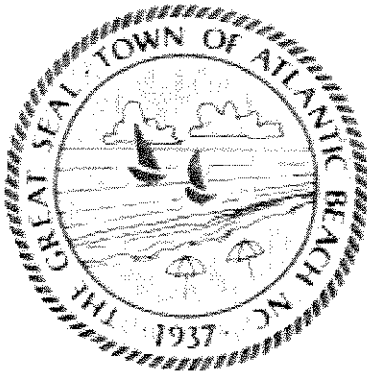


BASIC FINANCIAL STATEMENTS



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Town of Atlantic Beach, North Carolina
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,462,740	\$ 1,937,141	\$ 6,399,881
Taxes receivables (net)	18,392	-	18,392
Accounts receivable (net)	347,714	138,199	485,913
Inventories	-	42,533	42,533
Total current assets	4,828,846	2,117,873	6,946,719
Restricted assets:			
Cash and cash equivalents	307,546	-	307,546
Capital assets (Note 4):			
Land, non-depreciable improvements, and construction in progress	5,222,967	934,400	6,157,367
Other capital assets, net of depreciation	1,444,927	2,600,059	4,044,986
Total capital assets	6,667,894	3,534,459	10,202,353
Total assets	\$ 11,804,286	\$ 5,652,332	\$ 17,456,618
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 255,794	\$ 44,569	\$ 300,363
Unearned revenue	7,238	-	7,238
Accrued interest payable	58,138	-	58,138
Customer deposits	-	7,392	7,392
Customer advances	-	10,836	10,836
Current portion of long term debt	368,515	28,727	397,242
Total current liabilities	689,685	91,524	781,209
Long-term liabilities:			
Due in more than one year	3,964,866	11,678	3,976,544
Total long term liabilities	3,964,866	11,678	3,976,544
Total liabilities	4,654,551	103,202	4,757,753
NET ASSETS			
Invested in capital assets, net of related debt Restricted for	2,570,315	2,575,059	5,145,374
Streets - Powell Bill	307,546	-	307,546
Unrestricted	4,271,874	2,974,071	7,245,945
Total net assets	\$ 7,149,735	\$ 5,549,130	\$ 12,698,865

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

Town of Atlantic Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 1,200,796	\$ -	\$ -	\$ -
Public safety	2,803,457	336,939	44,967	-
Transportation	437,038	-	77,853	-
Economic and physical development	152,834	51,300	-	-
Environmental protection	416,381	504,988	-	-
Interest on long-term debt	179,920	-	-	-
Total governmental activities (See Note 1)	5,190,426	893,227	122,820	-
Business-type activities:				
Water	1,043,074	967,728	-	-
Total business-type activities	1,043,074	967,728	-	-
Total primary government	\$ 6,233,500	\$ 1,860,955	\$ 122,820	\$ -

General revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets, beginning

Net assets, ending

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

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (1,200,796)	\$ -	\$ (1,200,796)
(2,421,551)	-	(2,421,551)
(359,185)	-	(359,185)
(101,534)	-	(101,534)
88,607	-	88,607
(179,920)	-	(179,920)
(4,174,379)	-	(4,174,379)
-	(75,346)	(75,346)
-	(75,346)	(75,346)
(4,174,379)	(75,346)	(4,249,725)
3,393,084	-	3,393,084
17,534	-	17,534
1,421,616	-	1,421,616
184,911	96,083	280,994
54,182	-	54,182
350,125	(350,125)	-
5,421,452	(254,042)	5,167,410
1,247,073	(329,388)	917,685
5,902,662	5,878,518	11,781,180
\$ 7,149,735	\$ 5,549,130	\$ 12,698,865

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

Town of Atlantic Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2008

	Major General Fund	Major Circle Fund	Non-Major Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,107,417	\$ -	\$ 355,325	\$ 4,462,742
Restricted cash	307,546	-	-	307,546
Receivables, net:				
Taxes	18,392	-	-	18,392
Accounts	347,714	-	-	347,714
Total assets	<u>\$ 4,781,069</u>	<u>\$ -</u>	<u>\$ 355,325</u>	<u>\$ 5,136,394</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 255,794	\$ -	\$ -	\$ 255,794
Deferred/Unearned revenue	25,630	-	-	25,630
Total liabilities	<u>281,424</u>	<u>-</u>	<u>-</u>	<u>281,424</u>

(continued)

Town of Atlantic Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2008

	Major General Fund	Major Circle Fund	Non-Major Fund	Total Governmental Funds
Fund balances:				
Reserved for:				
State statute	\$ 340,476	\$ -	\$ -	\$ 340,476
Streets Powell bill	307,546	-	-	307,546
Unreserved, General Fund	3,851,623	-	-	3,851,623
Unreserved, reported in:				
Special Revenue Funds	-	-	355,325	355,325
Total fund balances	<u>4,499,645</u>	<u>-</u>	<u>355,325</u>	<u>4,854,970</u>
Total liabilities and fund balances	<u>\$ 4,781,069</u>	<u>\$ -</u>	<u>\$ 355,325</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

6,667,894

Liabilities for earned but deferred revenues in fund statements.

18,392

Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 5).

(4,391,521)

Net assets of governmental activities

\$ 7,149,735

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

Town of Atlantic Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2008

	Major General Fund	Major Circle Fund	Non-Major Fund	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 3,390,177	\$ -	\$ -	\$ 3,390,177
Other taxes and licenses	17,534	-	-	17,534
Unrestricted intergovernmental	1,421,616	-	-	1,421,616
Restricted intergovernmental	100,213	-	-	100,213
Permits and fees	95,761	-	-	95,761
Sales and services	731,062	-	-	731,062
Investment earnings	170,210	-	14,701	184,911
Miscellaneous	89,010	-	-	89,010
Total revenues	6,015,583	-	14,701	6,030,284
EXPENDITURES				
Current:				
General government	1,120,346	-	-	1,120,346
Public safety	3,121,487	-	-	3,121,487
Transportation	420,091	-	-	420,091
Environmental protection	416,698	-	-	416,698
Economic and physical development	150,388	-	-	150,388
Debt service:				
Principal	323,296	-	-	323,296
Interest and other charges	182,122	-	-	182,122
Total expenditures	5,734,428	-	-	5,734,428
Revenue over (under) expenditures	281,155	-	14,701	295,856
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	350,125	-	-	350,125
Transfers from major funds	1,271,448	(1,271,448)	-	-
Proceeds from sale of assets	41,728	-	-	41,728
Insurance recovery	12,454	-	-	12,454
Installment purchase/COPS	352,205	-	-	352,205
Total other financing sources (uses)	2,027,960	(1,271,448)	-	756,512
Net change in fund balance	2,309,115	(1,271,448)	14,701	1,052,368
Fund balance, beginning	2,190,530	1,271,448	340,624	3,802,602
Fund balance, ending	\$ 4,499,645	\$ -	\$ 355,325	\$ 4,854,970

(continued)

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

Town of Atlantic Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2008

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

Net changes in fund balances - total governmental funds	\$ 1,052,368
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
	263,281
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in deferred revenue for tax revenues	2,907
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	(28,909)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(28,250)
Accrued interest payable	2,204
Net pension obligation	(16,528)
	(42,574)
Total changes in net assets of governmental activities	\$ 1,247,073

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

Town of Atlantic Beach, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	General Fund			Variance with
	Original Budget	Final Budget	Actual Amounts	Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 3,381,222	\$ 3,381,222	\$ 3,390,177	\$ 8,955
Other taxes and licenses	15,000	15,000	17,534	2,534
Unrestricted intergovernmental	1,234,776	1,234,776	1,421,616	186,840
Restricted intergovernmental	223,250	228,050	100,213	(127,837)
Permits and fees	328,750	328,750	95,761	(232,989)
Sales and services	693,810	693,810	731,062	37,252
Investment earnings	105,000	170,000	170,210	210
Miscellaneous	37,500	37,500	89,010	51,510
Total revenues	<u>6,019,308</u>	<u>6,089,108</u>	<u>6,015,583</u>	<u>(73,525)</u>
Expenditures:				
Current:				
General government	1,331,712	1,523,486	1,120,346	403,140
Public safety	3,271,142	3,301,747	3,121,487	180,260
Transportation	623,629	677,002	420,091	256,911
Environmental protection	530,489	530,689	416,698	113,991
Economic and physical development	182,116	182,016	150,388	31,628
Debt service:				
Principal retirement	323,878	323,296	323,296	-
Interest and other charges	199,896	199,896	182,122	17,774
Total expenditures	<u>6,462,862</u>	<u>6,738,132</u>	<u>5,734,428</u>	<u>1,003,704</u>
Revenues over (under) expenditures	<u>(443,554)</u>	<u>(649,024)</u>	<u>281,155</u>	<u>930,179</u>
Other Financing Sources				
Sale of capital assets	-	40,000	41,728	1,728
Insurance recovery	-	10,504	12,454	1,950
Installment purchase/COPS	385,000	385,000	352,205	(32,795)
Transfers from other funds	389,200	1,657,101	1,621,573	(35,528)
	<u>774,200</u>	<u>2,092,605</u>	<u>2,027,960</u>	<u>(64,645)</u>
Fund balance appropriated	330,646	1,443,581	-	1,443,581
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,309,115</u>	<u>\$ 2,309,115</u>
Fund balances, beginning			<u>2,190,530</u>	
Fund balances, ending			<u>\$ 4,499,645</u>	

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

Town of Atlantic Beach, North Carolina
Statement of Net Assets
Proprietary Fund - Public Utilities Fund
June 30, 2008

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,937,141
Accounts receivable (net) - billed	75,325
Accounts receivable (net) - unbilled	62,874
Inventories	42,533
Total current assets	<u>2,117,873</u>

Non-current assets:

Capital assets:

Land	934,400
Capital assets, net of depreciation	<u>2,600,059</u>
	<u>3,534,459</u>

Total assets	<u>\$ 5,652,332</u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$ 44,569
Customer advances on water bills	10,836
Customer deposits	7,392
Current portion of long-term debt	<u>25,000</u>
Total current liabilities	<u>87,797</u>

Noncurrent liabilities:

Accrued vacation	<u>15,405</u>
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Total liabilities	<u>103,202</u>
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NET ASSETS

Invested in capital assets, net of related debt	2,575,059
Unrestricted	<u>2,974,071</u>
Total net assets	<u>\$ 5,549,130</u>

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

Town of Atlantic Beach, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund - Public Utilities Fund
For the Year Ended June 30, 2008

OPERATING REVENUES

Charges for services	\$ 829,319
Water and sewer tap	53,975
Miscellaneous	84,434
Total operating revenues	<u>967,728</u>

OPERATING EXPENSES

Administration	294,434
Water treatment and distribution	519,577
Depreciation	220,648
Total operating expenses	<u>1,034,659</u>

Operating income	<u>(66,931)</u>
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NONOPERATING REVENUE (EXPENSES)

Investment income	96,083
Interest expenses	(8,415)
Total nonoperating revenue (expenses)	<u>87,668</u>

Income before contributions and transfers	20,737
--	--------

Transfers to other funds	<u>(350,125)</u>
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Change in net assets	(329,388)
Total net assets, beginning	5,878,518
Total net assets, ending	<u>\$ 5,549,130</u>

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

Town of Atlantic Beach, North Carolina
Statement of Cash Flows
Proprietary Fund - Public Utilities Fund
For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 980,402
Cash paid to employees	(190,099)
Cash paid for services	(683,025)
Net cash provided by operating activities	<u>107,278</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to other funds	<u>(350,125)</u>
Net cash flows (used) by noncapital financing activities	<u>(350,125)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on bond maturities and equipment contracts	(76,845)
Interest paid on bond maturities and equipment contracts	(8,415)
Acquisition of capital assets	(155,517)
Net cash (used) by capital and related financing activities	<u>(240,777)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest	<u>96,083</u>
Net decrease in cash and cash equivalents	(387,541)

Balances, beginning	2,324,682
Balances, ending	<u>\$ 1,937,141</u>

(continued)

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

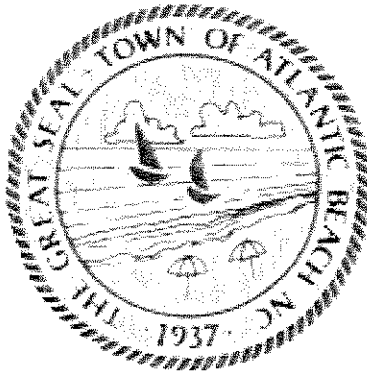
Town of Atlantic Beach, North Carolina
Statement of Cash Flows
Proprietary Fund - Public Utilities Fund
For the Year Ended June 30, 2008

Reconciliation of operating income to net cash provided by operating activities

Operating income	<u>\$ (66,931)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	220,648
Changes in assets and liabilities:	
(Increase) in accounts receivable	(12,674)
(Increase) in inventory	(2,012)
(Decrease) in accounts payable and accrued liabilities	(34,179)
Increase in customer advances on water bills	4,116
(Decrease) in customer deposits	(3,691)
Increase in accrued vacation pay	<u>2,001</u>
Total adjustments	<u>174,209</u>
Net cash provided by operating activities	<u><u>\$ 107,278</u></u>

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

Notes to Basic
Financial Statements



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Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

Circle Infrastructure Fund. The Circle Infrastructure Fund, a special reserve fund, was established in Fiscal year 2005-2006 to account for the proceeds from the sale of Town property in the Circle Development District. This fund provided the opportunity for a clear accounting for the collection and use of these funds. During the current fiscal year, all required contract terms related to those funds had been fulfilled and therefore a separate accounting was no longer required. The Circle Infrastructure Fund was closed out and the funds were transferred into the General fund during the fiscal year ending June 30, 2008.

The Town reports the following non-major governmental fund:

Beach Nourishment Fund. The Beach Nourishment Fund, a special reserve fund, was established to account for distributions from the Carteret County Hotel Room Tax that is defined by N.C. General Statute to be used for beach nourishment related expenses.

The Town reports the following major enterprise fund:

Public Utilities Fund. The Public Utilities fund was originally established as the Public Utilities Fund to account for the management of the Town's water utility service.

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 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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a 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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

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 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 amendments to the original budget were approved. Additionally, several transfers both within funds and to or from other funds were necessary and approved. 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,

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2007. 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.

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

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

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

Town of Atlantic Beach, North Carolina
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For the Fiscal Year Ended June 30, 2008

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.

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

Asset Class	Estimated Useful Lives
Buildings	50
Improvements	10-25
Infrastructure	50
Vehicles - motorized equipment	6
Equipment (non computer)	5-10
Computer 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 provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

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

8. Net Assets/Fund Balances

Net Assets

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.

Fund Balances

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. The amount reserved by State statute at June 30, 2008 is \$340,476.

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. The amount reserved for streets – Powell Bill at June 30, 2008 is \$307,546.

Unreserved:

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

II. Stewardship, Compliance, and Accountability

None

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. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2008, the Town's deposits had a carrying amount of \$3,948,830 and a bank balance of \$3,943,648. 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, 2008, the Town's petty cash fund totaled \$400.

2. Investments

At June 30, 2008, the Town had \$1,787,671 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

	Reported Value	Fair Value
NC Capital Management Trust:		
Cash Portfolio	2,451,051	2,451,051
Total Investments	\$ 2,451,051	\$ 2,451,051

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

3. Receivables

Receivables at the government-wide level at June 30, 2008, were as follows:

	Fund	6/30/2008
General Fund:		
ABC tax receivable	\$	8,580
Telecommunication sales tax receivable		12,804
Franchise tax receivable		38,212
Local option sales tax receivable		177,854
Video programming		31,768
Property taxes receivable		18,392
Services receivable		42,465
Misellaneous receivables		6,513
Total		336,588
Public Utilities Fund:		
Services receivable		167,717
Total	\$	504,305

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$5,222,967	\$ -	\$ -	\$5,222,967
Construction in progress	-	-	-	-
Total capital assets not being depreciated	5,222,967	-	-	5,222,967
Capital assets being depreciated:				
Buildings & improvements	514,528	-	-	514,528
Infrastructure	303,881	-	-	303,881
Equipment	454,223	24,304	60,766	417,761
Vehicles and motorized equipment	1,982,005	512,148	254,087	2,240,066
Total capital assets being depreciated	3,254,637	536,452	314,853	3,476,236
Less accumulated depreciation for:				
Buildings & improvements	348,422	6,141	-	354,563
Infrastructure	11,818	20,259	-	32,077
Equipment	324,658	29,020	52,397	301,281
Vehicles and motorized equipment	1,388,094	208,316	253,022	1,343,388
Total accumulated depreciation	2,072,992	263,736	305,419	2,031,309
Total capital assets being depreciated, net	1,181,645			1,444,927
Governmental activity capital assets, net	\$6,404,612			\$6,667,894

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

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

General government	\$ 65,736
Public safety	198,000
Total depreciation expense	\$ 263,736

	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	934,400	-	-	934,400
Capital assets being depreciated:				
Plant and distribution systems	6,325,217	-	-	6,325,217
Furniture and maintenance equipment	222,705	98,582	5,125	316,162
Vehicles	103,945	56,935	21,626	139,254
Total capital assets being depreciated	6,651,867	155,517	26,751	6,780,633
Less accumulated depreciation for:				
Plant and distribution systems	3,749,057	185,361	-	3,934,418
Furniture and maintenance equipment	150,961	27,021	5,125	172,857
Vehicles	86,658	8,267	21,626	73,299
Total accumulated depreciation	3,986,676	220,649	26,751	4,180,574
Total capital assets being depreciated, net	2,665,191			2,600,059
Business type capital assets, net	\$3,599,591			\$3,534,459

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

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 not engaged in law enforcement is 4.8% 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, 2008, 2007, and 2006 were \$250,696, \$250,954, and \$242,670, 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, 2006 the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not year receiving benefits	-
Active plan members	18
	18
	18

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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

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, 2006 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:

Annual required contribution	\$	15,915
Interest on net pension obligation		4,025
Adjustment to annual required contribution		(3,412)
Annual pension cost		16,528
Contributions made		-
Increase (decrease) in net pension obligation		16,528
Net pension obligation beginning of year		55,522
Net pension obligation end of year	\$	72,050

3 Year Trend Information			
For Year Ended	Annual Pension Cost	Percentage of	Net Pension
June 30	(APC)	APC Contributed	Obligation
2006	\$ 13,418	0.00%	40,231
2007	15,291	0.00%	55,522
2008	16,528	0.00%	72,050

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund

Town of Atlantic Beach, North Carolina
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For the Fiscal Year Ended June 30, 2008

financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2008 were \$28,722, all contributed by the Town.

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 11.8% 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 contribution, net of forfeitures, to the pension plan for the year ended June 30, 2008 was \$70,745.

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. Other Employment Benefit

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

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

3. Deferred / Unearned Revenues

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

	Deferred Revenue	Unearned Revenue
Reserve for Taxes Receivable	\$ 18,392	\$ -
Deferred taxes	-	25,630
	\$ 18,392	\$ 25,630

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the 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.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

The Town has flood coverage of \$5 million per occurrence with a \$5 million annual aggregate limit for properties with structures located in B, C, and X zones. The Town also is eligible to and has purchased additional commercial flood insurance for up to \$500,000 of coverage per structure in all flood zones.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2008, 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.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

6. Long-Term Obligations

a. Installment Purchases:

In November 2004, 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, 2008 was \$278,707.

In March 2006, the Town entered into an installment purchase contract with BB&T for the purchase of property located on 915 W. Ft. Macon Rd, Atlantic Beach. Payments are broken down into two separate payment plans. One portion is to make payments annually in arrears in variable amounts with a fixed principal component of \$197,333 a portion of each payment is paid as and represents payment of interest at an annual rate of 3.9%. Payments are due beginning on March 15, 2008, and annually thereafter, with a final payment of all outstanding principal and accrued and unpaid interest due on March 15, 2021. The other portion of installments payments reflect the repayment of the loan proceeds and included a designated interest component corresponding to an annual interest rate of 6.41%. The town does not expect to prepay any of the Obligations prior to the scheduled payment dates. The combined balance outstanding at June 30, 2008 was \$3,466,666.

In April 2008, the Town entered into an installment purchase contract with BB&T for the purchase of a Rescue Truck. . The note is due in annual installments beginning April 15, 2009 of \$41,585, with an interest rate of 3.14%. The balance outstanding at June 30, 2008 was \$352,205.

Annual debt service payments of all installment notes as of June 30, 2008, including \$1,205,425 of interest, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	339,731	178,922
2010	342,183	164,311
2011	344,718	149,616
2012	347,336	134,837
2013	350,044	119,969
2014 - 2018	1,573,564	384,811
2019 - 2023	800,004	72,960
Total	<u>\$ 4,097,580</u>	<u>\$ 1,205,426</u>

b. General Obligation Indebtedness

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

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 Public Utility Fund are reported as long-term debt in the Public Utilities 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, 2008 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Public Utilities Fund:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2009	25,000	1,775
Total	\$ 25,000	\$ 1,775

Changes in Long-Term Liabilities

	Balance			Balance	Current
	June 30, 2007	Increases	Decreases	June 30, 2008	Portion of Balance
Governmental activities:					
Installment purchases	\$ 4,068,671	\$ 352,205	\$ 323,296	\$ 4,097,580	\$ 339,731
Compensated absences	135,503	56,709	28,461	163,751	28,784
Net pension obligation	55,522	16,528	-	72,050	-
Governmental activity long-term liabilities	\$ 4,259,696	\$ 425,442	\$ 351,757	\$ 4,333,381	\$ 368,515
Business-type activities:					
General obligation bonds	\$ 101,845	\$ -	\$ 76,845	25,000	\$ 25,000
Compensated absences	13,404	19,162	17,161	15,405	3,727
Business-type activity long-term liabilities	\$ 115,249	\$ 19,162	\$ 94,006	\$ 40,405	\$ 28,727

Compensated absences typically have been liquidated in the General Fund.

Town of Atlantic Beach, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2008, consist of the following:

<u>Descriptions</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,621,573	\$ -
Circle Infrastructure Fund	-	1,271,448
Public Utilities Fund	-	350,125
	<u>\$ 1,621,573</u>	<u>\$ 1,621,573</u>

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

During the year the Town transferred \$1,271,448 from the Circle fund into the General fund. This transfer was permitted because the Circle Fund monies were held in a locally designated reserve status for the purpose of a buy-back clause with Town property previously sold. Actions taken by the developer of the property have fulfilled the terms of the contract, therefore allowing those funds to be transferred to the General Fund. The Circle Fund was no longer needed for the purpose in which it was created and has been closed.

The transfer from the Public Utility Fund to the General Fund is for reimbursement of shared personnel costs (\$205,219) and debt service payment for the Town-owned property purchased for future use by both funds (\$144,906).

IV. Summary Disclosure of Significant Contingencies

Federal and State Assistance Programs

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