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**Report On Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based On An Audit Of Financial Statements Performed In Accordance With Government  
Auditing Standards**

To the Honorable Mayor and  
Members of the Town Council  
Town of Atlantic Beach, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Town of Atlantic Beach, North Carolina, as of and for the year ended June 30, 2009, which collectively comprises the Town of Atlantic Beach's basic financial statements, and have issued our report thereon dated October 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Town of Atlantic Beach's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Atlantic Beach's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal

control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Atlantic Beach's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of Town Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Thompson Price Scott Adams & Co., P.A.  
Thompson, Price, Scott, Adams & Co., P.A.  
October 19, 2009

Town of Atlantic Beach, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2009

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**Section I. Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?            \_\_\_yes     X no
  
- Significant Deficiency(s) identified  
that are not considered to be  
material weaknesses?                            \_\_\_yes     X none reported

Noncompliance material to financial  
statements noted                                    \_\_\_yes     X no

Town of Atlantic Beach, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2009

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**Section II – Financial Statement Findings**

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SIGNIFICANT DEFICIENCIES

None Reported.

Town of Atlantic Beach, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2009

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**Section III – Federal Award Findings and Questioned Costs**

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None reported.

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**Section IV – State Award Findings and Questioned Costs**

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None reported.

Town of Atlantic Beach, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2009

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**Section II – Financial Statement Findings**

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None Reported.

Town of Atlantic Beach, North Carolina  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2009

- 07 – 1 Financial Reporting – The Town has corrected this finding.
- 07 – 2 Segregation of Duties – The Town has corrected this finding.
- 07 – 3 Inventory Valuation – The Town has corrected this finding.
- 07 – 4 Accounting for Building Permits – The Town has corrected this finding.
- 07 – 5 Fraud Risk Management Program – The Town has corrected this finding.
- 07 – 6 Non Compliance with NC General Statutes – The Town has corrected this finding.
- 07 – 7 Non Compliance with NC General Statutes – The Town has corrected this finding.
- 07 – 8 Non Compliance with NC General Statutes – The Town has corrected this finding.
- 07 – 9 Non Compliance with NC General Statutes – The Town has corrected this finding.
- 07 – 10 Non Compliance with NC General Statutes – The Town has corrected this finding.

