16,382	
Utilities		26,112	
Building maintenance		39,566	
Janitorial supplies		5,272	
Landscaping		4,736	
Professional services		86,590	
Bridge Abutment		153,988	
Miscellaneous		18,317	
	665,526	662,697	2,829
Total general government	1,419,663	1,372,711	46,952

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

Exhibit B-1

**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and employee benefits		1,242,369	
Insurance - other		37,054	
Employee development		3,983	
Fuel		24,862	
Repairs and maintenance		13,905	
Printing and postage		3,675	
Departmental supplies		4,601	
Computers and small equipment		18,094	
Capital outlay		63,523	
Uniforms		5,425	
Marine patrol		10,025	
USDOJ Vest grant		3,033	
Miscellaneous		43,845	
	1,510,498	1,474,394	36,104
Fire/EMS:			
Salaries and employee benefits and benefits		1,035,675	
Insurance-other		36,438	
Communication maintenance		4,348	
Employee development		1,333	
Fuel		4,963	
Equipment maintenance		1,688	
Postage		3,143	
Departmental supplies		4,864	
Fire prevention supplies		10,064	
Uniforms		4,784	
Vehicle maintenance		12,763	
EMS Collections		2,841	
Rescue supplies		15,269	
Computers and small equipment		9,064	
Miscellaneous		3,230	
	1,170,131	1,150,467	19,664

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

Exhibit B-1

**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Building inspection			
Salaries and employee benefits		181,251	
Insurance - other		2,332	
Employee development		3,436	
Fuel		844	
Equipment maintenance		2,400	
Postage		1,756	
Department supplies		4,845	
Miscellaneous		13,645	
	<u>216,957</u>	<u>210,509</u>	<u>6,448</u>
Rescue units:			
Departmental supplies		5,023	
Miscellaneous		1,490	
	<u>7,700</u>	<u>6,513</u>	<u>1,187</u>
Lifeguards:			
Salaries and employee benefits		29,658	
Insurance		954	
Departmental supplies		1,035	
Uniforms		2,022	
Miscellaneous		3,594	
	<u>46,200</u>	<u>37,263</u>	<u>8,937</u>
Total public safety	<u>2,951,486</u>	<u>2,879,146</u>	<u>72,340</u>

Town of Atlantic Beach, North Carolina

Exhibit B-1

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets and highways:			
Salaries and employee benefits and benefits		219,236	
Insurance - other		23,044	
Fuel		10,600	
Repairs and maintenance		22,976	
Storm drainage		5,434	
Street Lights		68,152	
Postage		1,747	
Departmental supplies		18,372	
Uniforms		5,995	
Dredging		89,029	
Employee development		955	
Paving/patching		445	
Traffic control devices		656	
Capital outlay		123,032	
Beach access - cama grant		6,550	
Drainage		367,242	
Miscellaneous		1,334	
	1,119,765	964,799	154,966
Total transportation	1,119,765	964,799	154,966
Environmental protection:			
Solid waste:			
Salaries and employee benefits		51,233	
Fuel		4,375	
Landfill		95,405	
Contract services		287,063	
Supplies		14,478	
Vehicle maintenance		3,541	
Miscellaneous		425	
	457,513	456,520	993
Total environmental protection	457,513	456,520	993

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

Exhibit B-1

**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Economic and Physical Development:			
Planning and Zoning:			
Salaries and employee benefits		95,550	
Insurance - other		1,231	
Advertising		1,924	
Employee development		3,470	
Telephone and postage		1,219	
Departmental supplies		5,595	
Miscellaneous		14,906	
	132,531	123,895	8,636
Total economic and physical development	132,531	123,895	8,636
Public Services:			
Beach Access			
Parking supplies		10,279	
Building maintenance		11,979	
Department supplies		8,280	
Janitorial supplies		5,885	
Miscellaneous		18,912	
	57,890	55,335	2,555
Community Events/Recreation:			
Contracted services		103,738	
Supplies		18,716	
Community promotions		29,098	
Christmas event		2,604	
Beach music fesitval		35,955	
Capital outlay		719,137	
Miscellaneous		3,654	
	1,342,180	912,902	429,278
Total public services	1,400,070	968,237	431,833

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

Exhibit B-1

**Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2016**

	Budget	Actual	Variance Positive (Negative)
Debt retirement:			
Principal		355,660	
Interest		38,087	
	393,755	393,747	8
Contingency	16,111	-	16,111
Total expenditures	7,890,894	7,159,055	731,839
Revenue over (under) expenditures	(1,636,981)	(971,902)	665,079
Other financing sources			
Transfers from other funds:			
Public utilities fund	230,000	258,646	28,646
Proceeds from sale of assets	10,000	10,193	193
Insurance Proceeds	-	500	500
Total other financing sources (uses)	\$ 240,000	\$ 269,339	\$ 29,339
Fund balance appropriated	(1,396,981)	-	(1,396,981)
Net Change in fund balance	\$ -	(702,563)	\$ (702,563)
Fund balances, beginning		5,319,137	
Fund balances, ending		\$ 4,616,574	

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 **Exhibit C-1**
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, 2016

	Project Authoriza- tion	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Interest income	\$ -	\$ 60,098	\$ 518	\$ 60,616
Occupancy tax income	100,000	100,000	-	100,000
Total revenue	100,000	160,098	518	160,616
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	\$ -	\$ 215,967	\$ 518	\$ 216,485
Fund balance, beginning			215,967	
Fund balance, ending			\$ 216,485	



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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, 2016

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Utility Charges	\$ 1,012,000	\$ 1,053,016	\$ 41,016
Total operating revenues	1,012,000	1,053,016	41,016
Non-operating revenues:			
Interest earnings	3,535	4,011	476
Availability fees	5,000	5,239	239
Fire hydrants	5,400	5,400	-
Late fees	18,275	19,166	891
Reconnect fees	50	150	100
Storm water impact fees	302,500	316,559	14,059
Connection fees	5,950	6,900	950
Impact fees	38,000	41,000	3,000
Sale of Equipment	-	210	210
Other	1,280	1,333	53
Total non-operating revenues	379,990	399,968	19,978
Total revenues	1,391,990	1,452,984	60,994
Expenditures:			
Administration:			
Salaries	484,057	484,002	55
Social Security	16,666	16,593	73
Retirement	28,787	28,716	71
Pension	10,995	10,940	55
Insurance - health	36,180	36,537	(357)
Workman's comp	4,300	4,095	205
Communication	2,600	2,418	182
Employee development	6,500	6,255	245
Departmental supplies	17,500	18,404	(904)
Professional Services	52,450	42,327	10,123
Computers and small equipment	40,770	40,417	353
Membership dues	4,500	4,085	415
Total administration	705,305	694,789	10,516

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, 2016

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Water treatment and distribution:			
Contracted services - maintenance	90,000	83,347	6,653
Fuel	10,000	9,951	49
Lab Analysis	13,000	12,074	926
Repairs and maintenance - equipment	13,000	8,806	4,194
Insurance - other	29,000	28,421	579
Postage	20,000	17,893	2,107
Utilities	61,000	60,970	30
Building Maintenance	4,000	899	3,101
Supplies - for operations	86,000	78,314	7,686
Supplies - for inventory	90,640	93,293	(2,653)
Uniforms	3,500	2,958	542
Vehicle maintenance	5,000	4,923	77
Miscellaneous	1,000	83	917
Total water treatment and distribution	426,140	401,932	24,208
Capital outlay:	322,800	222,056	100,745
Total capital outlay	322,800	222,056	100,745
Total expenditures	1,454,245	1,318,776	135,469
Revenue over (under) expenditures	(62,255)	134,208	196,463
Other Financing Sources/(Uses)			
Fund balance appropriated	292,255		(292,255)
Transfer to General Fund	(230,000)	(258,646)	(28,646)
Total other financing (uses)	62,255	(258,646)	(320,691)
Revenues under expenditures and other financing sources (uses)	\$ -	(124,438)	\$ (124,228)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital Outlay		222,056	
Depreciation		(205,304)	
Decrease in net pension asset		(23,939)	
Increase in deferred outflows of resources - pensions		47,999	
Increase in net pension liability		(18,882)	
Decrease in deferred inflows of resources - pensions		10,951	
Total reconciling items		32,880	
Change in net position		\$ (91,558)	

Additional and Required Financial Data

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

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

**Town of Atlantic Beach, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2016**

Exhibit E-1

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 2,553,980	\$ 2,549,097	\$ 4,883
2014-2015	6,664		4,893	1,771
2013-2014	2,379		1,806	573
2012-2013	2,006	-	1,305	701
2011-2012	523	-	506	17
2010-2011	92	-	8	84
2009-2010	573	-	-	573
2008-2009	54	-	-	54
	<u>\$ 12,291</u>	<u>\$ 2,553,980</u>	<u>\$ 2,557,615</u>	<u>\$ 8,656</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 2,559,319
Reconciling items:	
Interest collected	(6,587)
Discounts allowed	(10,867)
Taxes written off	<u>15,750</u>

Total ad valorem collections \$ 2,557,615

Town of Atlantic Beach, North Carolina
Analysis of Current Tax Levy
Town –Wide Levy
For the Fiscal Year Ended June 30, 2016

Exhibit E-2

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding registered motor vehicles	Registered motor vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,555,846,630	0.165	\$ 2,567,147	\$ 2,520,057	\$ 47,090
Total	<u>1,555,846,630</u>		<u>2,567,147</u>	<u>2,520,057</u>	<u>47,090</u>
Discoveries:					
Current year taxes	1,425,952	0.165	\$ 2,353	2,353	-
Total	<u>1,557,272,582</u>		<u>2,569,500</u>	<u>2,522,410</u>	<u>47,090</u>
Abatements	(9,405,994)	0.165	(15,520)	(15,520)	-
Total property valuation	<u>\$ 1,547,866,588</u>				
Net levy			2,553,980	2,506,890	47,090
Uncollected taxes at June 30, 2016			<u>(4,883)</u>	<u>(4,883)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,549,097</u>	<u>\$ 2,502,007</u>	<u>\$ 47,090</u>
Current levy collection percentage			<u>99.81%</u>	<u>99.81%</u>	<u>100.00%</u>



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Statistical Section
Unaudited



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Town of Atlantic Beach
Description of the Statistical Schedules
June 30, 2016

Contents

	Table
Financial Trends	
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
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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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities										
Net position:										
Invested in capital assets, net of related debt	\$ 7,233,720	\$ 5,790,759	\$ 5,190,369	\$ 4,006,135	\$ 3,556,987	\$ 3,197,982	\$ 2,751,369	\$ 2,617,018	\$ 2,570,315	\$ 2,335,942
Restricted - Streets -P.Bill	184,581	124,689	64,459	185,307	156,533	167,736	377,427	353,406	307,546	266,799
Restricted - State Statute	522,930	486,513	405,933	351,456	354,059	391,994	-	-	-	-
Unrestricted	3,697,071	4,360,854	4,099,790	4,877,637	4,932,707	4,901,359	5,091,272	4,956,440	4,271,874	3,299,719
Total net position	<u>\$ 11,638,302</u>	<u>\$ 10,762,815</u>	<u>\$ 9,760,551</u>	<u>\$ 9,420,535</u>	<u>\$ 9,000,286</u>	<u>\$ 8,659,071</u>	<u>\$ 8,220,068</u>	<u>\$ 7,926,864</u>	<u>\$ 7,149,735</u>	<u>\$ 5,902,460</u>
Business Type Activities										
Net position:										
Invested in capital assets, net of related debt	\$ 2,627,726	\$ 2,639,622	\$ 2,849,277	\$ 2,923,729	\$ 3,037,055	\$ 3,060,385	\$ 3,131,135	\$ 3,326,753	\$ 3,494,054	\$ 3,484,342
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,588,398	1,668,060	1,714,055	1,951,590	2,215,488	2,334,469	2,349,454	2,149,696	2,055,076	2,394,176
Total net position	<u>\$ 4,216,124</u>	<u>\$ 4,307,682</u>	<u>\$ 4,563,332</u>	<u>\$ 4,875,319</u>	<u>\$ 5,252,543</u>	<u>\$ 5,394,854</u>	<u>\$ 5,480,589</u>	<u>\$ 5,476,449</u>	<u>\$ 5,549,130</u>	<u>\$ 5,878,518</u>
Total Primary Government										
Net position:										
Invested in capital assets, net of related debt	\$ 9,861,446	\$ 8,430,381	\$ 8,039,646	\$ 6,929,864	\$ 6,594,042	\$ 6,258,367	\$ 5,882,504	\$ 5,943,771	\$ 5,145,374	\$ 5,820,284
Restricted - Streets -P.Bill	184,581	124,689	64,459	185,307	156,533	167,736	377,427	353,406	307,546	266,799
Restricted - State Statute	522,930	486,513	405,933	351,456	354,059	391,994	-	-	-	-
Unrestricted	5,285,469	6,028,914	5,813,845	6,829,227	7,148,195	7,235,828	7,440,726	7,106,136	7,245,945	5,693,895
Total net position	<u>\$ 15,854,426</u>	<u>\$ 15,070,497</u>	<u>\$ 14,323,883</u>	<u>\$ 14,295,854</u>	<u>\$ 14,252,829</u>	<u>\$ 14,053,925</u>	<u>\$ 13,700,657</u>	<u>\$ 13,403,313</u>	<u>\$ 12,698,865</u>	<u>\$ 11,780,978</u>

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

Table 2

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Program revenues:										
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 954,316
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	645,932	726,246	511,600	532,682	503,019	429,284	384,492	433,747	336,939	-
Transportation	-	-	-	-	-	-	-	-	-	-
Economic/Physical Development	82,451	-	-	58,641	60,995	56,476	53,662	54,166	51,300	-
Environmental Protection	534,696	531,006	525,441	517,538	518,760	519,316	515,609	514,593	504,988	-
Interest on Long Term Debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	197,194	302,200	217,777	267,984	266,272	169,915	84,438	182,277	122,820	455,467
Capital Grants & Contributions	487,900	-	-	-	-	80,000	-	30,000	-	265,393
General revenues:										
Property taxes	2,555,682	2,737,747	2,750,669	2,819,505	2,835,564	2,870,414	2,874,994	2,871,129	3,393,084	2,372,676
Other taxes	6,955	1,562	13,951	22,742	23,181	20,699	20,270	21,539	17,534	18,779
Unrestricted intergovernmental revenues:										
Local option sales tax	1,036,874	1,037,273	980,257	960,118	914,057	829,358	841,881	1,044,378	993,403	905,207
Carteret County ABC revenue	170,194	160,112	135,328	107,870	105,156	102,922	53,702	62,122	64,874	71,030
Utilities sales tax	324,601	309,061	205,112	188,339	184,028	208,444	204,847	194,759	181,411	176,341
Cable vision franchise tax	87,123	92,565	90,306	92,300	94,653	124,288	124,388	128,329	120,394	111,049
Telecommunications sales tax	34,098	40,513	42,142	44,151	47,493	48,468	51,022	53,216	48,688	43,061
Other intergovernmental revenues	10,919	11,677	11,090	10,930	11,475	12,139	6,978	12,860	12,846	43,619
Gain (loss) on disposal of assets	-	-	-	-	-	(138)	6,000	-	-	-
Other	15,014	103,838	27,946	55,431	26,372	29,298	64,259	124,668	239,093	919,980
Total Revenues	6,189,633	6,053,800	5,511,619	5,678,231	5,591,025	5,500,883	5,286,542	5,727,783	6,087,374	6,336,918
Expenses:										
General Government	1,210,450	1,110,812	772,997	1,068,784	1,187,227	1,168,657	1,215,910	1,333,389	1,200,796	664,737
Public Safety	2,909,381	2,705,676	2,926,342	2,888,154	3,093,509	3,007,024	3,025,793	2,912,027	2,803,457	2,840,052
Transportation	603,668	528,964	466,616	531,179	478,512	624,524	425,540	382,097	437,038	706,994
Economic & Physical Development	95,982	15,616	111,892	99,748	114,032	90,149	79,807	112,193	152,834	-
Environmental Protection	482,931	445,113	468,563	443,724	437,892	319,445	419,622	394,632	416,381	1,499,528
Cultural and Recreation	236,053	168,692	478,995	301,301	205,558	100,741	23,995	-	-	-
Interest on Long-Term Debt	34,327	42,337	49,099	81,425	103,169	127,753	158,410	174,271	179,920	191,533
Water	-	-	-	-	-	-	-	-	-	-
Total Expenses	5,572,792	5,017,210	5,274,504	5,414,315	5,619,899	5,438,293	5,349,077	5,308,609	5,190,426	5,902,844
Increase (decrease) in net position before transfers	616,841	1,036,590	237,115	263,916	(28,874)	62,590	(62,535)	419,174	896,948	434,074
Transfers	258,646	365,025	102,900	156,333	370,089	376,413	355,737	357,955	350,125	344,333
Increase (decrease) in net position	\$ 875,487	\$ 1,401,615	\$ 340,016	\$ 420,249	\$ 341,215	\$ 439,003	\$ 293,202	\$ 777,129	\$ 1,247,073	\$ 778,407

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

Table 2.1

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Program revenues:										
Charges for services-Water	\$ 1,448,973	\$ 1,435,891	\$ 1,188,448	\$ 1,133,273	\$ 1,150,477	\$ 1,206,785	\$ 1,171,130	\$ 1,089,455	\$ 967,728	\$ 967,400
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants & Contributions	-	-	-	-	-	-	-	-	-	-
General revenues:										
Property taxes	-	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-	-
Unrestricted intergovernmental revenues:										
Local option sales tax	-	-	-	-	-	-	-	-	-	-
Carteret County ABC revenue	-	-	-	-	-	-	-	-	-	-
Utilities franchise tax	-	-	-	-	-	-	-	-	-	-
Cable vision franchise tax	-	-	-	-	-	-	-	-	-	-
Telecommunications sales tax	-	-	-	-	-	-	-	-	-	-
Other intergovernmental revenues	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	-	-	-
Other	4,011	5,161	6,347	7,085	8,840	11,006	80,737	55,449	96,083	123,203
Total Revenues	1,452,984	1,441,052	1,194,795	1,140,358	1,159,317	1,217,791	1,251,867	1,144,904	1,063,811	1,090,603
Expenses:										
General Government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Economic and Physical Developmen	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Water	1,285,896	1,296,950	1,403,882	1,361,249	931,539	927,113	891,990	859,629	1,043,074	884,080
Total Expenses	1,285,896	1,296,950	1,403,882	1,361,249	931,539	927,113	891,990	859,629	1,043,074	884,080
Increase (decrease) in net position before transfers	167,088	144,102	(209,087)	(220,891)	227,778	290,678	359,877	285,275	20,737	206,523
Transfers	(258,646)	(365,025)	(102,900)	(156,333)	(370,089)	(376,413)	(355,737)	(357,955)	(350,125)	(344,333)
Increase (decrease) in net position after transfers	\$ (91,558)	\$ (220,923)	\$ (311,987)	\$ (377,224)	\$ (142,311)	\$ (85,735)	\$ 4,140	\$ (72,680)	\$ (329,388)	\$ (137,810)

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Program revenues:										
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,921,716
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	645,932	726,246	511,600	532,682	503,019	429,284	384,492	433,747	336,939	-
Transportation	-	-	-	-	-	-	-	-	-	-
Economic/Physical Development	82,451	-	-	58,641	60,995	56,476	53,662	54,166	51,300	-
Environmental Protection	534,696	531,006	525,441	517,538	518,760	519,316	515,609	514,593	504,988	-
Water	1,448,973	1,435,891	1,188,448	1,133,273	1,150,477	1,206,785	1,171,130	1,089,455	967,728	-
Operating grants and contributions	197,194	302,200	217,777	267,984	266,272	169,915	84,438	182,277	122,820	455,467
Capital Grants & Contributions	487,900	-	-	-	-	80,000	-	30,000	-	265,393
General revenues:										
Property taxes	2,555,682	2,737,747	2,750,669	2,819,505	2,835,564	2,870,414	2,874,994	2,871,129	3,393,084	2,372,676
Other taxes	6,955	1,562	13,951	22,742	23,181	20,699	20,270	21,539	17,534	18,779
Unrestricted intergovernmental revenues:										
Local option sales tax	1,036,874	1,037,273	980,257	960,118	914,057	829,358	841,881	1,044,378	993,403	905,207
Carteret County ABC revenue	170,194	160,112	135,328	107,870	105,156	102,922	53,702	62,122	64,874	71,030
Utilities franchise tax	324,601	309,061	205,112	188,339	184,028	208,444	204,847	194,759	181,411	176,341
Cable vision franchise tax	87,123	92,565	90,306	92,300	94,653	124,288	124,388	128,329	120,394	111,049
Telecommunications sales tax	34,098	40,513	42,142	44,151	47,493	48,468	51,022	53,216	48,688	43,061
Other intergovernmental revenues	10,919	11,677	11,090	10,930	11,475	12,139	6,978	12,860	12,846	43,619
Gain (loss) on disposal of assets	-	-	-	-	-	(138)	6,000	-	-	-
Other	19,025	108,999	34,293	62,516	35,212	40,304	144,996	180,117	335,176	1,043,183
Total Revenues	7,642,617	7,494,852	6,706,414	6,818,589	6,750,342	6,718,674	6,538,409	6,872,687	7,151,185	7,427,521
Expenses:										
General Government	1,210,450	1,110,812	772,997	1,068,784	1,187,227	1,168,657	1,215,910	1,333,389	1,200,796	664,737
Public safety	2,909,381	2,705,676	2,926,342	2,888,154	3,093,509	3,007,024	3,025,793	2,912,027	2,803,457	2,840,052
Transportation	603,668	528,964	466,616	531,179	478,512	624,524	425,540	382,097	437,038	706,994
Economic and Physical Development	95,982	15,616	111,892	99,748	114,032	90,149	79,807	112,193	152,834	-
Environmental Protection	482,931	445,113	468,563	443,724	437,892	319,445	419,622	394,632	416,381	1,499,528
Parks and Recreation	236,053	168,692	478,995	301,301	205,558	100,741	23,995	-	-	-
Interest on Long-Term Debt	34,327	42,337	49,099	81,425	103,169	127,753	158,410	174,271	179,920	191,533
Water	1,285,896	1,296,950	1,403,882	1,361,249	931,539	927,113	891,990	859,629	1,043,074	884,080
Total Expenses	6,858,688	6,314,160	6,678,386	6,775,564	6,551,438	6,365,406	6,241,067	6,168,238	6,233,500	6,786,924
Increase (decrease) in net position before transfers	783,929	1,180,692	28,028	43,025	198,904	353,268	297,342	704,449	917,685	640,597
Transfers	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in net position after transfers	\$ 783,929	\$ 1,180,692	\$ 28,029	\$ 43,025	\$ 198,904	\$ 353,268	\$ 297,342	\$ 704,449	\$ 917,685	\$ 640,597

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

Table 3

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Restricted for:										
State statute	\$ 522,930	\$ 486,513	\$ 405,933	\$ 351,456	\$ 354,059	\$ 391,994	\$ 341,800	\$ 338,399	\$ 340,476	\$ 426,499
Streets Powell bill	184,581	124,689	64,459	185,307	156,533	167,736	377,427	353,406	\$307,546	266,799
Unassigned, General Fund	3,909,063	4,707,935	4,342,286	5,115,741	5,024,380	4,961,504	4,756,227	4,538,848	3,851,623	1,051,799
Assigned - Subsequent Year's Expenditures	-	-	-	-	-	-	-	-	-	445,230
Total	4,616,574	5,319,137	4,812,678	5,652,504	5,534,972	5,521,234	5,475,454	5,230,653	4,499,645	2,190,327
All other Governmental Funds										
Assigned, reported in:										
Special Revenue Funds	216,485	215,967	236,473	235,828	338,035	336,902	335,557	334,380	355,325	1,612,072
Total Fund Balances of Governmental Funds	\$4,833,059	\$5,535,104	\$5,049,151	\$5,888,332	\$5,873,007	\$5,858,136	\$ 5,811,011	\$ 5,565,033	\$ 4,854,970	\$ 3,802,399

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

Table 4

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

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

Table 5

Fiscal Year Ending June 30	Real Property	Personal Property	Public Service Companies	Less Elderly Exemptions	Total Assesd Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value of Real Property
2007	845,045,930	66,289,085	4,016,484	583,742	914,767,757	0.26	580,467,587	60.44%
2008	2,184,426,996	46,116,975	5,294,608	461,956	2,235,376,623	0.15	2,235,376,623	100.00%
2009	2,206,535,463	67,434,807	5,620,078	921,500	2,278,668,848	0.125	2,243,364,281	98.40%
2010	2,220,996,342	66,647,301	5,877,921	736,307	2,292,785,257	0.125	2,573,741,294	112.65%
2011	2,223,162,384	46,056,211	5,634,668	1,142,611	2,273,710,652	0.125	2,229,914,353	98.03%
2012	1,579,468,406	44,360,560	5,469,687	823,322	1,628,475,331	0.170	1,776,313,574	109.36%
2013	1,580,538,840	46,548,292	5,258,224	1,308,472	1,631,036,884	0.170	1,778,975,319	109.36%
2014	1,581,876,781	44,062,526	5,070,562	1,324,350	1,629,685,519	0.165	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	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>
2007	0.26	0.44	0.70
2008	0.15	0.23	0.38
2009	0.125	0.23	0.36
2010	0.125	0.23	0.36
2011	0.125	0.23	0.36
2012	0.17	0.30	0.47
2013	0.17	0.29	0.46
2014	0.165	0.29	0.46
2015	0.165	0.30	0.47
2016	0.165	0.30	0.47

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, 2016**

Table 7

	FY 2016				FY 2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Atlantic Newport Hospitality	\$20,400,000	1	28.00%				
Atlantic Station Prtnr LLC	10,586,379	2	14.53%	Atlantic Station Inc	\$ 5,357,079	3	11.48%
Fred M Bunn Etal	8,104,382	3	11.12%	Fred M Bunn etal James	4,682,918	4	10.03%
Dunes Club, Inc	7,981,945	4	10.96%	Dunes Club Inc	5,891,973	2	12.62%
Crow Nest Yacht Club, Inc.	6,866,000	5	9.42%	Crow Nest Yacht Club, Inc.	2,759,623	7	5.91%
Coral Bay Club, Inc.	6,642,178	6	9.12%	Coral Bay Club Inc	3,570,865	5	7.65%
Oceanana Resort LLC	3,934,616	7	5.40%	Oceanana Resort LLC	3,022,877	6	6.48%
Duke Energy Progress Inc	2,850,215	8	3.91%				
Pelican Park Assn	2,788,200	9	3.83%				
Crosswinds of Atlantic Bch LLC	2,698,000	10	3.70%				
				GR&S Atlantic Beach LLC	14,305,826	1	30.65%
				Neel-Kanth LLC	2,374,481	9	5.09%
				James H Pou Bailey Jr	2,794,363	8	5.99%
				Form Meshekoff Family Ltd	1,917,301	10	4.11%
	<u>\$ 72,851,915</u>		<u>100.00%</u>		<u>\$ 46,677,306</u>		<u>100.00%</u>

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

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

Table 8

Fiscal Year Ended <u>June 30</u>	Taxes Levied for the <u>Fiscal Year</u>	Collected within the <u>Fiscal Year of the Levy</u>		Collections in Subsequent <u>Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2007	2,379,271	2,368,276	99.54%	5,437	2,373,714	99.77%
2008	3,392,455	3,378,265	99.58%	4,355	3,382,620	99.71%
2009	2,845,263	2,806,562	98.64%	38,639	2,845,201	100.00%
2010	2,843,721	2,839,914	99.87%	3,233	2,843,147	99.98%
2011	2,842,798	2,833,036	99.66%	9,604	2,842,640	99.99%
2012	2,769,501	2,748,169	99.23%	18,855	2,767,024	99.91%
2013	2,777,939	2,767,352	99.62%	8,266	2,775,618	99.92%
2014	2,696,648	2,687,724	99.67%	8,500	2,696,224	99.98%
2015	2,692,663	2,688,525	99.85%	2,273	2,690,798	99.93%
2016	2,506,890	2,502,007	99.81%	0	2,502,007	99.81%

Source: Town of Atlantic Beach Tax Reports

Town of Atlantic Beach
Computation of Legal Debt Margin
June 30, 2016

Table 9

Total Assessed Valuation	\$ 1,547,866,588
Legal Debt Margin:	
Debt Limit 8% of Total Assessed Value	123,829,324
Amount of Debt Applicable to Debt Limit	<u>1,624,255</u>
Legal Debt Margin	<u><u>\$ 122,205,069</u></u>

Town of Atlantic Beach
Computation of Direct and Overlapping Debt
June 30, 2016

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	33,820,000	10.64%	3,598,258
	\$ 33,820,000		\$ 3,598,258

Town's assessed valuation	\$ 1,547,866,588
County's assessed valuation	\$ 14,548,387,333
	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>
2007	101845	1,812	56
2008	25000	1,799	14
2009	0	1,800	0
2010	0	1,820	0
2011	0	1,495	0
2012	0	1,506	0
2013	0	1,504	0
2014	0	1,517	0
2015	0	1,510	0
2016	0	1,511	0

Notes:

1. NCOSBM Certified Municipal Population Estimates

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

Table 12

Fiscal Year Ended June 30,	Governmental Activities		Business Type Activities		Total Primary Government	Population Estimate (1)	Total Debt Per Capita	Personal Income (2)	<u>Total Debt</u> <u>% of Personal</u> <u>Income</u>
	General Bonded Debt Outstanding	Installment Contracts	General Bonded Debt Outstanding	Installment Contracts					
2007	-	4,068,671	101,845	-	4,170,516	1,812	2,302	2,162,444	0.19%
2008	-	4,097,580	25,000	-	4,122,580	1,799	2,292	2,401,852	0.17%
2009	-	3,757,848	-	-	3,757,848	1,800	2,088	2,477,362	0.15%
2010	-	3,415,665	-	-	3,415,665	1,820	1,877	2,583,758	0.13%
2011	-	3,070,948	-	-	3,070,948	1,495	2,054	2,639,299	0.12%
2012	-	2,624,231	-	-	2,624,231	1,506	1,743	2,824,360	0.09%
2013	-	2,686,746	-	-	2,686,746	1,504	1,786	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	N/A	N/A
2016	-	1,624,255	-	-	1,624,255	1,511	1,075	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>
2006	1,801	4.6	32,086	2,029,585
2007	1,821	4.5	34,241	2,162,444
2008	1,799	4.3	37,796	2,401,852
2009	1,800	7.4	38,455	2,477,362
2010	1,820	8.4	38,728	2,583,758
2011	1,495	8.5	39,174	2,639,299
2012	1,506	9.3	41,761	2,824,360
2013	1,504	8.5	42,214	2,888,870
2014	1,517	5.5	43,903	3,021,043
2015	1,510	6.0	N/A	N/A
2016	1,511	4.8	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, 2016**

Table 14

<u>Employer</u>	<u>Calendar Year 2015</u>			<u>2006</u>		
	<u>Employees (FTE's)</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Employees (FTE's)</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Carteret County Board of Education	1000+	1	N/A	1000+	1	N/A
Carteret Health Care	500-999	2	N/A	1000+	2	N/A
County of Carteret	500-999	3	N/A	250-499	4	N/A
Wal-Mart Associates, Inc	250-499	4	N/A	500-999	3	N/A
Carteret Community College	250-499	5	N/A	250-499	7	N/A
Big Rock Sports LLC	250-499	6	N/A			
Food Lion, LLC	250-499	7	N/A	100-249	9	N/A
Lowe's Home Improvement	250-499	8	N/A			
McDonalds	100-249	9	N/A			
Lowe's Food Stores	100-249	10	N/A	100-249	10	N/A
State of North Carolina				250-499	5	N/A
SSA Security Inc				250-499	6	N/A
Atlantic Veneer Corp				250-499	8	N/A

Notes:

1. 2015 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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
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	7	7	6	6	7
Public Safety:										
Police	18	18	18	18	19	19	18	18	17	17
Communications	0	0	0	0	0	0	4	4	5	5
Fire/EMS	14	14	14	14	14	14	14	14	14	14
Inspections	2	3	2	2	2	3	3	3	3	3
Transportation:										
Streets and Highways (1)	8	8	8	8	8	8	8	8	8	8
Economic & Physical Development										
Planning	2	1	1	1	1	1	1	1	1	1
Environmental Protection:										
Solid Waste	1	1	1	1	1	1	1	1	1	1
Water:										
Operations	4	4	4	4	4	4	4	4	4	4
Total	63	63	62	62	63	63	66	65	65	66

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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety:										
Police calls answered	54639	61646	52325	30462	36382	33248	15846	16588	16765	17125
Fire calls answered	633	823	734	574	614	395	473	570	629	603
EMS calls answered	632	518	548	509	500	494	485	463	474	483
Lifeguard calls answered	82	235	241	154	133	245	253	267	177	208
Transportation: (Streets & Highways)										
Miles of streets maintained	23.43	23.43	23.43	22.93	22.93	22.93	22.93	22.93	22.93	23.10
Environmental Protection: (Solid Waste & Sanitation)										
Solid waste collected (tons)	1,736	1,553	1,606	1,595	1,726	2,067	2,307	2,071	2,176	1,932
Recyclables collected (tons)	213	197	215	197	167	205	164	184	122	82
Yard debris collected (tons)	125	351	458	404	434	519	517	421	312	339
Public beach accesses (improved w/ structures)	17	16	16	15	15	15	15	15	15	14
Public beach accesses (unimproved)	3	4	4	4	3	3	3	3	3	3
Public beachfront maintained (miles)	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Water:										
Number of customers served	7,106	7,089	6,969	6,980	6,984	6,859	6,973	6,998	6,932	6,912
Ave. daily consumption - summer (gallons)	845,710	839,260	857,890	796,674	892,126	1,241,000	1,030,000	856,361	864,000	851,000
Ave. daily consumption - winter (gallons)	395,732	427,879	414,953	401,830	410,725	349,570	360,940	495,344	416,920	389,400

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

Table 17

Functions/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government:										
Public beach accesses (improved w/ structures)	17	16	16	15	15	15	15	15	15	14
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	27
Number of patrol boats	2	2	2	2	2	2	2	2	2	2
Number of fire/EMS stations	1	1	1	1	1	1	1	1	1	1
Number of engines	2	2	2	2	2	2	2	2	2	2
Number of ambulances	2	2	2	2	2	2	2	2	2	2
Number of rescue trucks	1	1	1	1	1	1	1	1	1	1
Number of rescue boats	1	1	1	1	1	1	1	1	1	1
Transportation: (Streets & Highways)										
Miles of streets	23.43	23.43	23.43	22.93	22.93	22.93	22.93	22.93	22.93	23.10
Environmental Protection: (Solid Waste & Sanitation)										
Number of yard waste trucks	2	2	2	2	2	2	2	2	2	2
Number of backhoes	2	2	2	2	2	2	2	2	2	2
Water:										
Number of Wells	6	6	6	6	6	6	6	6	6	6
Number of water tanks	3	3	3	3	3	3	3	3	3	3
Capacity of water tanks (gallons each)	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Daily max. pumping capacity of wells (gal/day)	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	1,740,000	1,740,000
Miles of water mains	50	50	50	50	50	50	50	50	50	50

Compliance Section

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



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**Report On Internal Control Over Financial Reporting And On Compliance and Other
Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Atlantic Beach, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the Town of Atlantic Beach's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

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

Wilmington, North Carolina

October 31, 2016

**Town of Atlantic Beach
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2016**

Section II – Financial Statements Findings

None

**Town of Atlantic Beach
Corrective Action Plan
For the Fiscal Year Ended June 30, 2016**

Section II – Financial Statements Findings

None