

TOWN OF WRIGHTSVILLE BEACH NORTH CAROLINA



1899

*Comprehensive
Annual
Financial
Report*

*Fiscal Year Ended
June 30, 2007*

**TOWN OF WRIGHTSVILLE BEACH,
NORTH CAROLINA**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**For The
Fiscal Year Ended
June 30, 2007**

**Prepared By
The General Administration Department**

INTRODUCTORY SECTION

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TOWN OF WRIGHTSVILLE BEACH NORTH CAROLINA

Board of Aldermen

Robert O'Quinn, Mayor

Edward Miastkowski, Mayor Pro Tem

Catherine Brunjes

David Cignotti

Stephen Whalen

Town Manager

Robert Simpson

Finance Officer

Peggy Jones

Town of Wrightsville Beach North Carolina Organization

**Citizens
Of
Wrightsville Beach**

**Mayor
And
Board of Aldermen**

Town Manager

<p><u>General Administration</u> Town Clerk Finance Administration Accounting Billing/Collections Records Information Technology Public Information</p>	<p><u>Police</u> Administration Investigation Patrol Division Parking Control</p>
<p><u>Planning and Parks</u> Administration Planning Zoning/Building Inspections Parks Maintenance Programs/Activities Animal Control/Park Ranger</p>	<p><u>Public Works</u> Administration Fleet Maintenance Facilities Maintenance Stormwater Streets Sanitation Water and Sewer</p>
<p><u>Fire</u> Administration Prevention/Suppression EMT-D Medical Services Ocean Rescue/Lifeguards</p>	



Town of Wrightsville Beach

P. O. Box 626, 321 Causeway Drive
Wrightsville Beach, North Carolina 28480
Phone: 910-256-7900 – Fax: 910-256-7910

November 16, 2007

The Honorable Mayor Robert O'Quinn,
Board of Aldermen, and Citizens of the
Town of Wrightsville Beach, North Carolina

The Comprehensive Annual Financial Report of the Town of Wrightsville Beach (Town) for the fiscal year ended June 30, 2007, is hereby submitted as mandated by North Carolina General Statutes. State law requires that all general-purpose governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the Town of Wrightsville Beach. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

INDEPENDENT AUDIT

The General Statutes of North Carolina (Section 159-34) require an independent financial audit of all local government units. The Town of Wrightsville Beach's financial statements have been audited by Hardison and Chamberlain, CPA's, PA, an independent firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the Town's financial statements for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Wrightsville Beach's financial statements for the fiscal year ended June 30, 2007, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

THE TOWN AND ITS GOVERNMENTAL STRUCTURE

The Town of Wrightsville Beach consists of two islands and a small portion of commercial satellite annexations on the mainland about ten miles east of downtown Wilmington, North Carolina. The islands are located on the Atlantic Ocean and separated from the mainland by the Intracoastal Waterway and tidal marshes. Access is limited to a drawbridge maintained by the State of North Carolina. The Town, which was incorporated in 1899, consists of 1.3 square miles of land.

The Town has a Council-Manager form of government. The Board of Aldermen consists of a Mayor and four Aldermen elected at large every four years with staggered terms. The Mayor is elected for a two-year term. The Board of Aldermen is the governing body of the Town with the Mayor as a voting member and the presiding officer. The Town Manager, who is appointed by the Board of Aldermen, administers the daily operations of the Town and is responsible for implementing and explaining the policies of the Board.

The Town provides a full range of services including police and fire protection, ocean rescue, first responder/defibrillator medical services, planning and inspections, construction and maintenance of streets and infrastructure, water and wastewater services, stormwater management, sanitation, animal control, and parks and recreation. The Town also provides administrative and technical services.

Wrightsville Beach is a well-established "family" beach resort community with excellent facilities for wading, swimming, boating and fishing. The Town has no manufacturing industry and is served by two U. S. highways. Tourism is the basic source of local economy. The permanent population of 2,663 increases dramatically in the summer season to an estimated 40,000. Instrumental in the continued development and popularity of the beach resort community was the completion of Interstate 40 to Wilmington in 1989. I-40 provides easy access to Wrightsville Beach from the Raleigh-Durham-Chapel Hill area and the western portion of the State and has directly increased the number of summer visitors.

MAJOR INITIATIVES, ISSUES AND ACCOMPLISHMENTS

- Projects funded through Room Occupancy Tax (ROT) Revenues – The Town continues to rely heavily on revenues derived from the ROT to support programs critical to both tourism and beach renourishment. Initiatives funded through ROT revenues included the Ocean Rescue and Beach Patrol programs, fireworks and support costs associated with the annual North Carolina Holiday Flotilla, maintenance of the public restroom located in the downtown area and replacement of the lifeguard stands along the beach strand. The Town received more than \$460,000 in ROT funds this year.
- Public Safety Facility Planning and Design – During FY 2005-2006, the Board of Aldermen directed staff to prepare a Request for Proposal (RFP) for Engineering Services for the construction of a new fire station. In early 2006, the Board selected the firm of Stewart-Cooper-Newell to assess the existing fire station and develop cost estimates for the eventual replacement of the current facility. In April, 2006 the architect presented the initial facility requirements and cost projections to the Board of Aldermen. Based on the recommendations provided in the initial assessment, the Board directed staff to revisit requirements and provide additional options for design and construction of a new facility to support both police and fire operations. During the remainder of FY 2006-2007, we appointed a project manager, established a planning committee, met with the architect to develop plans for a joint facility,

identified site options, and completed surveying. Construction is expected to begin late in the next budget year.

- Northeast Interceptor #2 (NEI #2) Issues - The NEI #2 is a primary sewage and wastewater transmission system which is jointly owned and operated by the City of Wilmington and New Hanover County. The Town pays approximately \$300,000 annually in fees to the City of Wilmington to transmit wastewater and sewage through the NEI #2 to the Southside Wastewater Treatment Plant. Due to sewage spills, the City of Wilmington has undertaken emergency repairs and contracted for an assessment of the entire NEI #2 system. The Town of Wrightsville Beach contributed funds to aid in system repairs in addition to paying the normal transmission fees. In April, 2007 the North Carolina Department of Environmental and Natural Resources (NCDENR) ordered a moratorium on increased flow associated with the entire NEI system and restricted further issuance of permits for new sewer extensions until improvements and repairs to the existing system could be implemented. Because the Town utilizes the NEI #2, the moratorium also applied to Wrightsville Beach. It is hoped that this will have only minimal short-term impact on new development in the community. From a financial perspective the Town will likely be burdened with a long-term commitment to help fund the upgrades and repairs to that portion of the Northeast Interceptor that is owned and operated by the City of Wilmington.
- Northeast Interceptor #1 (NEI #1) Assessment - The Town of Wrightsville Beach owns NEI #1 and is responsible for all major repairs and upgrades. As a result of recent problems encountered by the City of Wilmington with NEI #2, local officials elected to undertake an integrity study of NEI #1. The goal of the assessment was to identify potential problem areas and, if required, to initiate necessary repairs. Based on the study's findings, the Town began making the necessary repairs and upgrades to the system. The majority of these repairs will occur during FY 2007-2008. The cost is anticipated to be in excess of \$600,000.
- Recreation Bond Projects - In May 2006, New Hanover County voters approved a Parks and Greenspace Bond Referendum. As a result, Wrightsville Beach will receive up to \$200,000 in funding for recreation capital projects. During FY 2006-2007 bond proceeds in the amount of \$52,000 were used to purchase playground equipment and basketball goalposts and to resurface the basketball and tennis courts. The Town anticipates using the remainder of the bond proceeds as local matching funds for recreation grants during FY 2007-2008.
- Lifeguard Stand Project - The Town replaced thirteen lifeguard stands at a cost of \$60,000. Funding for the new stands was provided by public donations in the amount of \$35,000 with the balance from room occupancy tax revenue.
- Major Capital Purchases - The 2006-2007 budget year was one of major equipment acquisitions by the Town. Purchases included two sanitation load packers, EMS vehicle, Ocean Rescue truck, a police vehicle and parks equipment.
- Major Facility Upgrades - Several major building upgrades and renovations were undertaken during FY 2006-2007 including renovation to the building used by the Town's parking contractor, re-roofing of the Town Hall and Police building, replacement of the Marina Street bulkhead and replacement of the water and sewer lines in Banks Channel. Total cost of these repairs was in excess of \$425,000.
- E-911 Initiative - In the fall of 2006, the Town decided to discontinue its police dispatch service and to transition to the New Hanover County E-911 Center. The changeover was completed in March 2007.

- Stormwater Management – In order to meet the requirements of the federally mandated Stormwater Management program, the Town included funding for a full-time Stormwater Manager in the 2006-2007 budget and established a fee structure to help offset program costs.
- Historic Preservation Area - In April 2007 the Town began an initiative to create a Historic Preservation Area located along Route 74/Salisbury Street adjacent to the Wrightsville Beach Museum and Visitor Center. The primary goal is to preserve at least two of the surviving traditional beach cottages before they disappear from the community as a result of new development. The cottages would be relocated to the designated Historic Preservation Area and later occupied and maintained by local non-profit organizations. The Town would retain ownership of the structures and land.

FINANCIAL INFORMATION

Budget Control. The North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1st of each year. As a means of budgetary control, the Town uses an encumbrance system of estimated purchase amounts prior to the release of purchase orders. Departments are required to make all efforts to insure that goods and services are received and paid for prior to June 30th of each year. Any delayed payments are charged to current year budgets. Several departments may appear under a specific function but the budgetary control level is by department. The Town's responsibility for sound financial management is demonstrated by the statements and schedules included in the financial section of this report.

In addition to the annual budget, the Town prepares a Five-Year Capital Improvement Program.

Risk Management. Commercial carriers recommended by an independent insurance consultant provide the Town's health, dental, and life insurance programs. In addition, the Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. One pool provides worker's compensation coverage. The second pool provides general liability, professional liability and auto-property coverage. In addition the Town purchases flood insurance through a commercial insurer.

Cash Management. The objectives of the Town's cash management policy are to increase the amount of idle monies invested, thus generating greater revenue through investment earnings and simultaneously providing adequate safety and liquidity of the Town's money. This policy addresses all approved investment devices as authorized by the North Carolina General Statutes.

GFOA CERTIFICATE OF ACHIEVEMENT PROGRAM

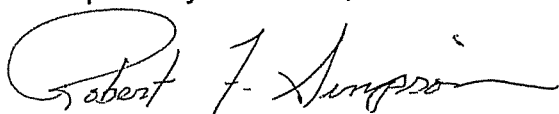
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Wrightsville Beach for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This is the twelfth consecutive year that the Town 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. A special note of appreciation goes to Milton Hardison, Louis Chamberlain, and Robert Thomas of Hardison and Chamberlain, CPA's, PA and to the General Administration Department. Without their continued support and assistance, the production of this document would not have been possible.

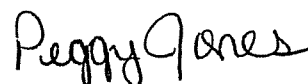
As required by North Carolina General Statute 159-34, a copy of this report will be filed with the Secretary of the North Carolina Local Government Commission. A copy will also be placed on file in the Clerk's office for public inspection.

Respectfully submitted,



Robert Simpson
Town Manager

Respectfully submitted,



Peggy Jones
Finance Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Wrightsville Beach
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

TOWN OF WRIGHTSVILLE BEACH
LIST OF TOWN OFFICIALS
JUNE 30, 2007

<u>TITLE</u>	<u>NAME</u>
Mayor	Robert O'Quinn
Mayor Pro Tem	Edward Miastkowski
Alderman	Catherine Brunjes
Alderman	David Cignotti
Alderman	Stephen Whalen
Town Attorney	John C. Wessell, III
Town Manager	Robert Simpson
Town Clerk	Sylvia Holleman
Finance Officer	Peggy Jones
Police Chief	John Carey
Fire Chief	Frank Smith
Public Works Director	Mike Vukelich
Planning & Parks Director	Tony Wilson

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