

Town of Atlantic Beach, North Carolina

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2004

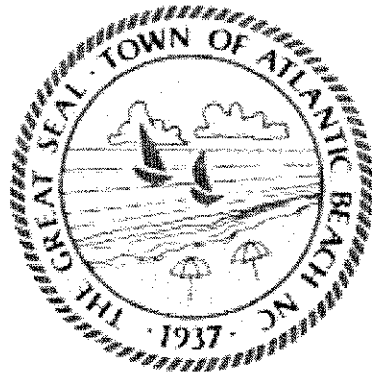
**Prepared by:
Chuck Cooper, Finance Officer**

Town of Atlantic Beach, North Carolina
Table of Contents
June 30, 2004

Exhibit		Page
	Introductory Section	
	Letter of Transmittal	iii-vii
	List of Principal Officers	ix
	Town Organizational Chart	x
	Certificate of Achievement for Excellence in Financial Reporting – Government Finance Officers Association	xi
	Financial Section:	
	Independent Auditor’s Report	3
	Management’s Discussion and Analysis	5
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Assets	17
2	Statement of Activities	18
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	20
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	21
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	23
5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	24

<u>Exhibit</u>		<u>Page</u>
6	Statement of Net Assets – Proprietary Fund – Water Fund	25
7	Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund – Water Fund	26
8	Statement of Cash Flows – Proprietary Fund – Water Fund	27
	Notes to the Financial Statements	31
	Required Supplemental Financial Data:	
A-1	Law Enforcement Officers’ Special Separation Allowance – Schedule of Funding in Progress	49
A-2	Law Enforcement Officers’ Special Separation Allowance – Schedule of Employer Contributions	50
A-2	Law Enforcement Officers’ Special Separation Allowance – Notes to the Required Schedules	50
	Individual Fund Statements and Schedules:	
B-1	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	53
C-1	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Reserve Fund	65
D-1	Schedule of Revenues and Expenditures – Budget and Actual, Non-GAAP – Water Fund	69
	Other Schedules:	
E-1	Analysis of Current Tax Levy – Town Wide Levy	75
E-2	Schedule of Ad Valorem Taxes Receivable	76

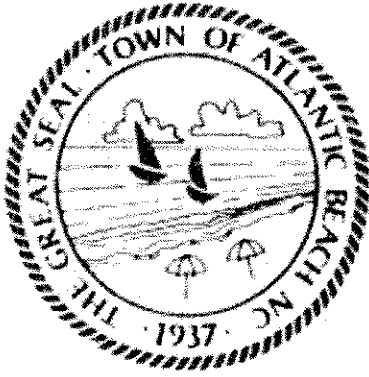
<u>Table No.</u>		<u>Page</u>
	Statistical Section (unaudited):	
1	General Governmental Expenditures by Function	79
2	General Governmental Revenue by Source	80
3	Assessed and Estimated Actual Value of Taxable Property and Overlapping Rates	81
4	Property Tax Levies and Collections and Credits	82
5	Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Government Expenditures	83
6	Ratio of General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	84
7	Property Values, Construction and Bank Deposits	85
8	Computation of Legal Debt Margin	86
9	Computation of Direct and Overlapping Debt	87
10	Miscellaneous Statistics	88
11	Demographic Statistics	89
12	Property Tax Levies – Carteret County and Municipalities	90
13	Principal Taxpayers	91



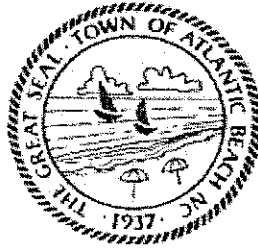
This Page Intentionally Left Blank

Introductory Section

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



This Page Intentionally Left Blank



Town of Atlantic Beach

125 West Fort Macon Road
Atlantic Beach, North Carolina

January 31, 2005

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, 2004, 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 *Carter, Williams & Scarborough, L.L.P.* and their unqualified opinion is included in the general purpose financial statements.

The Comprehensive Annual Financial Report is presented in three (3) sections; Introductory Section, Financial Section, and a Statistical Section; also new this year will be a Management's Discussion and Analysis. These major sections are described as follows:

- The **Introductory Section**, which is un-audited, includes the Letter of Transmittal, an Organizational Chart, a list of Principal Town Officials and the GFOA Certificate of Achievement for June 30, 2003. The Letter of Transmittal contains general information along with a historical portrayal of the Town of Atlantic Beach.
- The **Financial Section** includes the basic financial statements, the combining and individual fund financial statements and schedules, Management's Discussion and Analysis, as well as the independent certified public accountant's report on the financial statements and schedules.
- The **Statistical Section**, which is un-audited, includes fiscal and economical information on a multi year basis to give a better understanding of the Town and its growth.

The Town of Atlantic Beach provides a full range of services to its citizens. The General Fund services included 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 included water administration and distribution. As a result, there are no exclusions described herein and all funds and accounting groups of the Towns operations are included within this report.

ECONOMIC CONDITIONS AND OUTLOOK

The Town of Atlantic Beach was incorporated on March 17, 1937. The Town of Atlantic Beach currently has a population of 1,765 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 state 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 Government 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 EMS, 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-operating fund. All annual appropriations lapse at the fiscal year end. A project ordinance is adopted for the capital project fund. All budgets are prepared using the modified accrual basis of accounting.

Atlantic Beach's economy is driven by the seasonal tourist industry, because Atlantic Beach is primarily a residential community with commerce related primarily to tourism and construction. The principle source of revenue is the ad valorem tax. The industry generates strong retail, construction and real estate employment. The Town is also located near the historical tourist site of the Fort Macon State Park. The Town is in close proximity of the Cherry Point Marine Corps Air Station, which is a major employer for Carteret County. A large marine science community is a surrounding neighbor of the Town of Atlantic Beach. This includes The C-MAST, NOAA, N.C. State Marine Fisheries, U.N.C Institute of Marine Sciences and Duke University Marine Laboratory. The state Port of Morehead City is in close proximity to 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.

FOR THE FUTURE AND MAJOR CHALLENGES

The Town completed negotiations with property developer, FMB Inc., to begin the process of redeveloping 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 had served as the focal point for Town activities since its founding in 1937. The Town Council had considered many alternatives over the years to bring about the most effective renovation of the “Circle”. This innovative public-private partnership between the Town and FMB Inc. now gives the Town the opportunity to provide an exciting and satisfying destination for both year-round residents and seasonal tourists.

The Town continued with many smaller projects during the year related to the upkeep and maintenance of the Town, including the addition of a new fire truck for the Town’s highly qualified fire department. The Town has continued efforts to seek solutions and alternatives for a central wastewater system and the Town’s storm water problems.

The Town also provided assistance with numerous community projects, including the Atlantic Beach King Mackerel Tournament, Atlantic Beach Surf Fishing Tournament and Take-A-Kid Fishing.

DEPARTMENT FOCUS

ADMINISTRATION – 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. Achieve a stable and strong financial position by accurately estimating, prudently allocating and managing financial resources.

POLICE – Continue 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 – Continue to maintain the Town’s fire department as a professional responding department through proper training requirements, certifications and the retention of quality professionals. The staff has now achieved paramedic certification for all full-time fire staff and maintains an ISO rating of four (4) for homeowners insurance.

PUBLIC WORKS – 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. 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 – 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 – Continue the administration and enforcement of the Town’s development ordinances and the North Carolina Building Code for the Town of Atlantic Beach and jurisdictional areas.

FINANCIAL INFORMATION

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 preparation 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.

All 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. Having the limitations of personnel, we believe that the distributions of duties have adequately met the internal accounting principles needed.

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 they are incurred, as permitted by generally accepted accounting principles.

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 a Management’s Discussion and Analysis (MD&A), which provides a narrative overview of the Town's financial performance for fiscal year ended June 30, 2004. This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it.

Cash Management. The Town Council has an adopted cash management policy that allows for proper diversification of the investment portfolio in order to minimize risks brought on by economic and market changes. At the present time the available monies are in the North Carolina Capital Management Trust and a series of Certificates of Deposit with banks approved by the State Treasurer.

Risk Management. The Town has a safety officer and a safety committee with representatives from each department. This committee is responsible for the coordination and implementation of safety policies adopted by the Town of Atlantic Beach. The primary objectives of the committee are to identify potential exposures to loss, evaluate the frequency

and severity of losses, and to reduce or eliminate risks or losses through established procedures and practices.

Independent Audit. The General Statutes of North Carolina require an annual independent financial audit of all local government units in the state. Carter, Williams & Scarborough, L.L.P., a firm of independent certified public accountants, has examined all financial records of the Town and their opinion has been included in this report. The auditor's report on the basic financial statements and individual fund statements and schedules is included in the financial section of this report.

OTHER INFORMATION

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, 2003. This was the fourth 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.

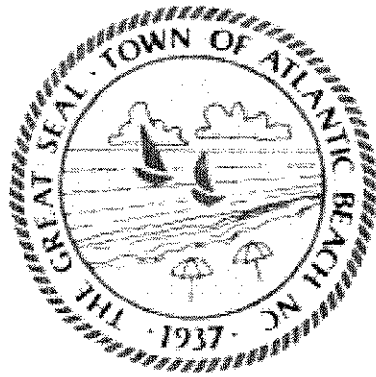
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated services and cooperation of Carter, Williams & Scarborough, L.L.P. and the Town of Atlantic Beach staff. As the new Finance Officer responsible for the completion and submission of this report, it would not have been possible without the combined efforts of both the auditors and the Town's staff.

Respectfully submitted,



Chuck Cooper
Finance Officer



This Page Intentionally Left Blank

Town of Atlantic Beach, North Carolina
List of Principal Officials
June 30, 2004

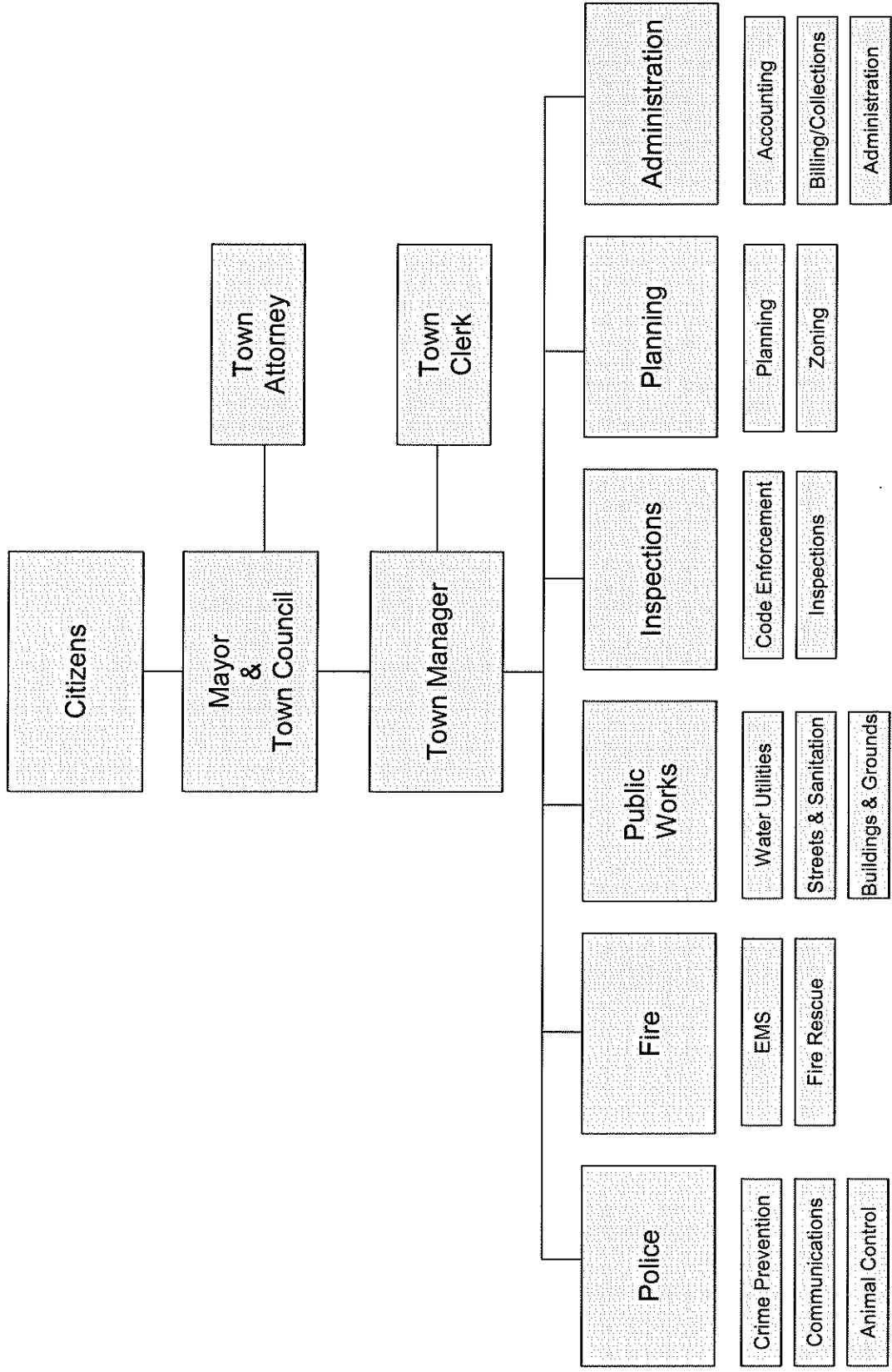
TOWN COUNCIL

Honorable Joe Stroud, Mayor
Eddie Dawkins, Mayor Pro Tem
 Harry Archer
 Doug Creech
 Tom Doe
Christie Roberson

ADMINISTRATION

Pete Allen, Town Manager & Finance Officer
 Leslie Eldredge, Town Clerk
 Scott Kilpatrick, Police Chief
 Adam Snyder, Fire Chief
Marc Schulze, Public Works Director
Donna Turner, Inspections Director
 Lee Smith, Planning Director

Town of Atlantic Beach Organization Chart



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, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

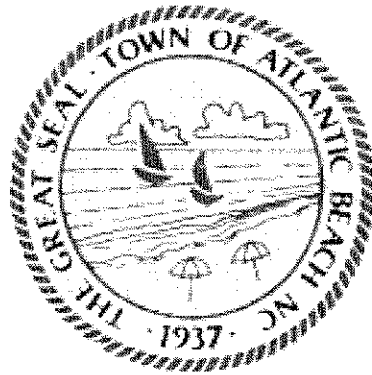


Nancy L. Zjelde

President

Jeffrey R. Emor

Executive Director



This Page Intentionally Left Blank