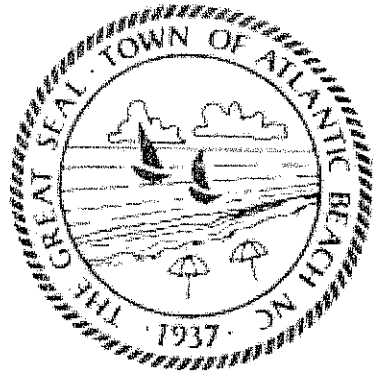


BASIC FINANCIAL STATEMENTS



This Page Intentionally Left Blank

Town of Atlantic Beach, North Carolina
Statement of Net Assets
June 30, 2009

EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,023,861	\$ 2,038,952	\$ 7,062,813
Taxes receivables (net)	46,716	-	46,716
Accounts receivable (net)	343,170	149,240	492,410
Inventories	-	36,049	36,049
Total current assets	<u>5,413,747</u>	<u>2,224,241</u>	<u>7,637,988</u>
Restricted assets:			
Cash and cash equivalents	353,406	-	353,406
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	1,151,899	2,392,353	3,544,252
Total capital assets	<u>6,374,866</u>	<u>3,326,753</u>	<u>9,701,619</u>
Total assets	<u>\$ 12,142,019</u>	<u>\$ 5,550,994</u>	<u>\$ 17,693,013</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 150,633	\$ 39,989	\$ 190,622
Unearned revenue	3,802	-	3,802
Accrued interest payable	53,487	-	53,487
Customer deposits	-	7,016	7,016
Customer advances	-	12,164	12,164
Current portion of long term debt	395,105	4,029	399,134
Total current liabilities	<u>603,027</u>	<u>63,198</u>	<u>666,225</u>
Long-term liabilities:			
Due in more than one year	3,612,128	11,348	3,623,476
Total long term liabilities	<u>3,612,128</u>	<u>11,348</u>	<u>3,623,476</u>
Total liabilities	<u>4,215,155</u>	<u>74,546</u>	<u>4,289,701</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,617,018	3,326,753	5,943,771
Restricted for			
Streets - Powell Bill	353,406	-	353,406
Unrestricted	4,956,440	2,149,696	7,106,136
Total net assets	<u>\$ 7,926,864</u>	<u>\$ 5,476,449</u>	<u>\$ 13,403,313</u>

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

Town of Atlantic Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 1,333,389	\$ -	\$ -	\$ -
Public safety	2,912,027	433,747	32,105	30,000
Transportation	382,097	-	69,047	-
Economic and physical development	112,193	54,166	-	-
Environmental protection	394,632	514,593	81,125	-
Interest on long-term debt	174,271	-	-	-
Total governmental activities (See Note 1)	5,308,609	1,002,506	182,277	30,000
Business-type activities:				
Water	859,629	1,089,455	-	-
Total business-type activities	859,629	1,089,455	-	-
Total primary government	\$ 6,168,238	\$ 2,091,961	\$ 182,277	\$ 30,000

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
\$ (1,333,389)	\$ -	\$ (1,333,389)
(2,416,175)	-	(2,416,175)
(313,050)	-	(313,050)
(58,027)	-	(58,027)
201,086	-	201,086
(174,271)	-	(174,271)
(4,093,826)	-	(4,093,826)
-	229,826	229,826
-	229,826	229,826
(4,093,826)	229,826	(3,864,000)
2,871,129	-	2,871,129
21,539	-	21,539
1,495,664	-	1,495,664
117,920	55,449	173,369
6,748	-	6,748
357,955	(357,955)	-
4,870,955	(302,506)	4,568,449
777,129	(72,680)	704,449
7,149,735	5,549,129	12,698,864
\$ 7,926,864	\$ 5,476,449	\$ 13,403,313

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, 2009

	Major General Fund	Non-Major Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,689,481	\$ 334,380	\$ 5,023,861
Restricted cash	353,406	-	353,406
Receivables, net:			
Taxes	46,716	-	46,716
Accounts	343,170	-	343,170
Total assets	<u>\$ 5,432,773</u>	<u>\$ 334,380</u>	<u>\$ 5,767,153</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 150,633	\$ -	\$ 150,633
Deferred/Unearned revenue	51,487	-	51,487
Total liabilities	<u>202,120</u>	<u>-</u>	<u>202,120</u>

(continued)

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, 2009

	Major General Fund	Non-Major Fund	Total Governmental Funds
Fund balances:			
Reserved for:			
State statute	\$ 338,399	\$ -	\$ 338,399
Streets Powell Bill	353,406	-	353,406
Unreserved, General Fund	4,538,848	-	4,538,848
Unreserved, reported in:			
Special Revenue Funds	-	334,380	334,380
Total fund balances	5,230,653	334,380	5,565,033
Total liabilities and fund balances	\$ 5,432,773	\$ 334,380	

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.

6,374,866

Liabilities for earned but deferred revenues in fund statements.

47,687

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.

(4,060,722)

Net assets of governmental activities

\$ 7,926,864

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, 2009

	Major General Fund	Non-Major Fund	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,845,137	\$ -	\$ 2,845,137
Other taxes and licenses	21,539	-	21,539
Unrestricted intergovernmental	1,495,664	-	1,495,664
Restricted intergovernmental	204,977	-	204,977
Permits and fees	176,469	-	176,469
Sales and services	790,277	-	790,277
Investment earnings	111,826	6,095	117,921
Miscellaneous	43,062	-	43,062
Total revenues	<u>5,688,951</u>	<u>6,095</u>	<u>5,695,046</u>
EXPENDITURES			
Current:			
General government	1,235,362	-	1,235,362
Public safety	2,658,210	-	2,658,210
Transportation	430,558	-	430,558
Environmental protection	394,416	-	394,416
Economic and physical development	112,487	-	112,487
Debt service:			
Principal	339,731	-	339,731
Interest and other charges	178,922	-	178,922
Total expenditures	<u>5,349,686</u>	<u>-</u>	<u>5,349,686</u>
Revenue over (under) expenditures	<u>339,265</u>	<u>6,095</u>	<u>345,360</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	357,955	-	357,955
Transfers from non-major funds	27,040	(27,040)	-
Insurance recovery	6,748	-	6,748
Total other financing sources (uses)	<u>391,743</u>	<u>(27,040)</u>	<u>364,703</u>
Net change in fund balance	731,008	(20,945)	710,063
Fund balance, beginning	4,499,645	355,325	4,854,970
Fund balance, ending	<u>\$ 5,230,653</u>	<u>\$ 334,380</u>	<u>\$ 5,565,033</u>

(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, 2009

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

Net changes in fund balances - total governmental funds \$ 710,063

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.

Capital outlay expenditures which were capitalized	9,379	
Depreciation expense for governmental assets	(302,408)	(293,029)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue for tax revenues	29,295
---	--------

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.

339,731

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.

Compensated absences	5,288	
Accrued interest payable	4,651	
Net pension obligation	(18,870)	

Total changes in net assets of governmental activities	\$ 777,129
--	------------

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, 2009

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2,827,716	\$ 2,827,716	\$ 2,845,137	\$ 17,421
Other taxes and licenses	15,000	15,000	21,539	6,539
Unrestricted intergovernmental	1,263,213	1,263,213	1,495,664	232,451
Restricted intergovernmental	90,250	206,375	204,977	(1,398)
Permits and fees	171,000	171,000	176,469	5,469
Sales and services	785,070	780,070	790,277	10,207
Investment earnings	16,500	120,000	111,826	(8,174)
Miscellaneous	33,200	38,344	43,062	4,718
Total revenues	<u>5,201,949</u>	<u>5,421,718</u>	<u>5,688,951</u>	<u>267,233</u>
Expenditures:				
Current:				
General government	1,210,921	1,392,764	1,235,362	157,402
Public safety	2,866,623	2,861,002	2,658,210	202,792
Transportation	551,068	582,157	430,558	151,599
Environmental protection	411,120	411,700	394,416	17,284
Economic and physical development	149,548	149,548	112,487	37,061
Debt service:				
Principal retirement	519,075	340,075	339,731	344
Interest and other charges	-	179,000	178,922	78
Total expenditures	<u>5,708,355</u>	<u>5,916,246</u>	<u>5,349,686</u>	<u>566,560</u>
Revenues over (under) expenditures	<u>(506,406)</u>	<u>(494,528)</u>	<u>339,265</u>	<u>833,793</u>
Other Financing Sources				
Insurance recovery	6,748	6,748	6,748	-
Transfers from other funds	491,486	376,026	384,995	8,969
	<u>498,234</u>	<u>382,774</u>	<u>391,743</u>	<u>8,969</u>
Fund balance appropriated	(8,172)	(111,754)	-	(111,754)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>731,008</u>	<u>\$ 731,008</u>
Fund balances, beginning			<u>4,499,645</u>	
Fund balances, ending			<u>\$ 5,230,653</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, 2009

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,038,952
Accounts receivable (net) - billed	90,556
Accounts receivable (net) - unbilled	58,684
Inventories	36,049
Total current assets	<u>2,224,241</u>

Non-current assets:

Capital assets:

Land	934,400
Capital assets, net of depreciation	2,392,353
	<u>3,326,753</u>

Total assets	<u>\$ 5,550,994</u>
--------------	---------------------

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	\$ 39,989
Customer advances on water bills	12,164
Customer deposits	7,015
Current portion of accrued vacation	4,029
Total current liabilities	<u>63,197</u>

Noncurrent liabilities:

Accrued vacation	<u>11,348</u>
------------------	---------------

Total liabilities	<u>74,545</u>
-------------------	---------------

NET ASSETS

Invested in capital assets, net of related debt	3,326,753
Unrestricted	<u>2,149,696</u>
Total net assets	<u>\$ 5,476,449</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, 2009

OPERATING REVENUES	
Charges for services	\$ 839,350
Water and sewer tap	23,450
Stormwater fees	177,761
Miscellaneous	48,894
Total operating revenues	<u>1,089,455</u>
OPERATING EXPENSES	
Administration	261,892
Water treatment and distribution	365,945
Depreciation	230,658
Total operating expenses	<u>858,495</u>
Operating income	<u>230,960</u>
NONOPERATING REVENUE (EXPENSES)	
Investment income	55,449
Interest expenses	(1,134)
Total nonoperating revenue (expenses)	<u>54,315</u>
Income before contributions and transfers	285,275
Transfers to other funds	<u>(357,955)</u>
Change in net assets	(72,680)
Total net assets, beginning	5,549,129
Total net assets, ending	<u>\$ 5,476,449</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, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,100,496
Cash paid to employees	(200,728)
Cash paid for services	(436,985)
Net cash provided by operating activities	<u>462,783</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to other funds	<u>(357,955)</u>
Net cash flows (used) by noncapital financing activities	<u>(357,955)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on bond maturities and equipment contracts	(25,000)
Interest paid on bond maturities and equipment contracts	(1,134)
Acquisition of capital assets	(32,332)
Net cash (used) by capital and related financing activities	<u>(58,466)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest	<u>55,449</u>
Net increase in cash and cash equivalents	101,811

Balances, beginning	1,937,141
Balances, ending	<u>\$ 2,038,952</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, 2009

Reconciliation of operating income to net cash provided by operating activities

Operating income	<u>\$ 230,960</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	230,658
Net capital assets transferred with General Fixed Assets	9,375
Changes in assets and liabilities:	
(Increase) in accounts receivable	(11,041)
Decrease in inventory	6,484
(Decrease) in accounts payable and accrued liabilities	(4,579)
Increase in customer advances on water bills	1,328
(Decrease) in customer deposits	(374)
(Decrease) in accrued vacation pay	(28)
Total adjustments	<u>231,823</u>
Net cash provided by operating activities	<u><u>\$ 462,783</u></u>

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