

Town of Atlantic Beach, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2004

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. Determination as to whether the Town is a component unit of another primary government, or whether it has component units that should be included in its own financial statements is determined using the concept of financial accountability as described in Governmental Accounting Standards Board Statement No. 14. The Town is not a component unit of a separate entity, nor does it have any component units.

B. Basis of Presentation

Government-wide Statements: The statement of net assets 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 nonmajor 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

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

The Town reports the following nonmajor governmental funds:

Special Revenue Funds. Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Town maintains one Special Revenue Fund, a capital reserve fund for the purpose of beach nourishment.

The Town reports the following major enterprise fund:

Water Fund. This fund is used to account for the Town's 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. Nonexchange 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.

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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Carteret County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Atlantic Beach. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Carteret County from March 2003 through February 2004 apply to the fiscal year ended June 30, 2004. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2004 because they are intended to finance the Town's operations during the 2005 fiscal year.

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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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, Beach Nourishment Special Revenue 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 object 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. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, 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 with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

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. 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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2003. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

4. 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 enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale 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.

5. 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; furniture and equipment, \$5,000; and vehicles, \$10,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In July 2003, the Town established the following fixed assets capitalization thresholds in accordance with the requirements of the General Accounting Standards Board Statement 34 (GASB 34):

\$ 5,000	for equipment and supplies unit cost
\$ 20,000	for buildings
\$ 100,000	for infrastructure

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
Vehicles - motorized equipment	6
Equipment (non computer)	5-10
Computer equipment	3

6. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Compensated Absences

The vacation policy of the Town provide 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 provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement 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.

8. Net Assets/Fund Balances

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and

deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for streets - Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Unreserved:

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2004 - 2005 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

The Town's procedures for approving purchase orders is not in accordance with State law [G.S. 159-28]. State law requires that the finance officer approves purchase orders for expenditures appropriated in the budget. The Town's Public Works Department has not strictly adhered to this law. This issue has been separately reported in a letter to management dated December 16, 2004.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one method. Under the Pooling Method, which 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.

At June 30, 2004, the Town's deposits had a carrying amount of \$3,252,434 and a bank balance of \$3,317,986. Of the bank balance, \$200,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2004, the Town's petty cash fund totaled \$400.

2. Investments

The investments of the Town are categorized to give an indication of the level of custodial risk assumed by the Town at year-end.

The Town's only investment is in the North Carolina Capital Management Trust. These investments are exempt from risk categorization because the Town does not own any identifiable securities, but is a shareholder of a percentage of the fund. At June 30, 2004, the Town had \$1,033,450 invested with the North Carolina Capital Management Trust's Cash Portfolio. This amount reflects both the reported value and the fair value. There were no realized or unrealized gains or losses on the Town's investments during the fiscal year.

	Reported Value	Fair Value
NC Capital Management Trust:		
Cash Portfolio	1,033,450	1,033,450
Total Investments	<u>\$ 1,033,450</u>	<u>\$ 1,033,450</u>

3. Receivables

Receivables at the government-wide level at June 30, 2004, were as follows:

Franchise tax receivable	\$ 36,469
Telecommunication sales tax receivable	9,180
Local option sales tax receivable	136,248
Property taxes receivable	15,151
Street assessments receivable	1,041
Privilege licenses receivable	1,886
ABC tax receivable	32,413
Occupancy tax receivable	21,822
Services receivable	193,453
Total	<u>\$ 447,663</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2004, was as follows:

	Beginning Balances	Reclass- ification	Increases	Decreases	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 991,401	\$ (28,434)	\$ -	\$ -	\$ 962,967
Total capital assets not being depreciated	991,401	(28,434)	-	-	962,967
Capital assets being depreciated:					
Buildings & improvements	455,138	28,434	-	-	483,572
Equipment	1,815,278	(1,494,904)	-	9,117	311,257
Vehicles and motorized equipment	-	1,494,904	547,203	420,784	1,621,323
Total capital assets being depreciated	2,270,416	28,434	547,203	429,901	2,416,152
Less accumulated depreciation for:					
Buildings & improvements	327,468	-	4,903	-	332,371
Equipment	1,339,054	(1,157,769)	45,800	-	227,085
Vehicles and motorized equipment	-	1,157,769	142,024	417,595	882,198
Total accumulated depreciation	1,666,522	-	192,727	417,595	1,441,654
Total capital assets being depreciated, net	603,894				974,498
Governmental activity capital assets, net	<u>\$ 1,595,295</u>				<u>\$ 1,937,465</u>

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

General government	\$ 50,150
Public safety	142,577
Total depreciation expense	<u>\$ 192,727</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business type activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 934,400	\$ -	\$ -	\$ 934,400
Total capital assets not being depreciated	<u>934,400</u>	-	-	<u>934,400</u>
Capital assets being depreciated:				
Plant and distribution systems	6,315,033	-	-	6,315,033
Furniture and maintenance equipment	201,438	-	-	201,438
Vehicles	107,124	-	-	107,124
Total capital assets being depreciated	<u>6,623,595</u>	-	-	<u>6,623,595</u>
Less accumulated depreciation for:				
Substations, lines and related equipment	2,931,513	214,554	-	3,146,067
Furniture and maintenance equipment	128,525	2,743	-	131,268
Vehicles	62,347	21,090	-	83,437
Total accumulated depreciation	<u>3,122,385</u>	<u>238,387</u>	-	<u>3,360,772</u>
Total capital assets being depreciated, net	<u>3,501,210</u>			<u>3,262,823</u>
Business type capital assets, net	<u>\$4,435,610</u>			<u>\$4,197,223</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

The Town provides a noncontributory defined contribution pension plan for all employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is a money purchase plan providing for funding by purchase of life insurance and qualified annuity contracts through a life insurance company. The retirement benefit provided is a monthly annuity for life. To be eligible, an employee must work a minimum of 1,000 hours. Contributions are made at a rate of 10.1% of covered employees' compensation. Employer contributions are 25% vested after one year, 70% after two years, and 100% vested after five years. The Town's contributions and interest forfeited by employees who leave employment before vesting occurs are used to reduce the Town's current period contribution requirement.

The Town's total payroll for the year ended June 30, 2004 was \$2,178,461. The Town's contributions were calculated using a covered payroll amount of \$1,702,133. The Town's contribution, net of forfeitures, to the pension plan for the year ended June 30, 2004 was \$280,135.

Plan Description. The Town contributes, on behalf of qualifying law enforcement employees, to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees engaged in law enforcement is 4.78% annual covered payroll. The contribution requirement of members and of the Town is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2004, 2003, and 2002 were \$22,768, \$17,951, and \$15,844, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2003, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not year receiving benefits	-
Active plan members	12
	<u>12</u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies:

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

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

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, 2003 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 6.5% per year. Both (a) and (b) included an inflation component of 5.0%. 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:

Interest on net pension obligation	568
Adjustment to annual required contribution	(430)
Annual pension cost	10,636
Contributions made	1,144
Increase (decrease) in net pension obligation	9,492
Net pension obligation beginning of year	7,837
Net pension obligation end of year	\$ 17,329

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 7,423	30.83%	\$ 1,131
2003	8,995	25.44%	7,837
2004	10,636	10.76%	17,329

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.

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, 2004 were \$32,065, all contributed by the Town.

d. Other Post-employment Benefits

At retirement or upon termination, all employees have the option to purchase basic medical insurance at the Town's group rate for an eighteen month period. The entire cost of this insurance is borne by the employees.

2. Deferred / Unearned Revenues

The balance in deferred / unearned revenues at year-end is composed of the following elements:

Taxes receivable	\$ 15,151
Street assessments receivable	1,041
Privilege licenses receivable	1,886
Prepaid taxes	831
	<u>\$ 18,909</u>

3. 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 Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2004, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

5. Long-Term Obligations

a. Installment Purchases:

In December 1994, the Town financed the improvement of water/sewer lines, sidewalks, and other types of infrastructure improvements for the Circle Revitalization Project, collateralized by the improvements financed. The note is due in annual installments through 2009 of \$50,000, plus interest currently at the rate of 4.59%. The balance outstanding at June 30, 2004 was \$300,000.

In November 2003, the Town entered into an installment purchase contract with Centura Bank for the purchase of a new ambulance. The note is due in annual installments through 2005 of \$36,383, with an interest rate of 2.32%. The balance outstanding at June 30, 2004 was \$69,937.

In November 2003, the Town entered into an installment purchase contract with BB&T for the purchase of a new fire truck. The note is due in annual installments beginning April 14, 2005 of \$52,322, with an interest rate of 3.51%. The balance outstanding at June 30, 2004 was \$434,920.

Annual debt service requirements for notes payable are as follows:

Year Ending June 30,	<u>Governmental Activities</u>	
	Principal	Interest
2005	121,799	30,676
2006	123,551	26,265
2007	89,703	22,179
2008	91,097	18,526
2009	92,539	14,689
2010-2014	286,168	27,951
Present value of the minimum lease payments	<u>\$ 804,857</u>	
Total interest payments		<u>\$ 140,286</u>

b. General Obligation Indebtedness

The Town's general obligation bonds serviced by the proprietary funds were issued to finance the construction of facilities utilized in the operations of the water system. The bonds are being retired by the resources of the Water Fund are reported as long-term debt in the Water Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2004 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water Fund:

\$800,300 1988 Water Refunding Bonds due in annual installments ranging from \$69,308 to \$83,473 through December 1, 2007; plus interest at a rate of prime less 1% with a maximum rate of 8% (approximately 4.50% at June 30, 2004). The balance outstanding at June 30, 2004 was \$264,345.

\$450,000 Water Bonds issued January 1, 1991, due in annual installments of \$25,000 through June 1, 2009, plus interest at the rate of 7%. The balance outstanding at June 30, 2004 was \$125,000.

Annual debt service requirements for bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2005	89,200	31,206
2006	95,600	24,295
2007	102,700	16,872
2008	76,845	8,881
2009	25,000	1,775
Present value of the minimum lease payments	<u>\$ 389,345</u>	
Total interest payments		<u>\$ 83,029</u>

Changes in Long-Term Liabilities

	Balance			Balance June 30, 2004	Current Portion of Balance
	July 1, 2003	Increases	Decreases		
Governmental activities:					
Installment purchases	\$ 350,000	\$ 541,320	\$ 86,463	\$ 804,857	\$ 121,799
Compensated absences	112,781	7,084	-	119,865	-
Governmental activity long-term liabilities	<u>\$ 462,781</u>	<u>\$ 548,404</u>	<u>\$ 86,463</u>	<u>\$ 924,722</u>	<u>\$ 121,799</u>
Business-type activities:					
General obligation bonds	\$ 472,745	\$ -	\$ 83,400	\$ 389,345	\$ 89,200
Compensated absences	18,883	-	1,186	17,697	-
Business-type activity long-term liabilities	<u>\$ 491,628</u>	<u>\$ -</u>	<u>\$ 84,586</u>	<u>\$ 407,042</u>	<u>\$ 89,200</u>

Compensated absences typically have been liquidated in the General Fund.

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2004, consist of the following:

Descriptions	Transfers In	Transfers Out
General Fund	\$ 125,000	\$ 100,000
Capital Reserve Fund	100,000	-
Water Fund	-	125,000
	<u>\$ 225,000</u>	<u>\$ 225,000</u>

D. Prior Period Adjustment

During the fiscal year ended June 30, 2004, the State of North Carolina changed the distribution method for local option sales taxes that it collects on behalf of local governments. These taxes are now distributed on a monthly rather than quarterly basis. Taxes on sales for the month of June 2004 were distributed by the State on or around September 15, 2004. In addition, the State collects utility franchise taxes, piped natural gas taxes and telecommunications taxes for municipalities and distributes them on a quarterly basis. The taxes for the quarter ended June 30, 2004 were distributed on or around September 15, 2004.

In accordance with GASB Statement No. 33, all of these items are considered to be revenues as of June 30, 2004. The Town has decided to consider revenues available for payment of current year-end liabilities if collected within 90 days after year-end, other than property taxes. The Town had previously considered only revenues collected with 60 days of year-end as available. See Note I.C.

The September 15, 2004 distributions of these taxes are recognized as revenues for the 2004 fiscal year. If this policy had been in effect for the 2003 fiscal year, the ending fund balance of the General Fund would have been \$42,911 higher than was previously reported. The beginning fund balance of the General Fund for the 2004 fiscal year had been restated to that amount.

Governmental Activities

Beginning fund balance, as previously reported	\$ 2,777,344
Prior period adjustments due to GASB 33	42,911
Prior period adjustments due to accumulation of Water Fund earnings originally held in the General Fund NCCMT	(560,143)
Beginning fund balance, restated	<u>\$ 2,260,112</u>

Business-type Activities

Beginning net assets, as previously reported	\$ 5,034,523
Prior period adjustments due to accumulation of Water Fund earnings originally held in the General Fund NCCMT	560,143
Beginning net assets, restated	<u>\$ 5,594,666</u>

IX. Summary Disclosure of Significant Contingencies

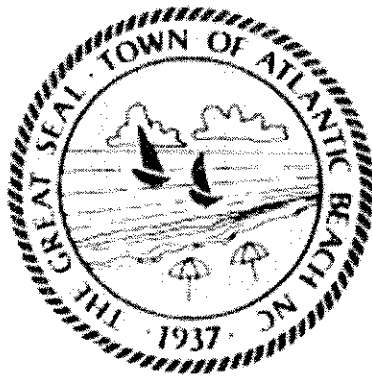
Federal and State Assisted Programs

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

Required Supplementary
Financial Data

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

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



This Page Intentionally Left Blank

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

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/1998	\$ -	\$ 25,723	\$ 25,723	0.00%	\$ 251,377	10.23%
12/31/1999	*	*	*	*	*	*
12/31/2000	-	49,854	49,854	0.00%	285,440	17.47%
12/31/2001	-	60,611	60,611	0.00%	319,160	18.99%
12/31/2002	-	70,980	70,980	0.00%	354,112	20.04%
12/31/2003	-	56,631	56,631	0.00%	382,658	14.80%

* Information presented for available years

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

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2004	10,636	10.76%
2003	8,995	25.44%
2002	7,423	30.83%
2001	5,239	43.69%
2000	5,096	236.46%
1999	*	*
1998	*	*

Notes to the Required Schedules:

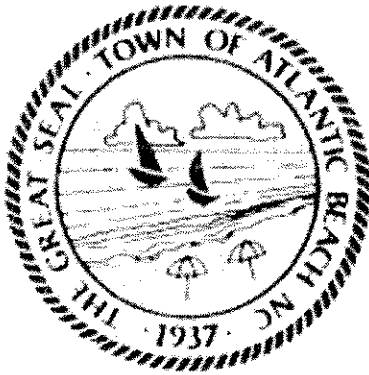
The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2003
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	27 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	5.9 - 9.8%
Includes inflation at	3.75%
Cost-of-living adjustments	N/A

***Information presented for available years**

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.



This Page Intentionally Left Blank

Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Taxes:			
Ad valorem taxes			
Current year	\$ 1,903,900	\$ 1,938,355	\$ 34,455
Prior years	5,300	5,474	174
Interest and penalties	1,200	4,814	3,614
	<u>1,910,400</u>	<u>1,948,643</u>	<u>38,243</u>
Other taxes and licenses:			
Local option sales tax	650,000	713,934	63,934
Privilege licenses	12,000	12,181	181
Room tax	100,000	100,000	-
	<u>762,000</u>	<u>826,115</u>	<u>64,115</u>
Total taxes	<u>2,672,400</u>	<u>2,774,758</u>	<u>102,358</u>
Intergovernmental			
Unrestricted:			
Telecommunications sales tax	35,000	35,706	706
Utilities franchise tax	160,000	165,576	5,576
Cable Vision franchise tax	34,000	34,805	805
Sales tax refund	24,000	18,987	(5,013)
Gas tax refund	-	1,312	1,312
Carteret County ABC revenue	75,000	113,891	38,891
Beer/wine tax	7,500	7,645	145
	<u>335,500</u>	<u>377,922</u>	<u>42,422</u>
Restricted:			
Carteret County fire district distribution	2,000	1,560	(440)
Grant revenue	29,353	29,353	-
State Street - aid allocation	64,000	64,444	444
Hazard Mitigation grant	-	16,059	16,059
USDPI/Vest grant	18,000	7,181	(10,819)
	<u>113,353</u>	<u>118,597</u>	<u>5,244</u>
Total intergovernmental	<u>448,853</u>	<u>496,519</u>	<u>47,666</u>

(continued)

Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
Permits, feels and assessments:			
Street assessments	1,200	4,857	3,657
Building permits	89,600	91,594	1,994
Beach permits	10,500	11,335	835
Court fees	4,500	3,715	(785)
Parking violations	36,000	17,603	(18,397)
Auto tags	180	240	60
Parking meter	150,000	104,431	(45,569)
Parking stickers	3,000	6,187	3,187
Civil penalties	300	500	200
Miscellaneous	76,177	26,400	(49,777)
Total permits, feels and assessments	371,457	266,862	(104,595)
Sales and services:			
Solid waste fees	450,000	449,579	(421)
EMS revenue	38,366	71,128	32,762
Refuse cart sales	2,000	6,653	4,653
Total sales and services	490,366	527,360	36,994
Investment Earnings:			
Interest earnings on investments	35,000	22,608	(12,392)
Interest - street assessments	-	1,020	1,020
Total interest	35,000	23,628	(11,372)
Miscellaneous revenue:			
Donations	35,600	36,950	1,350
Insurance proceeds	14,943	24,047	9,104
Circle Revenue - Bunn	36,200	-	(36,200)
Other	-	32,425	32,425
Total miscellaneous	86,743	93,422	6,679
Total revenue	4,104,819	4,182,549	77,730
EXPENDITURES			
Current:			
General Government:			
Governing Body:			
Mayor and commissioners	179,656	106,476	73,180

(continued)

Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
Administration:			
Salaries		145,928	
Postage		2,858	
Pension		1,959	
Insurance - health		13,915	
Insurance - other		3,930	
Departmental supplies		4,853	
Retirement		9,793	
Sales tax		22,571	
Social security		11,101	
Equipment Maintenance		10,441	
Equipment rental		6,320	
Advertising		102	
Employee development		6,498	
Miscellaneous		14,027	
	<u>256,145</u>	<u>254,296</u>	<u>1,849</u>
Finance:			
Salaries		110,038	
Professional services		22,435	
Social security		8,310	
Retirement		15,237	
Pension		2,978	
Insurance - health		12,894	
Insurance - other		3,509	
Communication		130	
Employee development		1,576	
Equipment Maintenance:		2,558	
Postage		4,733	
Departmental supplies		5,689	
Dues and subscriptions		545	
Bank charges		6,432	
Miscellaneous		979	
	<u>204,645</u>	<u>198,043</u>	<u>6,602</u>
Total general government	<u>640,446</u>	<u>558,815</u>	<u>81,631</u>

(continued)

Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
Public safety:			
Police Department:			
Salaries		675,961	
Social security		50,430	
Insurance - health		85,502	
Insurance - other		23,655	
Vehicle Maintenance		11,366	
Equipment Maintenance		2,406	
Postage		4,713	
Fuel		23,385	
Automotive supplies		7,933	
Departmental supplies		6,765	
Uniforms		9,955	
US DOT/Vests grant		9,000	
Retirement		100,848	
Workers compensation		12,232	
Ammunition		2,192	
Employee development		4,815	
Dues and subscriptions		500	
Crime watch		2,602	
Small equipment purchase		3,790	
Pension		32,065	
Miscellaneous		4,423	
Capital outlay		19,415	
	<u>1,107,150</u>	<u>1,093,953</u>	<u>13,197</u>
Police communications:			
Salaries		123,419	
Social security		9,267	
Retirement		11,936	
Pension		2,359	
Insurance - health		18,638	
Insurance - other		4,624	
Uniforms		902	
Equipment maintenance		6,657	
Equipment rentals		17,882	
	<u>214,280</u>	<u>195,684</u>	<u>18,596</u>
			(continued)

Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
Fire and rescue:			
Salaries and benefits		480,542	
Vehicle maintenance		12,251	
Communications maintenance		1,560	
Insurance - health		50,449	
Insurance - other		58,009	
Retirement		55,528	
Social security		36,086	
Postage		2,059	
Communication		5,446	
Departmental supplies		3,786	
Fire supplies		3,905	
Rescue supplies		12,188	
Capital outlay		521,795	
Uniforms		3,725	
Employee development		1,815	
Dues and subscriptions		509	
Miscellaneous		6,363	
EMS collection		6,698	
Pension		11,483	
Fuel		5,074	
PPE equipment		7,923	
Fire prevention		575	
	<u>1,309,631</u>	<u>1,287,769</u>	<u>21,862</u>
Building inspection:			
Salaries and benefits		111,299	
Professional services		6,725	
Insurance - health		12,248	
Insurance - other		348	
Retirement		12,207	
Social security		8,238	
Postage		3,264	
Communication		494	
Advertising		1,488	
Capital outlay		4,500	

(continued)

**Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004**

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
Building inspection (continued)			
Auto supplies		4,455	
Vehicle maintenance		477	
Communications maintenance		3,203	
Fuel		1,095	
Employee development		4,712	
Dues and subscriptions		1,067	
Miscellaneous		1,310	
Pension		2,523	
	<u>194,975</u>	<u>179,653</u>	<u>15,322</u>
Emergency management:			
Communication		-	
Employee development		-	
Departmental supplies		-	
Miscellaneous		102	
	<u>1,750</u>	<u>102</u>	<u>1,648</u>
Life guards:			
Salaries		37,510	
Social security		2,869	
Department supplies		1,585	
Advertising		186	
Insurance		730	
Miscellaneous		191	
Uniforms		660	
Drug testing		300	
Communication maintenance		335	
Capital outlay		3,999	
	<u>70,310</u>	<u>48,365</u>	<u>21,945</u>
Total public safety	<u>2,898,096</u>	<u>2,805,526</u>	<u>92,570</u>

(continued)

Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
Public Works:			
Highways and streets:			
Salaries and benefits		131,686	
Insurance health		17,574	
Maintenance			
Building		65,385	
Vehicle		9,559	
Equipment		2,091	
Storm drainage		4,405	
Insurance - other		9,333	
Fuel		5,941	
Pension		3,427	
Department supplies		6,464	
Dredging		593	
Social security		9,770	
Retirement		19,016	
Capital outlay		6,032	
Parking meters		5,120	
Uniforms		1,965	
Miscellaneous		1,458	
	329,252	299,819	29,433
Sanitation:			
Salaries		68,295	
Insurance - health		9,069	
Insurance - other		3,844	
Vehicle maintenance		14,813	
Social security		5,225	
Workers compensation		3,680	
Uniforms		1,973	
Communication		655	
Supplies:			
Auto		3,422	
Departmental		8,951	
Retirement		8,345	

(continued)

Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
Sanitation (continued)			
Employee development		322	
FEMA disaster		270	
Pension		1,794	
Miscellaneous		420	
	<u>145,389</u>	<u>131,078</u>	<u>14,311</u>
Building and grounds:			
Salaries		77,701	
Insurance - health		13,916	
Social security		5,847	
Retirement		12,341	
Building maintenance		36,952	
Insurance - other		9,859	
Utilities		23,565	
Vehicle maintenance		2,978	
Pension		2,634	
Capital outlay		13,133	
Fuel		3,670	
Landscaping		11,383	
Janitorial		7,827	
Beautification		4,180	
Miscellaneous		2,283	
	<u>244,035</u>	<u>228,269</u>	<u>15,766</u>
Recreation:			
Maintenance:			
Equipment		7,434	
Beach access		665	
Department supplies		2,143	
	<u>11,500</u>	<u>10,242</u>	<u>1,258</u>

(continued)

Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
Solid Waste:			
Salaries		26,975	
Social security		2,018	
Retirement		3,832	
Pension		800	
Vehicle maintenance		4,000	
Fuel		4,246	
Contract services		218,789	
Landfill fees		85,259	
Health insurance		4,530	
Insurance - other		296	
Uniforms		478	
Supplies		132	
	354,650	351,355	3,295
Grounds Labor:			
Salaries		31,224	
Social security		2,363	
Retirement		5,500	
Pension		926	
Vehicle maintenance		1,181	
Equipment maintenance		251	
Fuel		1,745	
Contract labor		1,329	
Insurance - health		4,547	
Insurance - other		6,981	
	59,230	56,047	3,183
Total public works	1,144,056	1,076,810	67,246
Powell Bill:			
Drainage		3,334	
Grading/gravel		1,211	
Paving/patching		802	
Traffic control devices		589	
Professional services		665	
Equipment maintenance		530	
Capital outlay		8,000	
	32,000	15,131	16,869

(continued)

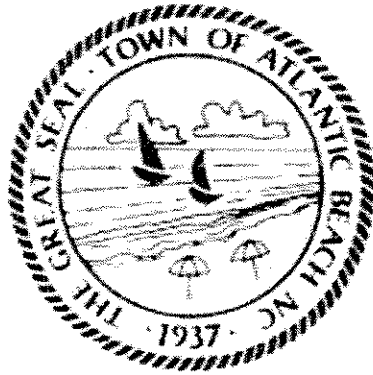
Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
Debt retirement:			
Principal		86,463	
Interest		15,996	
Loan fee		131	
	<u>102,553</u>	<u>102,590</u>	<u>(37)</u>
Total expenditures	<u>4,817,151</u>	<u>4,558,872</u>	<u>258,279</u>
Revenue (under) expenditures	<u>(712,332)</u>	<u>(376,323)</u>	<u>336,009</u>
OTHER FINANCING SOURCES (USES)			
Transfer from water fund	125,000	125,000	-
Proceeds of installment purchases	506,320	541,320	35,000
Fund balance appropriated	181,012	-	(181,012)
Transfer to Beach Nourishment Capital Reserve	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>712,332</u>	<u>566,320</u>	<u>(146,012)</u>
Revenue and other financing sources over (under) expenditures and other financing (uses)	<u>-</u>	<u>189,997</u>	<u>189,997</u>
FUND BALANCE			
Beginning of year as previously reported		2,777,344	
Prior period adjustment		<u>(517,232)</u>	
Beginning of year as restated		<u>2,260,112</u>	
End of year		<u>\$ 2,450,109</u>	

Special Revenue Fund

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purpose.

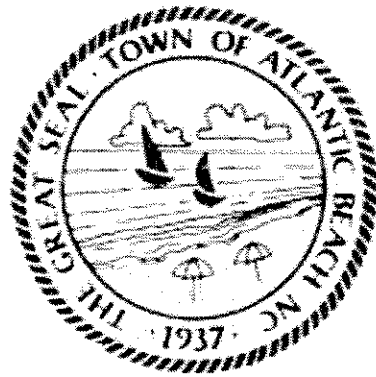
Capital Reserve Fund – Accounts for the accumulation of resources for major capital purchases.



This Page Intentionally Left Blank

Town of Atlantic Beach, North Carolina
Capital Reserve Fund - Non Major Governmental Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2004

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
REVENUE				
Interest income	\$ -	\$ -	\$ 562	\$ 562
Total revenue	<u>-</u>	<u>-</u>	<u>562</u>	<u>562</u>
EXPENDITURES				
Capital outlay	<u>200,000</u>	<u>-</u>	<u>2,937</u>	<u>2,937</u>
Total expenditures	<u>200,000</u>	<u>-</u>	<u>2,937</u>	<u>2,937</u>
Revenues over (under) expenditures	<u>(200,000)</u>	<u>-</u>	<u>(2,375)</u>	<u>(2,375)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	<u>200,000</u>	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total other financing sources (uses)	<u>200,000</u>	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 100,000</u>	97,625	<u>\$ 197,625</u>
FUND BALANCE:				
Beginning of year			<u>100,000</u>	
End of year			<u>\$ 197,625</u>	

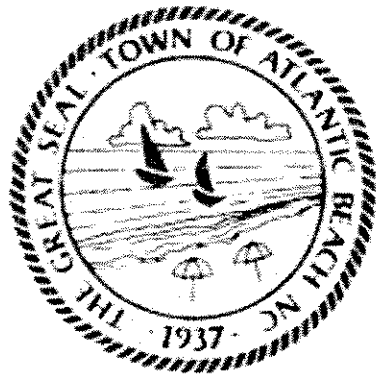


This Page Intentionally Left Blank

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.

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



This Page Intentionally Left Blank

Town of Atlantic Beach, North Carolina
Enterprise Fund - Water Operating Fund
Schedule of Revenues and Expenditures - Budget and Actual
Non-GAAP
For the Fiscal Year Ended June 30, 2004

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Charges for services:			
Utility Charges	\$ 775,000	\$ 787,830	\$ 12,830
Total operating revenues	<u>775,000</u>	<u>787,830</u>	<u>12,830</u>
Non-operating revenues:			
Interest earnings	16,500	15,684	(816)
Impact fees	15,000	125,752	110,752
Reconnect fees	1,000	2,220	1,220
Connection fees	4,000	14,900	10,900
Late fees	15,000	16,726	1,726
Availability fees	4,000	3,568	(432)
Returned check fee	300	673	373
Other	9,545	10,847	1,302
Total non-operating revenues	<u>65,345</u>	<u>190,370</u>	<u>125,025</u>
Total revenues	<u>840,345</u>	<u>978,200</u>	<u>137,855</u>
EXPENDITURES:			
Administration:			
Salaries	160,890	160,389	501
Communication	5,000	1,855	3,145
Professional services	21,000	4,939	16,061
Social Security	12,160	12,080	80
Insurance	22,430	23,093	(663)
Retirement	25,650	25,553	97
Departmental supplies	18,000	15,357	2,643
Employee development	4,000	2,710	1,290
Dues and subscriptions	1,840	1,808	32
Pension	4,850	4,789	61
Miscellaneous	2,000	2,117	(117)
Total administration	<u>277,820</u>	<u>254,690</u>	<u>23,130</u>

(continued)

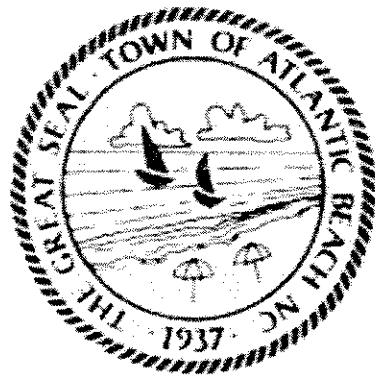
Town of Atlantic Beach, North Carolina
Enterprise Fund - Water Operating Fund
Schedule of Revenues and Expenditures - Budget and Actual
Non-GAAP
For the Fiscal Year Ended June 30, 2004

	2004		Variance Favorable (Unfavorable)
	Budget	Actual	
Water treatment and distribution:			
Utilities	28,000	32,873	(4,873)
Maintenance:			
Building	28,000	26,398	1,602
Vehicle	8,000	6,088	1,912
Wastewater contract	56,730	4,447	52,283
Wastewater legal fees	30,280	30,278	2
Fuel	6,000	5,723	277
Equipment rental	1,500	891	609
Postage	15,000	11,771	3,229
Workers' compensation	3,600	2,674	926
Insurance - other	12,900	13,438	(538)
Contracted services - maintenance	74,000	70,733	3,267
Uniforms	3,000	3,217	(217)
Mat/Supplies for operations	68,430	57,147	11,283
Supplies	20,000	14,146	5,854
Miscellaneous	7,575	15,552	(7,977)
Total water treatment and distribution	<u>363,015</u>	<u>295,376</u>	<u>67,639</u>
Debt Services:			
Principal retirement	83,400	83,400	-
Interest	38,840	24,750	14,090
Total debt services	<u>122,240</u>	<u>108,150</u>	<u>14,090</u>
Capital outlay:	29,280	-	29,280
Total capital outlay	<u>29,280</u>	<u>-</u>	<u>29,280</u>
Total expenditures	<u>792,355</u>	<u>658,216</u>	<u>134,139</u>
Revenue over (under) expenditures	<u>47,990</u>	<u>319,984</u>	<u>271,994</u>
OTHER FINANCING SOURCES (USES)			
Fund balance appropriated	77,010	-	(77,010)
Transfer to General Fund	(125,000)	(125,000)	-
Total other financing sources (uses)	<u>(47,990)</u>	<u>(125,000)</u>	<u>(77,010)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>194,984</u>	<u>\$ 194,984</u>

(continued)

Town of Atlantic Beach, North Carolina
Enterprise Fund - Water Operating Fund
Schedule of Revenues and Expenditures - Budget and Actual
Non-GAAP
For the Fiscal Year Ended June 30, 2004

	2004		
	Budget	Actual	Variance Favorable (Unfavorable)
RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS			
Revenue over (under) expenditures		194,984	
Reconciling items:			
Depreciation		(230,125)	
Principal on bonds and installment notes		83,400	
Net income		\$ 48,259	



This Page Intentionally Left Blank