

Town of Atlantic Beach, North Carolina

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2008

**Prepared by:
Carter, Williams & Scarborough, LLP**

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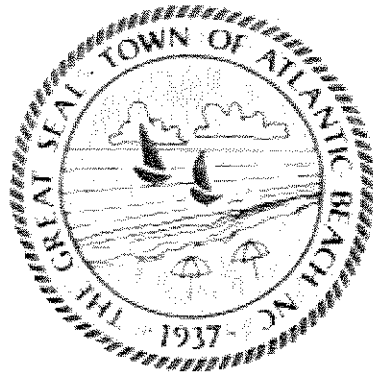
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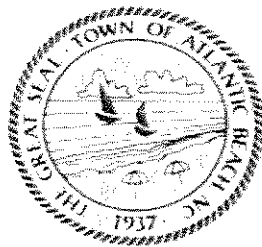
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Introductory Section

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



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Town of Atlantic Beach

125 West Fort Macon Road
Atlantic Beach, North Carolina

October 30, 2008

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, 2008, 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 Comprehensive Annual Financial Report is presented in three (3) sections: Introductory Section, Financial Section, and Statistical Section. 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, 2007. The Letter of Transmittal contains general information along with a historical portrayal of the Town of Atlantic Beach.
- The **Financial Section** includes the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements, Required Supplemental Financial Data, the Individual Fund Statements and Schedules, and Other 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 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, 2008. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile 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 1,812 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. A project ordinance is adopted for the capital project fund. 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 four (4) 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. Carteret County is now issuing permits and completing inspections for the Town of Atlantic Beach. The Town is in the process of recruiting a director for the inspection department.

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.

Management. The Town Council has adopted a cash management policy that allows for the 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 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. 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.

Town of Atlantic Beach Economic Condition

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 primary 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 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.

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

The Town has completed the planning phase of the stormwater and wastewater management project.

Connected to this project and in anticipation of the need for significant land acreage to support the stormwater and wastewater infrastructure, the Town acquired a large parcel of land within the Town limits in fiscal year 2006-07.

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

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, 2007. This was the seventh 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., Carter, Williams & Scarborough, 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,

Pete Allen

Pete Allen,
Town Manager

Town of Atlantic Beach, North Carolina
List of Principal Officials
June 30, 2008

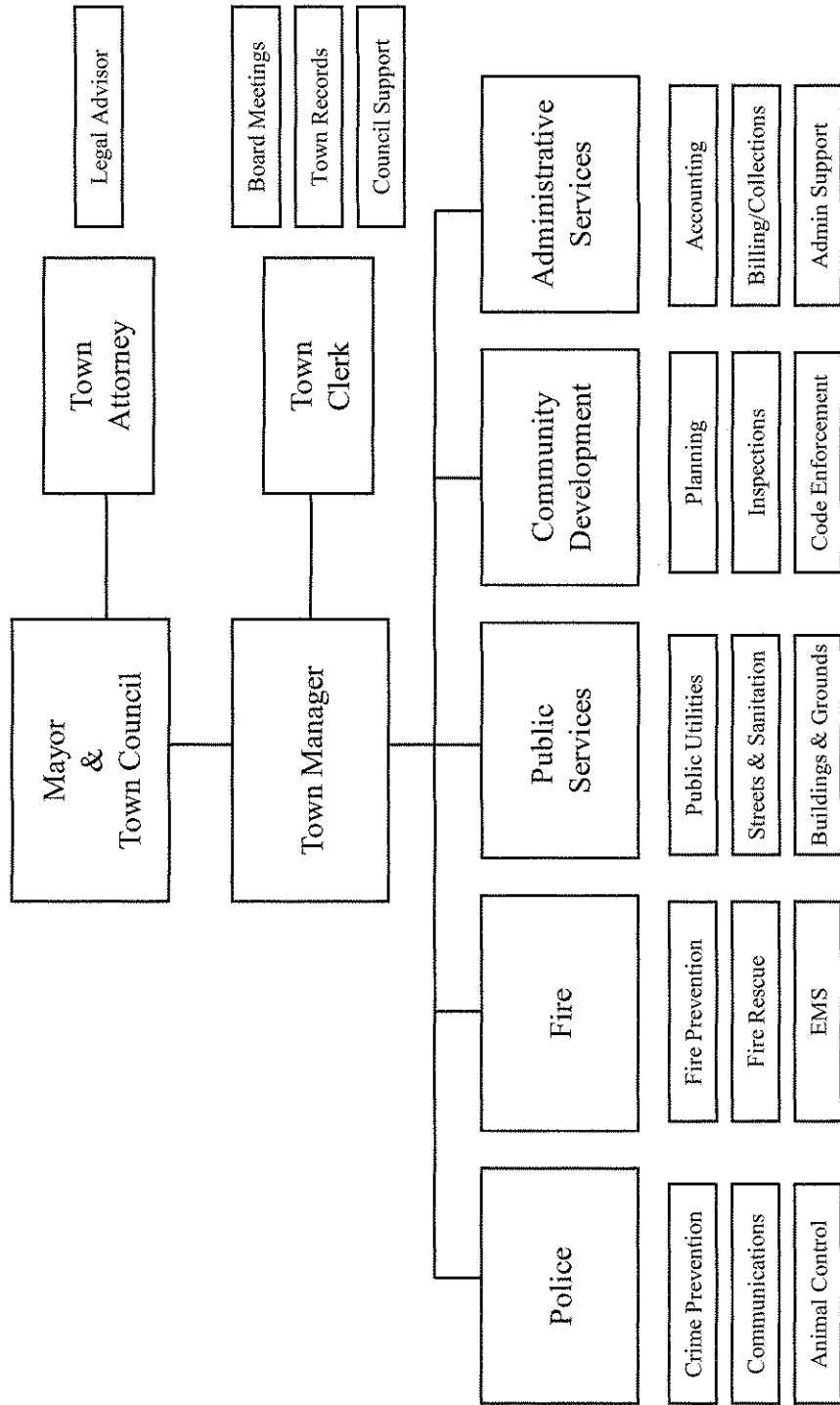
TOWN COUNCIL

Honorable A. B. Cooper, III, Mayor
Harry Archer, Mayor Pro Tem
Ann Batt
Eddie Briley
Vada Palma

ADMINISTRATION

Pete Allen, Town Manager & Finance Officer
Sabrina Simpson, Administrative Services Supervisor
Laura Waters, Tax Collector
Kelly Cyrus, Town Clerk
Marc Schulze, Public Services Director
G. Allen Smith, Police Chief
Adam Snyder, Fire Chief
Donna Turner, Inspections Director
Jessica Fiester, Planning & Zoning Director

Town of Atlantic Beach Organization Functions



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, 2007

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.



President

Executive Director