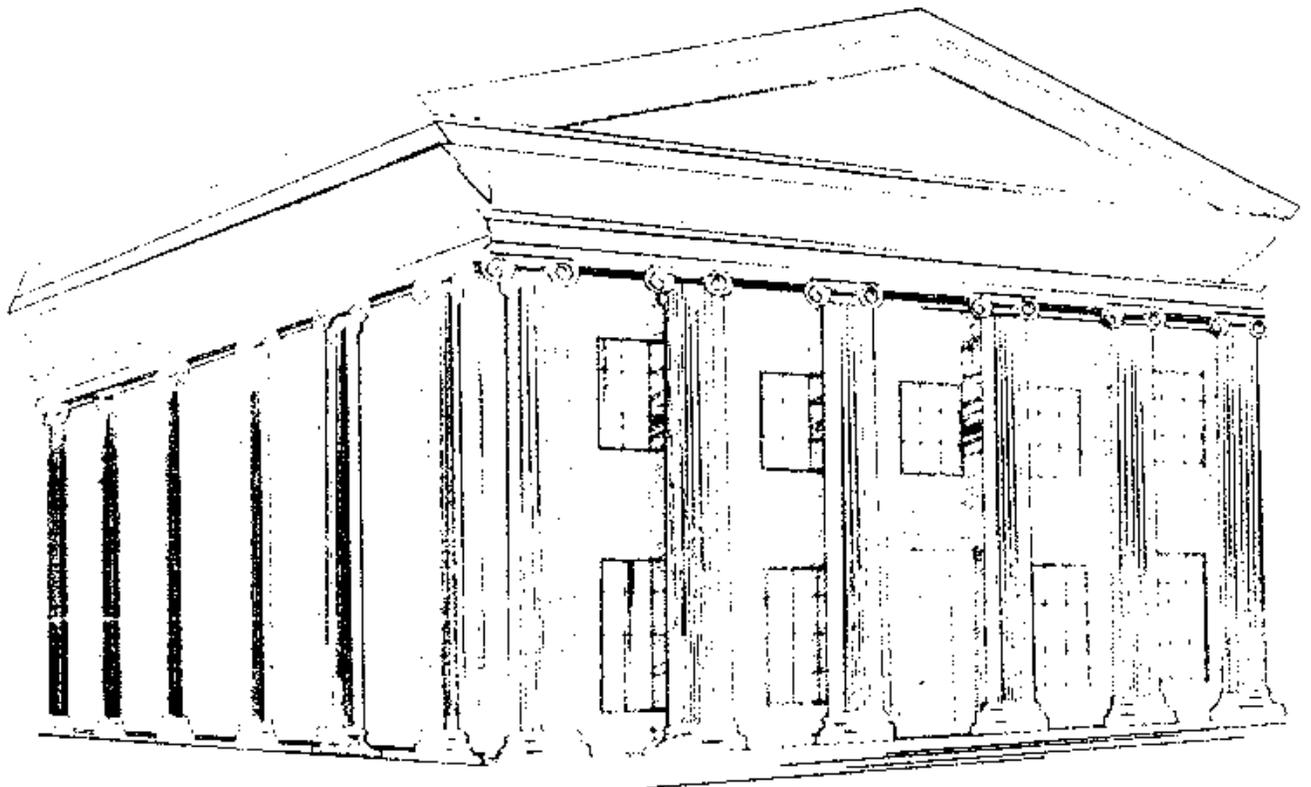


TOWN OF NAGS HEAD NORTH CAROLINA

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

**TOWN OF NAGS HEAD, NORTH CAROLINA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Nags Head
Nags Head, North Carolina

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nags Head, North Carolina as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Nags Head, North Carolina's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nags Head, North Carolina as of June 30, 2008, the respective changes in financial position and cash flows, where appropriate, thereof, and the respective budgetary comparison for the general fund and Capital Reserve Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008 on our consideration of the Town of Nags Head's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town of Nags Head, North Carolina taken as a whole. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 10, 2008

Town of Nags Head, North Carolina Management Discussion and Analysis

As management of the Town of Nags Head, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Town of Nags Head for the fiscal year ended June 30, 2008. The Management Discussion and Analysis (MD&A) section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial condition, identify material deviations from the financial budget, and identify individual fund issues or concerns.

FINANCIAL HIGHLIGHTS

The assets of the Town of Nags Head exceeded its liabilities at the close of the fiscal year by \$34,515,865 (net assets).

The Town's net assets increased by \$814,283 over the prior year. The governmental net assets increased by \$699,534 (+3.19%). The business-type net assets increased by \$114,749 (+.98%).

At the end of the current fiscal year, the total unreserved fund balance for the General Fund was \$8,266,136 which is up by \$1,406,303 (+20.50%) from the prior year. The increase is due primarily to decreases in both Fund Balance Reserved for Encumbrances and Fund Balance Reserved for Restricted assets related to capital purchases funded and encumbered in fiscal year 06/07 that were not completed as of June 30, 2007. In the current fiscal year all major capital equipment purchases were complete as of June 30, 2008. This unreserved fund balance represents 69.43% of total general fund expenditures for the fiscal year up from 64.15% in the prior year.

The Town of Nags Head's total debt decreased by \$948,043 (-14.67%) during the current fiscal year.

The General Fund budget for the fiscal year ended June 30, 2008 was adopted with a tax rate of \$.1475 per \$100 assessed valuation reflecting no change from the prior year. Total assessed valuation increased from \$3,031,041,982 as of June 30, 2007 to \$3,051,148,434 as of June 30, 2008 an increase of \$20,106,452 (+.66%).

General Fund budget amendments during fiscal year 2007-2008 increased the adopted budget by just over \$933,000 with individual increases (decreases) by functional area noted below:

- General Government decreased by \$263,992 for reimbursements from the Water Fund for administrative oversight through the allocation of indirect costs partially offset by increases for partial year funding of the Deputy Manager as a full time salaried versus part time contracted position and capital costs for engineering Phase II of the west side multi use path project.
- Public Safety increased by \$626,252 to fund capital purchases budgeted at the first year debt payment amount including replacement police vehicles and a replacement fire truck partially offset by reductions in Ocean Rescue staffing for not contracting with the National Park Service to provide ocean rescue services for the 2008 summer season.
- Environmental Protection increased by \$478,969 due to capital purchases budgeted at the first year debt payment amount.
- Public Works increased by \$92,005 due to capital purchases budgeted at the first year debt payment amount and additional street capital projects approved and funded during the fiscal year partially offset by reimbursements from the Water Fund for administrative oversight through the allocation of indirect costs.
- There was no change to the amount budgeted for Contingency \$125,000 due to no use for the fiscal year in the General Fund.

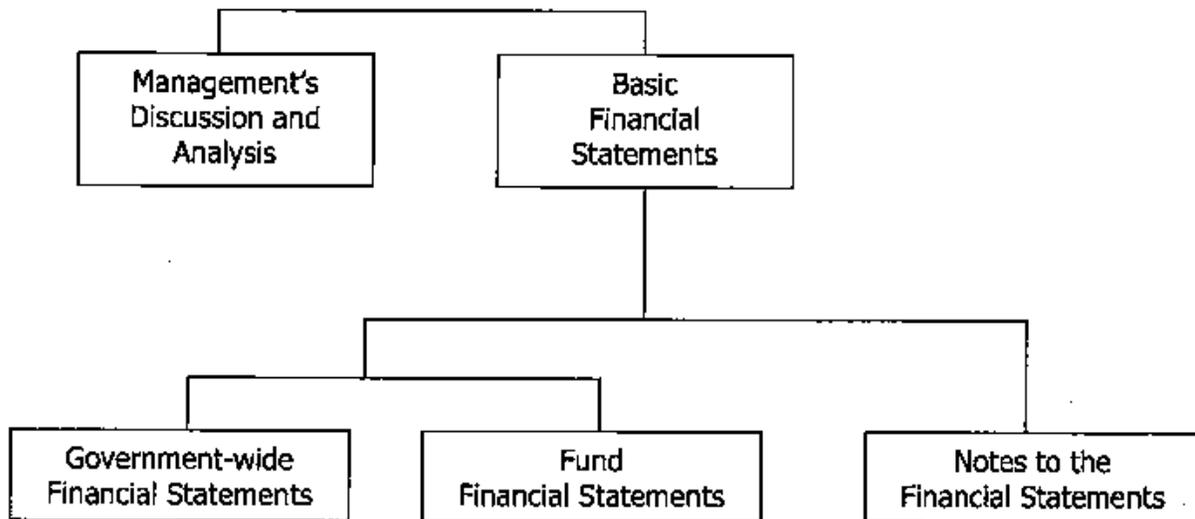
Key Ratios

% Debt to General Governmental Expenses	44.36%
% Property Tax Collection	99.96%
% Increase in Assessed Property Valuation	.66%

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an Introduction to the Town of Nags Head's basic financial statements. The financial statements include two kinds of statements that present different views of the Town: 1) Government-Wide Financial Statements and 2) Fund Financial Statements. Both perspectives, however, are essential and complementary components that allow the user to address relevant questions, broaden a basis for comparison, and enhance the Town's accountability. Another element of the basic financial statements is the notes to the financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Nags Head. (See Figure 1)

Figure 1 – Required Components of Annual Financial Report



A. Government-Wide Financial Statements

The government-wide statement report both short-term and long-term information about the financial condition of the Town as a whole, focusing on the government's operational accountability. The accounting methods of these statements reflect that of private sector companies in that all governmental and business-type activities are consolidated into columns that add to a total for the primary government. The statement of net assets reports the Town's net assets and includes all, both current and non-current, assets and liabilities of the government. The difference between the two is reported as net assets. Over time, increases or decreases in the Town's net assets are one indication of whether its financial health is improving or deteriorating. You will also need to consider other non-financial factors, such as changes in the Town's property tax base, local economy and service levels, to assess the overall health of the Town. On the other hand, the statement of activities reports how net assets have changed and includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The government-wide financial statements of the Town are divided into two categories:

Governmental Activities – Most of the Town’s basic services are included here, such as police, fire, environmental services, public works and general administration. Taxes and grants finance most of these activities.

Business-Type Activities – the Town charges fees to customers to cover the costs of certain services it provides. The Town’s water system is included. Also included here is the Town’s one blended component unit – Nags Head Leasing. Although legally separate, “component units” are important because of certain financial transactions that exist between the entities and the Town.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the Town’s major funds while focusing on the fiscal accountability. Funds are accounting devices that the Town uses to keep track of specific sources of funding, such as those required by state law, and spending for particular purposes. The Board of Commissioners establishes several funds to assure control as well as good management and to exhibit proper usage of certain taxes and grants. The Town of Nags Head, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes.

The Town has three types of funds:

Governmental Funds – Most of the Town’s basic services are included in governmental funds, which focus on 1) how cash and other financial assets can readily be converted to cash flow in and out (that is, their liquidity) and 2) the balances left at year-end that are available for spending. This is the manner in which the financial budget is typically developed. Because this information provides a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s programs, as opposed to the government-wide statements which provides both a short and a long term focus, a reconciliation is provided on the page following the fund statements that explains the relationship or differences between the two views.

Proprietary Funds – Services for which the Town charges customers a fee are generally reported in proprietary funds. Accounted for like the government-wide statements, proprietary funds provide both long and short-term financial information and in addition include the statement of cash flows. A reconciliation statement is once more provided following these funds to explain the difference between them.

Fiduciary Funds – The Town is the trustee, or fiduciary, for its Police Special Separation Allowance Pension Trust. The Town is also the trustee, or fiduciary, for the Beach Nourishment Trust. The Town is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The Town’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the government-wide financial statements because the town cannot use these assets to finance its operations.

C. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

D. Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Nags Head’s progress in funding its obligation

to provide pension benefits to certain of its employees.

E. Other Supplementary Information

Other supplementary information includes combining statements for selected funds showing additional detail for revenues and expenditures.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Nags Head, assets exceeded liabilities by \$34,515,865 at the close of the fiscal year ended June 30, 2008. A large portion of the Town of Nags Head's net assets \$20,172,553 represents its investment in capital assets (e.g. land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding plus any loan proceeds not yet expended at the end of the fiscal year. The resources to repay the debt must be provided from sources other than capital assets, since it cannot be used to liquidate the liabilities.

An additional portion of the Town of Nags Head's net assets \$111,075 represents resources that are subject to restrictions on how they may be used. The remainder of \$14,232,237 in unrestricted net assets is the residual amount of assets that can be used without constraints established by debt covenants, enabling legislation, or other legal requirements. However, it should be noted that only a portion of this amount is available and unobligated to finance additional day-to-day governmental activities or unforeseen circumstances in the future.

	Town of Nags Head's Net Assets				Total	
	Governmental Activities		Business - Type Activities		2008	2007
	2008	2007	2008	2007		
Current and Other Assets	\$ 12,441,325	\$ 13,213,240	\$ 4,995,883	\$ 5,003,978	\$ 17,437,208	\$ 18,217,218
Capital Assets, Net	15,203,600	14,594,873	8,602,322	8,760,433	23,805,922	23,355,306
Total Assets	27,644,925	27,808,113	13,598,205	13,764,411	41,243,130	41,572,524
Long-Term Debt Outstanding	4,551,029	5,373,029	965,140	1,091,183	5,516,169	6,464,212
Other Liabilities	451,382	492,104	759,714	914,626	1,211,096	1,406,730
Total Liabilities	5,002,411	5,865,133	1,724,854	2,005,809	6,727,265	7,870,942
Net Assets	22,642,514	21,942,980	11,873,351	11,758,602	34,515,865	33,701,582
Investment in Capital Assets, Net of Related Debt	12,497,096	11,989,318	7,675,457	7,705,341	20,172,553	19,694,659
Restricted	111,075	977,795	-	-	111,075	977,795
Unrestricted	10,034,343	8,975,867	4,197,894	4,053,261	14,232,237	13,029,128
Total Net Assets	\$ 22,642,514	\$ 21,942,980	\$ 11,873,351	\$ 11,758,602	\$ 34,515,865	\$ 33,701,582

See Exhibit 1

Town of Nags Head's Changes in Net Assets

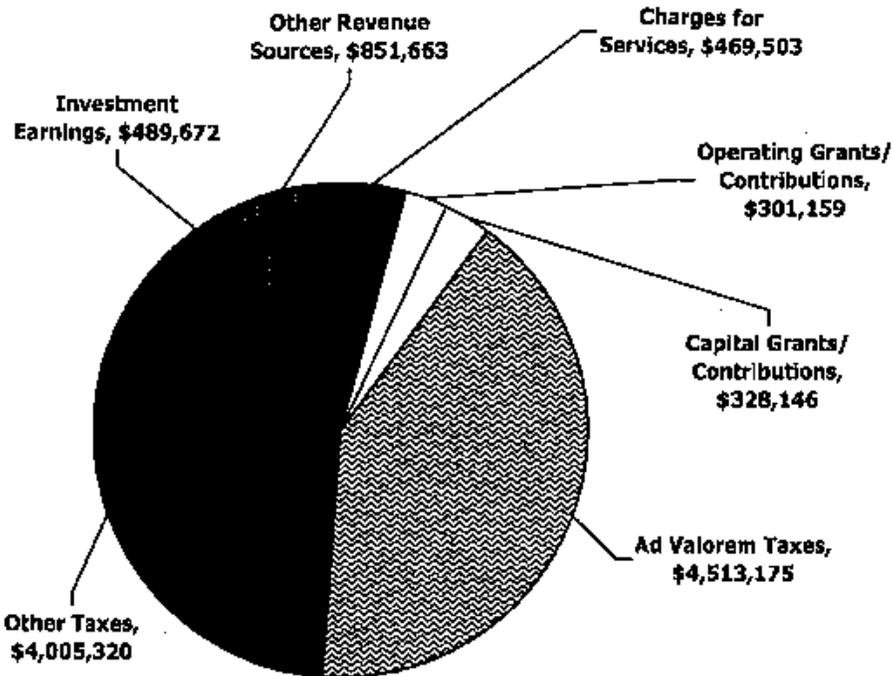
	Governmental Activities		Business - Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 469,503	\$ 639,682	\$ 2,735,363	\$ 2,741,918	\$ 3,204,866	\$ 3,381,600
Operating Grants	301,159	39,090	-	29,900	301,159	68,990
Capital Grants	328,146	218,213	-	-	328,146	218,213
General Revenues:						
Property Taxes	4,513,175	4,482,309	-	-	4,513,175	4,482,309
Other Taxes	4,005,320	4,092,110	-	-	4,005,320	4,092,110
Investment Income	489,672	599,034	186,930	236,896	676,602	835,930
Other	851,663	802,237	245,559	882,217	1,097,222	1,684,454
Total Revenues	<u>10,958,638</u>	<u>10,872,675</u>	<u>3,167,852</u>	<u>3,890,931</u>	<u>14,126,490</u>	<u>14,763,606</u>
Expenses:						
General Government	2,215,258	2,216,074	-	-	2,215,258	2,216,074
Public Safety	4,445,113	4,310,009	-	-	4,445,113	4,310,009
Public Works/Transportation	1,720,014	1,621,662	-	-	1,720,014	1,621,662
Environmental Protection	1,687,064	1,529,948	-	-	1,687,064	1,529,948
Interest on Long Term Debt	191,655	217,671	-	-	191,655	217,671
Water Utility	-	-	3,053,103	2,955,819	3,053,103	2,955,819
Total Expenses	<u>10,259,104</u>	<u>9,895,364</u>	<u>3,053,103</u>	<u>2,955,819</u>	<u>13,312,207</u>	<u>12,851,183</u>
Net Increase in Net Assets	699,534	977,311	114,749	935,112	814,283	1,912,423
Transfers	-	(41,766)	-	41,766	-	-
Net Assets - July 1	21,942,980	21,007,435	11,758,602	10,781,724	33,701,582	31,789,159
Net Assets - June 30	<u>\$ 22,642,514</u>	<u>\$ 21,942,980</u>	<u>\$ 11,873,351</u>	<u>\$ 11,758,602</u>	<u>\$ 34,515,865</u>	<u>\$ 33,701,582</u>

A. Governmental Activities

Governmental activities increased the Town of Nags Head's net assets by \$699,534. The governmental activities revenues increased by \$85,963, which included an increase in FEMA reimbursement revenue from the appeal of sprigging costs for Hurricane Isabel damages of \$282,318. Ad valorem tax revenue was up by \$30,866 with other taxes down by \$86,790. Investment earnings decreased by \$109,362 due to declining market rate of return. Building permits were down for the fifth year in a row with a decrease of \$30,628.

Without the FEMA revenue in the current fiscal year, total governmental revenues decreased by \$196,355 (-1.81%).

During the year, the Town's governmental expenses were \$10,259,104 an increase of \$363,740 (+3.68%).

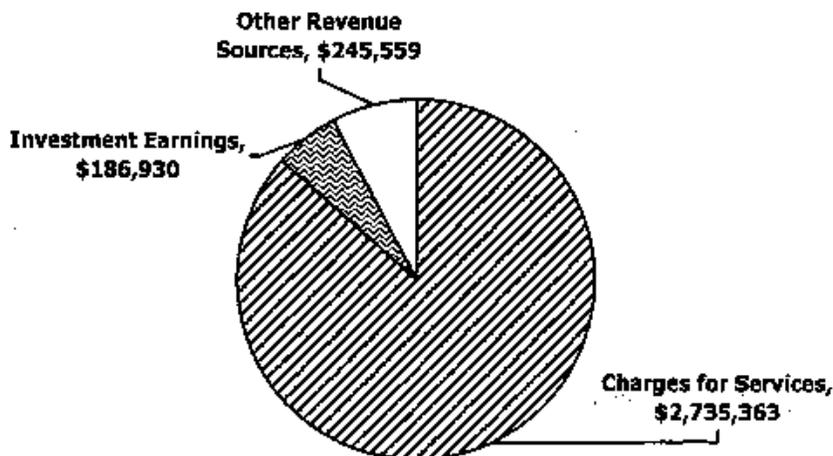


Revenues by Source for Governmental Type Activities

B. Business Type Activities

Business type activities increased the Town of Nags Head's net assets by \$114,749. There are three separate and distinct operations accounted for in the Enterprise Funds: the Water Utility Operations, the Storm Water Fund, and Nags Head Leasing. Charges for service in the Water Fund decreased slightly in the Water Operations Fund by \$7,213 and increased slightly in the Storm Water Fund by \$658 as compared to the preceding year.

Revenues by Source for Business Type Activities



FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

A. Governmental Funds

As noted earlier, the Town of Nags Head uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town of Nags Head's governmental funds is

to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Nags Head's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Nags Head. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,266,136, while total fund balance decreased slightly to \$9,505,611. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 69.43% of total General Fund expenditures compared with 64.15 % for the prior year. Note that unreserved fund balance is up from the prior year unreserved fund balance of \$6,859,833 by \$1,406,303 (+20.50%) while total fund balance is down by \$440,322 (-4.43%). The increase in unreserved fund balance relative to the prior year is a result of decreases in reserved fund balances for encumbrances and restricted assets for capital items that were not complete as of the end of the prior fiscal year and were still encumbered. All current year capital acquisitions and escrow disbursements were completed prior to June 30, 2008 and resulted in no similar restrictions of fund balance.

As of June 30, 2008, the governmental funds of the Town of Nags Head reported combined fund balance of \$10,525,443, a 4.11 % decrease over last year. Included in this change in fund balance are decreases in fund balance in the General fund, Capital Reserve Fund, and Beach Nourishment Project Fund partially offset by increases in fund balance in the Beach & Sound Access Project Fund.

B. Proprietary Funds

The Town of Nags Head's proprietary funds provide the same type of information found in the government-wide statement but in more detail. Unrestricted net assets of the Water Fund at the end of the fiscal year amounted to \$3,877,353. This represents an increase of \$64,766. Unrestricted net assets in the Storm Water Fund also increased by \$79,848 to \$320,047.

C. Capital Assets

The Town of Nags Head's investment in capital assets for its governmental and business-type activities as of June 30, 2008, totals \$23,805,922 (net of accumulated depreciation). These assets include buildings, construction in progress, other improvements, land, intangibles, machinery and equipment and vehicles.

Major capital asset transactions during the year include the following demolition (there were no significant acquisitions or disposals):

- Demolition of the Water Tower located adjacent to the Town Hall facility originally constructed in 1962 at a cost of \$945,000 was fully depreciated at the time of demolition. The Town incurred costs of approximately \$50,000 for the removal of the tower and related site restoration expenditures.

Town of Nags Head's Capital Assets
(net of depreciation)

	Governmental Activities		Business - Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 5,025,411	\$ 5,025,411	\$ 2,453,473	\$ 2,448,252	\$ 7,478,884	\$ 7,473,663
Construction in Progress	534,156	539,369	45,875	136,650	580,031	676,019
Buildings	5,100,112	5,339,838	3,324,980	3,072,409	8,425,092	8,412,047
Other Improvements	1,243,626	976,297	-	-	1,243,626	976,297
Equipment	534,136	615,694	460,347	644,858	994,483	1,260,552
Vehicles	2,766,159	2,098,464	25,270	59,101	2,791,429	2,157,565
Intangibles	-	-	2,292,377	2,399,163	2,292,377	2,399,163
Total	\$ 15,203,600	\$ 14,594,873	\$ 8,602,322	\$ 8,760,433	\$ 23,805,922	\$ 23,355,306

See Exhibit 1

D. Long Term Debt

As of June 30, 2008, the Town of Nags Head had no bonded debt. The Town's total debt decreased by \$948,043 for the year.

Town of Nags Head's Outstanding Debt

	Governmental Activities		Business - Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Finance Contracts	\$ 3,032,666	\$ 3,604,684	\$ 829,080	\$ 888,738	\$ 3,861,746	\$ 4,493,422
Capital Leases	1,111,838	1,376,813	97,785	166,354	1,209,623	1,543,167
Compensated Absences	406,525	391,532	38,275	36,091	444,800	427,623
Total	\$ 4,551,029	\$ 5,373,029	\$ 965,140	\$ 1,091,183	\$ 5,516,169	\$ 6,464,212

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The level of unemployment in Dare County ranged from 2.6% to 10.2% compared to the seasonally adjusted statewide average of 5.04%.

Construction in fiscal year 2008 decreased overall in the Town of Nags Head by \$436,860 (-1.52%) from the previous year. This was due to increases in both large single family and multi-family construction of \$2,190,560 and \$5,400,000 respectively with decreases in single family construction of \$1,816,765, commercial construction of \$4,563,000, and miscellaneous construction of \$1,647,655. Both building permit fees and review fees were also down in fiscal year 2007-2008, the fifth straight decrease in annual revenues for building permit fees.

The property tax base increased by .66% to \$3,051,148,434 in the fiscal year ended June 30, 2008. Occupancy tax exhibited continued strong growth for the Town in fiscal year 2007-2008 and was up in eleven out of the twelve months relative to the same month in the prior year. Results from sales taxes were mixed with increases in revenues from Article 40 and 42 taxes and decreased revenues from Article 39 and 44 taxes. Land transfer tax revenues decreased even further from the significant reduction in land transfer revenues experienced during the prior two fiscal years with the continuing softening of the real estate market.

reduction in land transfer revenues experienced during the prior two fiscal years with the continuing softening of the real estate market.

The Town's adopted budget for the fiscal year ending June 30, 2008 reflects no change in the property tax rate of .1475 per \$100 in assessed valuation compared to the previous year.

Considering the above indicators when adopting the operating budget for the next fiscal year, the Town's adopted 2008-2009 budget decreased by \$993,847 (-7.56%) over the 2007-2008 amended budget and decreased by \$60,613 (-.50%) over the adopted budget for 2007-2008.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING June 30, 2009

Governmental Activities: The adopted budget for fiscal year 2008-2009 is based on the estimated increased property valuation of \$3,046,607,165 up \$20,687,629 (+.68%) from the prior year valuation of \$3,025,919,536 allowing the tax rate to remain steady at \$.1475/\$100. The adopted budget reflects a slight decrease of \$60,613 from the prior year's adopted budget. Decreases in projected funding include a reduction of \$140,000 in land transfer tax revenues, a reduction of \$15,000 in combined sales tax revenues, a reduction in building permit fees and review fees of \$57,025 and \$25,000 respectively, reduced rents from the YMCA pass-through of \$64,740, decreased grant revenue for the west side multi-use path project of \$131,866, and a \$210,000 decrease in projected revenues from investment income. These are partially offset by increases in revenues from occupancy tax of \$100,000, cable and utility franchise tax revenues of \$69,000, an increased contribution from Capital Reserve Fund revenues of \$64,373, cell tower rents of \$87,250, and an increase in anticipated use of Fund Balance in the amount of \$307,791.

Budgeted expenditures in the General Fund are generally flat with the exception of funding for Public Works Facilities Maintenance which is down by \$130,484 due to the inclusion of the west-side multi-use path project costs of \$151,306 in the prior fiscal year. Funds budgeted for Special Projects for the pass-through costs of YMCA debt are down by \$64,740 due to reduced annual debt service costs and funds budgeted for Ocean Rescue are down by \$31,945 primarily from reduced staffing related to not contracting with the National Park Service to provide ocean rescue services for Coquina Beach for the summer 2008 season. Departments with projected increases include Town Manager up by \$71,036 with the funding for a full time Deputy Manager position filled in the prior fiscal year with part time contracted services. In addition, Public Works Sanitation and Solid Waste are up a combined \$63,887 from the increased cost of fuel, increased cost per ton for tipping fees, and the new \$2 per ton tax effective July 1, 2008.

Business -Type Activities: The water rates in the Town will remain the same with projected growth in gallons purchased of 5.55%. Appropriated retained earnings will be used to fund the debt service on the new water tank of \$93,874, water line improvement projects \$115,000, replacement of the pump control panel for Water Operations of \$95,400, phase I of III of actuator replacement costs of \$17,780 for Fresh Pond capital projects, current year contingency in the amount of \$50,000 with funds not spent in the prior fiscal year, the \$100,000 match of any grant or revolving loan funds received for sand bottom septic tank replacement, and an one time use of fund balance for current year operating costs in the amount of approximately \$300,000.

Requests for Information

This financial report is designed to provide a general overview of the Town of Nags Head's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning any information provided in this report or requests for additional information should be addressed to Finance Officer, Town of Nags Head, Administrative Services, P.O. Box 99, Nags Head, NC, 27959 or by calling 252-441-5508.

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Town of Nags Head, North Carolina
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,431,358	\$ 4,447,938	\$ 10,879,296
Investments	3,505,868	-	3,505,868
Taxes receivable (net)	9,783	-	9,783
Accounts receivable (net)	68,767	382,641	451,408
Accrued interest receivable	87,375	-	87,375
Due from other governments	811,183	103,254	914,437
Inventories	86,211	62,050	148,261
Special assessments	124	-	124
Prepaid items	2,656	-	2,656
Total current assets	<u>11,003,325</u>	<u>4,995,883</u>	<u>15,999,208</u>
Non-current assets:			
Capital Lease Receivable	1,438,000	-	1,438,000
Capital Assets (Note 4):			
Land, non-depreciable improvements and construction in progress	5,559,567	2,499,348	8,058,915
Other capital assets, net of depreciation	9,644,033	6,102,974	15,747,007
Total capital assets	<u>15,203,600</u>	<u>8,602,322</u>	<u>23,805,922</u>
Total Assets	<u>27,644,925</u>	<u>13,598,205</u>	<u>41,243,130</u>
LIABILITIES			
Current liabilities:			
Accounts payable	152,030	135,143	287,173
Accrued liabilities	196,019	15,375	211,394
Unearned revenue	70,327	224,000	294,327
Bonds and deposits	32,520	385,196	417,716
Due to other governments	486	-	486
Long-term liabilities:			
Due within one year	1,249,627	143,213	1,392,840
Due in more than one year	3,301,402	821,927	4,123,329
Total liabilities	<u>5,002,411</u>	<u>1,724,854</u>	<u>6,727,265</u>
NET ASSETS			
Invested in capital assets, net of related debt	12,497,096	7,675,457	20,172,553
Restricted for:			
Powell bill expenditures	103,068	-	103,068
Public safety enforcement	8,007	-	8,007
Unrestricted	10,034,343	4,197,894	14,232,237
Total net assets	<u>\$ 22,642,514</u>	<u>\$ 11,873,351</u>	<u>\$ 34,515,865</u>

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

Town of Nags Head, 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	\$ 2,215,258	\$ 401,438	\$ 6,760	\$ -
Public Safety	4,445,113	68,065	11,582	8,399
Public Works/Transportation	1,720,014	-	282,817	319,747
Environmental Protection	1,687,064	-	-	-
Interest on long-term debt	191,655	-	-	-
Total governmental activities (See Note 1)	<u>10,259,104</u>	<u>469,503</u>	<u>301,159</u>	<u>328,146</u>
Business-type activities:				
Water	3,021,944	2,622,985	-	215,000
Storm Water	31,159	112,378	-	-
Total business-type activities	<u>3,053,103</u>	<u>2,735,363</u>	<u>-</u>	<u>215,000</u>
Total primary government	<u>\$ 13,312,207</u>	<u>\$ 3,204,866</u>	<u>\$ 301,159</u>	<u>\$ 543,146</u>

General revenues:

Taxes:

Property taxes, levied for general purpose

Occupancy tax

Land transfer taxes

Sales taxes

Other taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Capital Contributions

Total general revenues, special items and transfers

Total change in net assets

Net assets - beginning

Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,807,060)	\$ -	\$ (1,807,060)
(4,357,067)	-	(4,357,067)
(1,117,450)	-	(1,117,450)
(1,687,064)	-	(1,687,064)
(191,655)	-	(191,655)
(9,160,296)	-	(9,160,296)
-	(183,959)	(183,959)
-	81,219	81,219
-	(102,740)	(102,740)
(9,160,296)	(102,740)	(9,263,036)
4,513,175	-	4,513,175
1,863,955	-	1,863,955
516,826	-	516,826
1,585,496	-	1,585,496
39,043	-	39,043
600,044	-	600,044
489,672	186,930	676,602
230,619	5,209	235,828
21,000	25,350	46,350
9,859,830	217,489	10,077,319
699,534	114,749	814,283
21,942,980	11,758,602	33,701,582
\$ 22,642,514	\$ 11,873,351	\$ 34,515,865

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

Town of Nags Head, North Carolina
Balance Sheet
Governmental Funds
June 30, 2008

Exhibit 3

	Major Funds				Total
	General	Capital Reserve	Beach/Sound Accesses	Beach Nourishment	
ASSETS					
Cash and cash equivalents	\$ 5,539,215	\$ 648,977	\$ -	\$ 243,167	\$ 6,431,359
Investments	3,505,867	-	-	-	3,505,867
Taxes receivable (net)	9,783	-	-	-	9,783
Accounts receivable (net)	68,767	-	-	-	68,767
Accrued interest receivable	87,375	-	-	-	87,375
Due from other governments	811,182	-	-	-	811,182
Due from other funds	10,568	141,627	-	-	152,195
Inventories	86,211	-	-	-	86,211
Special assessments	124	-	-	-	124
Prepaid items	2,656	-	-	-	2,656
Capital lease receivable	1,438,000	-	-	-	1,438,000
Total assets	\$ 11,559,748	\$ 790,604	\$ -	\$ 243,167	\$ 12,593,519
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 148,659	\$ -	\$ -	\$ 3,371	\$ 152,030
Accrued expenses	196,019	-	-	-	196,019
Bonds and deposits	32,520	-	-	-	32,520
Due to other funds	141,627	-	10,568	-	152,195
Due to other governments	486	-	-	-	486
Deferred revenue	1,464,499	-	-	-	1,464,499
Unearned revenue	70,327	-	-	-	70,327
Total liabilities	2,054,137	-	10,568	3,371	2,068,076
Fund balances:					
Reserved for:					
Encumbrances	78,233	-	-	1,125,500	1,203,733
Inventories	86,211	-	-	-	86,211
State statute	961,300	141,627	-	-	1,102,927
Streets - Powell bill	103,068	-	-	-	103,068
Prepays	2,656	-	-	-	2,656
Drug enforcement	8,007	-	-	-	8,007
Unreserved	7,347,800	-	(10,568)	(885,704)	6,451,528
Designated for future capital	-	425,925	-	-	425,925
Designated for next year budget	918,336	223,052	-	-	1,141,388
Total fund balances	9,505,611	790,604	(10,568)	239,796	10,525,443
Total liabilities and fund balances	\$ 11,559,748	\$ 790,604	\$ -	\$ 243,167	12,593,519

Amounts reports 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.

15,203,600

Liabilities for earned but deferred revenues in the fund statements.

Deferred FEMA receivable

-

Deferred capital lease receivable

1,438,000

Deferred taxes receivable

26,499

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.

(4,551,028)

Net assets of governmental activities

\$ 22,642,514

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

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

Exhibit 4
Page 1 of 2

	Major Funds				Total
	General Fund	Capital Reserve	Beach/Sound Accesses	Beach Nourishment	
REVENUES					
Ad valorem taxes	\$ 4,512,391	\$ -	\$ -	\$ -	\$ 4,512,391
Other taxes and licenses	4,043,397	-	-	-	4,043,397
Unrestricted intergovernmental	561,967	-	-	-	561,967
Restricted intergovernmental	604,275	-	77,982	-	682,257
Permits and fees	360,033	-	-	-	360,033
Sales and services	4,519	-	-	-	4,519
Investment earnings	455,040	24,087	-	10,545	489,672
Miscellaneous	563,618	-	-	-	563,618
Total revenues	<u>11,105,240</u>	<u>24,087</u>	<u>77,982</u>	<u>10,545</u>	<u>11,217,854</u>
EXPENDITURES					
Current:					
General Government	2,170,217	-	-	-	2,170,217
Public Safety	4,050,636	-	-	-	4,050,636
Environmental Protection	1,477,002	-	-	-	1,477,002
Public Works	1,369,802	-	-	-	1,369,802
Debt service:					
Principal	1,149,420	-	-	-	1,149,420
Interest and other charges	191,655	-	-	-	191,655
Capital outlay	1,495,637	-	16,354	60,535	1,572,526
Total expenditures	<u>11,904,369</u>	<u>-</u>	<u>16,354</u>	<u>60,535</u>	<u>11,981,258</u>
Excess (deficiency) of revenues over expenditures	(799,129)	24,087	61,628	(49,990)	(763,404)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	143,273	96,892	-	-	240,165
Transfers to other funds	(96,892)	(143,273)	-	-	(240,165)
Installment purchase obligations issued	312,426	-	-	-	312,426
Total other financing sources (uses)	<u>358,807</u>	<u>(46,381)</u>	<u>-</u>	<u>-</u>	<u>312,426</u>
Net change in fund balance	(440,322)	(22,294)	61,628	(49,990)	(450,978)
Fund balances - beginning	<u>9,945,933</u>	<u>812,898</u>	<u>(72,196)</u>	<u>289,786</u>	<u>10,976,421</u>
Fund balances - ending	<u>\$ 9,505,611</u>	<u>\$ 790,604</u>	<u>\$ (10,568)</u>	<u>\$ 239,796</u>	<u>\$ 10,525,443</u>

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

Town of Nags Head, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal 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 \$ (450,978)

Governmental funds report capital outlay 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.

Contributed Infrastructure	\$ 21,000	
Capital Outlay	1,572,526	
Depreciation	<u>(984,799)</u>	608,727

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

Change in deferred revenue for tax revenues	784
Change in deferred FEMA revenue	-
Change in deferred capital lease receivable	<u>(281,000)</u>

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. This is the amount by which principal repayments exceeded the proceeds from lease purchase financing.

Debt Issued	\$ (312,426)	
Increase in compensated absences	(14,993)	
Principal Repayments	<u>1,149,420</u>	<u>822,001</u>

Total changes in net assets of governmental activities \$ 699,534

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Town of Nags Head, North Carolina
General Fund and Annually Budgeted Capital Reserve Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 4,452,415	\$ 4,452,415	\$ 4,512,391	\$ 59,976
Other taxes and licenses	4,160,000	4,160,000	4,043,397	(116,603)
Unrestricted intergovernmental	453,000	453,000	561,967	108,967
Restricted intergovernmental	344,446	349,159	604,275	255,116
Permits and fees	425,150	425,650	360,033	(65,617)
Special assessments	500	500	499	(1)
Sales and services	8,000	8,000	4,519	(3,481)
Investment earnings	472,500	472,500	455,040	(17,460)
Miscellaneous	617,595	674,965	563,119	(111,846)
Total revenues	<u>10,933,606</u>	<u>10,996,189</u>	<u>11,105,240</u>	<u>109,051</u>
Expenditure:				
Current:				
General Government	2,745,510	2,481,518	2,196,171	285,347
Public Safety	4,433,545	5,059,797	4,705,907	353,890
Environmental Protection	1,577,712	1,988,083	1,950,111	37,972
Public Works	1,844,503	1,920,891	1,711,105	209,786
Debt service:				
Principal	1,074,938	1,159,153	1,149,420	9,733
Interest and other charges	316,622	316,622	191,655	124,967
Contingency	125,000	125,000	-	125,000
Total expenditures	<u>12,117,830</u>	<u>13,051,064</u>	<u>11,904,369</u>	<u>1,146,695</u>
Revenues over (under) expenditures	(1,184,224)	(2,054,875)	(799,129)	1,255,746
Other financing sources (uses):				
Transfers from other funds	673,679	173,679	143,273	(30,406)
Transfers to other funds	(100,000)	(100,000)	(96,892)	3,108
Installment purchase obligations issued	-	312,426	312,426	-
Appropriated Fund Balance	610,545	1,668,770	-	(1,668,770)
Total other financing sources (uses)	<u>1,184,224</u>	<u>2,054,875</u>	<u>358,807</u>	<u>(1,696,068)</u>
Net change in fund balance	\$ -	\$ -	(440,322)	\$ (440,322)
Fund balances, beginning of year			9,945,933	
Fund balances, end of year			<u>\$ 9,505,611</u>	

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

Exhibit 5

Capital Reserve Fund

Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	24,087	24,087
-	-	-	-
-	-	24,087	24,087
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	24,087	24,087
100,000	100,000	96,892	(3,108)
(158,679)	(173,679)	(143,273)	30,406
-	-	-	-
58,679	73,679	-	(73,679)
-	-	(46,381)	(46,381)
\$ -	\$ -	(22,294)	\$ (22,294)
		812,898	
		\$ 790,604	

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

Town of Nags Head, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2008

Exhibit 6

	Enterprise Funds			Total
	Major Funds		Non-Major	
	Water Fund	Storm Water Fund	Nags Head Leasing	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,122,775	\$ 324,669	\$ 494	\$ 4,447,938
Accounts receivable trade (net)	364,636	5,200	-	369,836
Accounts receivable other (net)	12,805	-	-	12,805
Due from other governments	103,254	-	-	103,254
Inventories	62,050	-	-	62,050
Total current assets	4,665,520	329,869	494	4,995,883
Capital assets:				
Land, non-depreciable improvements and construction in progress	2,499,348	-	-	2,499,348
Other capital assets, net of depreciation	6,015,167	87,807	-	6,102,974
Total capital assets (net)	8,514,515	87,807	-	8,602,322
Total Assets	\$ 13,180,035	\$ 417,676	\$ 494	\$ 13,598,205
LIABILITIES				
Current liabilities:				
Accounts payable	125,321	9,822	-	135,143
Accrued liabilities	15,375	-	-	15,375
Unearned revenue	224,000	-	-	224,000
Customer deposits	383,251	-	-	383,251
Cash Bonds	1,945	-	-	1,945
Compensated absences - current	33,801	-	-	33,801
Capital leases payable - current	97,929	11,483	-	109,412
Total current liabilities	881,622	21,305	-	902,927
Noncurrent liabilities:				
Compensated absences - non current	4,474	-	-	4,474
Capital leases payable - non current	767,124	50,329	-	817,453
Total noncurrent liabilities	771,598	50,329	-	821,927
Total liabilities	1,653,220	71,634	-	1,724,854
NET ASSETS				
Invested in capital assets, net of related debt	7,649,462	25,995	-	7,675,457
Unrestricted	3,877,353	320,047	494	4,197,894
Total net assets	\$ 11,526,815	\$ 346,042	\$ 494	\$ 11,873,351

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

Town of Nags Head, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

	Enterprise Funds			Total
	Water Fund	Storm Water Fund	Nags Head Leasing	
OPERATING REVENUES				
Charges for services	\$ 2,088,244	\$ 112,378	\$ -	\$ 2,200,622
Contribution to Fresh Pond	349,447	-	-	349,447
Charges to other governmental units	65,255	-	-	65,255
Rents	77,208	-	-	77,208
DEHNR Grant				
Tap and connection fees	12,135	-	-	12,135
Late payment penalties	21,961	-	-	21,961
Water Tag Fees	8,735	-	-	8,735
Miscellaneous	5,209	-	-	5,209
Total operating revenues	<u>2,628,194</u>	<u>112,378</u>	<u>-</u>	<u>2,740,572</u>
OPERATING EXPENSES				
Administration	157,063	-	-	157,063
Septic Health	261,734	-	-	261,734
Operations	1,331,688	-	-	1,331,688
Fresh Pond Operations	257,005	-	-	257,005
Distribution	578,529	-	-	578,529
Storm Water	-	19,804	-	19,804
Depreciation and amortization	398,623	8,665	-	407,288
Total operating expenses	<u>2,984,642</u>	<u>28,469</u>	<u>-</u>	<u>3,013,111</u>
Total operating income	(356,448)	83,909	-	(272,539)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	176,051	10,860	19	186,930
Interest expense	(37,302)	(2,690)	-	(39,992)
Total nonoperating revenue (expenses)	<u>138,749</u>	<u>8,170</u>	<u>19</u>	<u>146,938</u>
Income (loss) before contributions and transfers	(217,699)	92,079	19	(125,601)
Capital contributions from impact fees	215,000	-	-	215,000
Capital contributions from Infrastructure	25,350	-	-	25,350
Change in net assets	22,651	92,079	19	114,749
Total net assets - beginning	<u>11,504,164</u>	<u>253,963</u>	<u>475</u>	<u>11,758,602</u>
Total net assets - ending	<u>\$ 11,526,815</u>	<u>\$ 346,042</u>	<u>\$ 494</u>	<u>\$ 11,873,351</u>

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

Town of Nags Head, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

	Business-Type Activities			Total
	Enterprise Funds			
	Water Fund	Storm Water	Nags Head Leasing	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,609,000	\$ 144,854	\$ -	\$ 2,753,854
Cash paid for goods and services	(1,846,505)	(9,982)	-	(1,856,487)
Cash paid to or on behalf of employees for services	(772,369)	-	-	(772,369)
Customer deposits received	4,125	-	-	4,125
Other operating revenues	50,652	-	-	50,652
Net cash provided (used) by operating activities	<u>44,903</u>	<u>134,872</u>	<u>-</u>	<u>179,775</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Initial impact fees received	213,000	-	-	213,000
Interest paid on debt financing	(37,302)	(2,690)	-	(39,992)
Septic Loans Issued	(7,550)	-	-	(7,550)
Repayment of septic loans	8,087	-	-	8,087
Principal paid on debt financing	(117,153)	(11,074)	-	(128,227)
Acquisition of capital assets	(326,492)	(9,822)	-	(336,314)
Net cash provided (used) by capital and related financing activities	<u>(267,410)</u>	<u>(23,586)</u>	<u>-</u>	<u>(290,996)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	<u>176,051</u>	<u>10,860</u>	<u>19</u>	<u>186,930</u>
Net increase (decrease) in cash and cash equivalents	<u>(46,456)</u>	<u>122,146</u>	<u>19</u>	<u>75,709</u>
Balances - beginning of the year	<u>4,169,231</u>	<u>202,523</u>	<u>475</u>	<u>4,372,229</u>
Balances - end of the year	<u>\$ 4,122,775</u>	<u>\$ 324,669</u>	<u>\$ 494</u>	<u>\$ 4,447,938</u>

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

Town of Nags Head, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Storm Water	Nags Head Leasing	
Reconciliation of operating income to net cash provided by operating actives				
Operating Income	\$ (356,448)	\$ 83,909	\$ -	\$ (272,539)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	398,623	8,665	-	407,288
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	63,223	32,476	-	95,699
(Increase) decrease in inventories	(12,431)	-	-	(12,431)
Increase (decrease) in accounts payable	(12,064)	9,822	-	(2,242)
Increase (decrease) in accrued liabilities	(8,359)	-	-	(8,359)
Increase (decrease) in customer deposits	4,125	-	-	4,125
Increase (decrease) in deferred revenue	(31,766)	-	-	(31,766)
Total adjustments	<u>401,351</u>	<u>50,963</u>	<u>-</u>	<u>452,314</u>
Net cash provided by operating activities	<u>\$ 44,903</u>	<u>\$ 134,872</u>	<u>\$ -</u>	<u>\$ 179,775</u>

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

Town of Nags Head, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Pension Trust	Private-purpose Trust <u>Private Beach Nourishment</u>
ASSETS		
Cash and cash equivalents	\$ <u>227,678</u>	\$ <u>2,051</u>
Total Assets	<u>227,678</u>	<u>2,051</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ <u>227,678</u>	\$ <u>2,051</u>

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

Town of Nags Head, North Carolina
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

	Pension Trust	Private-purpose Trust <u>Private Beach Nourishment</u>
Additions		
Employer Contributions	\$ -	\$ -
Private Donations	-	2,050
Investment Earnings	<u>9,252</u>	<u>1</u>
Total investment earnings	9,252	1
Total additions	<u>9,252</u>	<u>2,051</u>
Deductions		
Benefits	<u>31,485</u>	-
Total deductions	<u>31,485</u>	-
Change in net assets	(22,233)	2,051
Net assets - beginning of the year	<u>249,911</u>	<u>-</u>
Net assets - end of the year	<u>\$ 227,678</u>	<u>\$ 2,051</u>

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Nags Head 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 Nags Head is a municipal corporation, which is governed by an elected mayor and four commissioners. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The blended component unit has a June 30 year end.

Blended Component Unit – Nags Head Leasing is a not for profit corporation formed and operated for the purpose of providing financial assistance to the Town of Nags Head and to enable the Town to acquire water system improvements or other capital items. Nags Head Leasing Corporation is reported as an Enterprise fund.

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, except for fiduciary activities. 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, proprietary, and fiduciary* – 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.

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.

**Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008**

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, grants, and various other taxes and licenses. The primary expenditures are for public safety, public works/transportation, and environmental protection services.

Capital Reserve Fund. This fund is used to accumulate funds for capital projects.

Beach Nourishment Capital Project Fund. This fund accounts for the Town's activities for a beach nourishment project.

Beach & Sound Access Project Fund. This fund accounts for the Town's capital construction of new and improved beach and sound access sites.

The Town reports the following major enterprise funds:

Water Fund. This fund is used to account for the Town's water operations.

Storm Water Fund. This fund is used to account for the Town's storm water management operations.

The Town reports the following non-major enterprise funds:

Nags Head Leasing. This is a Blended Component Unit.

The Town reports the following fiduciary fund types:

Pension Trust. This is a fiduciary fund for the Law Enforcement Officers Supplemental Retirement.

Beach Nourishment Trust. This is a fiduciary fund for private funding of beach nourishment. Donors may choose whether to donate funds unconditionally as a gift or based upon the condition of return if the project should not commence by January 1, 2013.

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, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary 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. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

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's 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 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 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, Dare 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 Nags Head. For registered motor vehicles 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 Dare County from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes which were billed during this period are shown as a receivable on these financial statements.

Sales taxes 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 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, 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 enterprise funds.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

D. Budgetary Data

1. Budget

As required by the North Carolina General Statutes, the governing board must adopt by July 1 an annual balanced budget ordinance for all funds except for those funds that operate under project ordinances. All annual appropriations lapse at fiscal year-end. The annual budget is prepared on the modified accrual basis of accounting to be compatible with the accounting system used in recording transactions. Project ordinances are adopted for the Beach Nourishment Capital Project Fund and Beach & Sound Access Project Fund, both of which are general governmental fund capital projects.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Budgetary control is exercised in all funds, and appropriations are made at the departmental (functional) level and amended as necessary by the governing board. The Town Manager is authorized to make interdepartmental transfers in the same fund up to 10% of the appropriated monies for the department whose allocation is reduced; however, any revisions that alter total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary including material adjustments related to hurricane effects.

2. Encumbrances

As required by North Carolina State Statutes, the Town maintains encumbrance accounts that are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

At June 30, 2008, \$78,233 of open purchase orders and contracts were outstanding in the General Fund. These encumbrances outstanding are reported as "Reserved for encumbrances" in the fund balance section of the balance sheet for the General Fund and will be re-appropriated in the subsequent year's budget. The Beach Nourishment Capital Project Fund had \$1,125,500 in outstanding encumbrances at June 30, 2008. The Water Fund had \$93,314 in encumbrances outstanding at June 30, 2008. There were no open purchase orders in any of the other Town funds.

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), a SEC-registered mutual fund.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

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, 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. Restricted Assets

The unexpended debt proceeds of the General Fund and the Water Fund are classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued. There are no restricted assets in any fund as of June 30, 2008.

4. 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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2007.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

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 used or held for resale 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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

7. 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 five years. Minimum capitalization cost is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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.

In conjunction with implementing GASB 34, "The New Reporting Model", the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, water lines, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town's capitalization threshold will be reported as capital assets in the Statement of Net Assets. Infrastructure assets acquired prior to July 1, 2003 were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Assets only include assets purchased after July 1, 2003.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	40
Improvements	25
Vehicles	5 to 10
Furniture and equipment	5 to 20

8. 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.

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty-six 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.

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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

In accordance with the Fair Labor Standards Act, the Town allows non-exempt employees to accrue compensatory time up to the specified limits of 240 hours for non-sworn public safety and 480 hours for sworn public safety employees. The Town uses a first-in, first-out method for the use of this compensatory time.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

10. Net Assets/Fund Balances

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.

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 for Inventories - Portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for Encumbrances - Portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

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.

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.

Reserved for Prepaids - Portion of fund balance that is not available for appropriation because it represents the year-end fund balance for prepaid expenses for the subsequent fiscal year which are not expendable, available resources.

Reserved for Restricted Assets - Portion of fund balance which is not available for appropriation because it represents loan escrow funds not yet reimbursed for the purchase of capital assets financed by debt.

Reserved for Drug Forfeiture/Enforcement - Portion of fund balance that is available for appropriation but legally segregated for expenditure as designated by the Director of Public Safety.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

Unreserved:

Designated for Subsequent Year's Expenditures - Portion of the total fund balance available for appropriation that has been designated for the adopted 2008 – 2009 budget ordinance.

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

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Noncompliance with North Carolina General Statutes

The Town has been advised by the Local Government Commission that its investment in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation mortgage backed securities are not in accordance with State law [G.S.159-30]. State law gives units of government the authority to invest in obligations of the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. An advisory memo from the Attorney General's office advises that only direct obligations of the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation are permissible under this provision, and that Federal National Mortgage Association and Federal Home Loan Mortgage Corporation mortgage backed securities are not such direct obligations of the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation; based on this reasoning, municipal units do not have authority to invest in them under G.S. 159-30. Based on this advice, the Town divested its holdings of all non-compliant mortgage backed securities, at no loss to the Town, for full compliance with G.S. 159-30.

B. Deficit Fund Balances

The following funds had deficit fund balances in the current year:

Beach & Sound Access Project Fund	\$10,568
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The deficit fund balance was the result of timing differences in the incurrence of costs for the projects and reimbursement of funds from grantors. The Town expects to correct the Beach & Sound Project Access Fund deficit upon receipt of grant funds during the following fiscal year.

**Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008**

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using the Pooling 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 its name. 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 policy regarding custodial 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 \$11,108,025 and a bank balance of \$11,513,850. Of the bank balance, \$3,527,030 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 \$1,000.

2. Investments

At June 30, 2008, the Town's investments were as follows:

Investment Type	Fair Value	Less than			
		6 Months	6-12 Months	1-3 Years	3-7 Years
US Government Obligations	\$ 934,545	\$ 302,800	\$ 352,594	\$ 279,151	\$ -
US Government Agencies	472,818	-	175,438	297,380	-
Mortgage backed Securities	634,911	-	-	563,293	71,618
NC Capital Management Trust - Cash Portfolio*	1,463,593	-	1,463,593	-	-
Total:	\$ 3,505,867	\$ 302,800	\$ 1,991,625	\$ 1,139,824	\$ 71,618

* Because the NC Capital Management Trust Term Portfolio had duration of 0.9 years, it was presented as an investment with a maturity of 6-12 months.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from interest rates, the Town's investment policy limits investments maturing in more than two years from the purchase date to no more than 20% of the portfolio balance.

Credit Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in U.S. Treasury Obligations are rated TSY and all other Government Obligations and Agencies are rated AAA by Standard & Poor's as of June 30, 2008. The Town's investment in NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2008.

Concentration of Credit Risk. The Town's policy prohibits the investment off all long term securities with a single institution. There is no limit on the amount the Town may invest in any one issuer. The Town has more than 5% invested in Federal Home Loan Mortgage securities, Federal Home Loan Bank securities, Federal Home Loan and Federal National Mortgage Association securities. These investments are 11.95%, 15.74%, and 8.13%, respectively, of the Town's total investments.

**Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008**

3. Receivables

The receivables shown in Exhibit A at June 30, 2008 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from other Governments</u>	<u>Interest Receivable</u>	<u>Total</u>
Governmental Activities:					
General	\$ 68,767	\$ 19,783	\$ 811,182	\$ 87,375	\$ 987,107
Allowance for doubtful accounts	-	(10,000)	-	-	(10,000)
Total governmental activities	<u>\$ 68,767</u>	<u>\$ 9,783</u>	<u>\$ 811,182</u>	<u>\$ 87,375</u>	<u>\$ 977,107</u>
Business-type Activities:					
Water	\$ 394,914	-	\$ 103,254	-	\$ 498,168
Stormwater	5,200	-	-	-	5,200
Allowance for doubtful accounts	(17,473)	-	-	-	(17,473)
Total business type activities	<u>\$ 382,641</u>	<u>\$ -</u>	<u>\$ 103,254</u>	<u>\$ -</u>	<u>\$ 485,895</u>
Due from other governments consisted of the following:					
Occupancy tax	\$ 354,392				
Land transfer tax	126,746				
Sales taxes	237,657				
Tax reimbursement	69,735				
Grants	15,426				
Other	<u>7,226</u>				
Total	<u>\$ 811,182</u>				

Capital Lease receivable

The Town assisted the Outer Banks Family YMCA in obtaining tax exempt financing for the YMCA property located within the Town of Nags Head. The Town acquired title to the YMCA property and borrowed funds from the Bank of America in the amount of \$3,721,000. The Town has entered into an agreement to lease the property to the YMCA for the total of the amount due under the financing arrangement and has no financial responsibility beyond lease payments. The outstanding balance as of June 30, 2008 was \$1,438,000. Total payments received under this lease for the fiscal year ended June 30, 2008 were \$346,354 and the payments made were \$281,000 in principal and \$65,354 in interest.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

4. Capital Assets

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

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,025,411	\$ -	\$ -	\$ 5,025,411
Construction in progress	539,369	350,850	(356,063)	534,156
Total capital assets not being depreciated	5,564,780	350,850	(356,063)	5,559,567
Capital assets being depreciated:				
Buildings	7,085,446	-	-	7,085,446
Other improvements	1,055,075	32,553	356,063	1,443,691
Equipment	1,459,983	45,017	(74,395)	1,430,605
Vehicles and motorized equipment	5,037,563	1,165,106	(201,588)	6,001,081
Total capital assets being depreciated	14,638,067	1,242,676	80,080	15,960,823
Less accumulated depreciation for:				
Buildings	1,745,808	239,526		1,985,334
Other Improvements	78,778	121,287		200,065
Equipment	844,289	126,575	(74,395)	896,469
Vehicles and motorized equipment	2,939,099	497,411	(201,588)	3,234,922
Total accumulated depreciation	5,607,974	984,799	(275,983)	6,316,790
Total capital assets being depreciated, net	9,030,093			9,644,033
Governmental activity capital assets, net	\$ 14,594,873			\$ 15,203,600

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

General Government	\$ 42,803
Public Safety	392,231
Public Works/Transportation	339,039
Environmental Protection	210,726
Total Depreciation expense	\$ 984,799

**Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008**

Capital asset activities for the Business-type activities for the year ended June 30, 2008 was as follows:

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
Business-type activities:				
Enterprise Funds				
Capital assets not being depreciated:				
Land	\$ 2,448,252	\$ 5,221	\$ -	\$ 2,453,473
Construction in Progress	136,650	208,784	(299,559)	45,875
Total capital assets not being depreciated	<u>2,584,902</u>	<u>214,005</u>	<u>(299,559)</u>	<u>2,499,348</u>
Capital assets being depreciated:				
Plant	6,256,369	25,350	(645,441)	5,636,278
Equipment	1,082,350	9,822	-	1,092,172
Vehicles	144,861	-	-	144,861
Intangibles	4,203,620	-	-	4,203,620
Total capital assets being depreciated	<u>11,687,200</u>	<u>35,172</u>	<u>(645,441)</u>	<u>11,076,931</u>
Less accumulated depreciation for:				
Plant	3,183,960	182,109	(1,054,771)	2,311,298
Equipment	437,492	84,562	109,771	631,825
Vehicles	85,760	33,831	-	119,591
Intangibles	1,804,457	106,786	-	1,911,243
Total accumulated depreciation	<u>5,511,669</u>	<u>407,288</u>	<u>(945,000)</u>	<u>4,973,957</u>
Total capital assets being depreciated, net	<u>6,175,531</u>			<u>6,102,974</u>
Fund capital assets, net	<u>8,760,433</u>			<u>8,602,322</u>
Business-type activities capital assets, net	<u>\$ 8,760,433</u>			<u>\$ 8,602,322</u>

The government has active construction projects as of June 30, 2008. At year-end, the government's estimated commitments to projects ongoing are as follows:

Project	Spent-to-date	Remaining Commitment
Beach Nourishment	\$ 467,000	\$ 1,125,500
Baltic Street access	10,568	142,640
Waterline Improvements	45,875	75,055
Total	<u>\$ 523,443</u>	<u>\$ 1,343,195</u>

**Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008**

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description

The Town of Nags Head contributes 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.

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 and for law enforcement officers is 4.87% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Nags Head are 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 \$260,794, \$249,502, and \$240,884, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Nags Head 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, 2007 the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	21
Total	23

A separate report was not issued for the plan.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

Summary of Significant Accounting Policies

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the Town has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term debt, deposits, repurchase agreements, and the North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

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) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liabilities are being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2006 was 24 years.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

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	\$	16,335
Interest on net pension obligation		(2,484)
Adjustment to annual required contribution		<u>2,105</u>
Annual pension cost		15,956
Contributions made		<u>-</u>
Increase (decrease) in net pension obligation		15,956
Net pension obligation beginning of year		<u>(34,256)</u>
Net pension obligation end of year	\$	<u>(18,300)</u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 20,734	139.3%	\$ (13,806)
2007	16,205	226.2%	(34,256)
2008	15,956	0.0%	(18,300)

As of December 31, 2007, the most recent actuarial valuation date, the plan was 67.56% percent funded. The actuarial accrued liability for benefits was \$357,343, and the actuarial value of assets was \$241,424, resulting in an unfunded actuarial accrued liability (UAAL) of \$115,919. The covered payroll (annual payroll of active employees covered by the plan) was \$1,091,569, and the ratio of the UAAL to the covered payroll was 10.62 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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 Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

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 \$79,441, which consisted of \$53,596 from the Town and \$25,845 from the law enforcement officers.

d. Supplemental Retirement Income Plan for Non-Law Enforcement Officers

Plan Description

The Town adopted a Supplemental Retirement Income Plan, a defined contribution plan, for regular employees beginning January 31, 1991.

Funding Policy

The Town contributes an amount equal to three percent of each employee's salary (excluding law enforcement officers), and all amounts contributed are vested immediately. Employees may also make voluntary contributions to the plan. Total contributions for the year ended June 30, 2008 were \$217,110, which consisted of \$128,564 from the Town and \$88,546 from employees.

e. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description

The State of North Carolina contributes, on behalf of the Town of Nags Head, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund 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 the Fund. 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.

Funding Policy

Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town contributes \$10 per month on behalf of each firefighter employed by the Town and each qualified member of the Nags Head Volunteer Fire Department. The Town's contributions for the three years ended June 30, 2008, 2007, and 2006 were \$3,200, \$3,640, and \$3,765 respectively.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

f. Other Post-employment Benefits

According to a Town resolution, the Town provides post-employment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten years of creditable service with the Town. The Town contributes towards the cost of coverage for these benefits according to the following scale: ten years or more at 25%, fifteen years or more at 50%, twenty years or more at 75%, and twenty-five years or more at 100%. Also, the

Town's retirees can purchase coverage for their dependents at the Town's group rates. Currently 9 retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2008, the Town made payments for post-employment health benefit premiums of \$33,672. The Town obtains health care coverage through private insurers.

g. Other Employment Benefit

The Town has also 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 24 months 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. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2008 the Town made contributions to the State for death benefits of \$6,750. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .07% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

2. Payables

Payables at Exhibit A at June 30, 2008 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Customer Deposits	Total
Governmental Activities					
General	\$ 153,129	\$ 196,019	\$ -	\$ 28,050	\$ 377,198
Beach Nourishment Fund	3,372	-	-	-	3,372
Total Governmental activities	<u>\$ 156,501</u>	<u>\$ 196,019</u>	<u>\$ -</u>	<u>\$ 28,050</u>	<u>\$ 380,570</u>
Business-type Activities					
Water	\$ 125,321	\$ 15,375	\$ -	\$ 383,251	\$ 523,947
Stormwater	9,822	-	-	-	9,822
Total Business-type activities	<u>\$ 135,143</u>	<u>\$ 15,375</u>	<u>\$ -</u>	<u>\$ 383,251</u>	<u>\$ 533,769</u>

3. Deferred / Unearned Revenues

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

	Deferred Revenue	Unearned Revenue
Prepaid taxes and privilege licenses (General Fund)	\$ -	\$ 39,244
Taxes and privilege licenses receivable (General Fund)	25,852	-
Capital Lease for YMCA (General Fund)	1,438,000	-
Special assessment receivable (General Fund)	124	-
Miscellaneous accounts receivable (General Fund)	523	-
Prepaid rent (General Fund)	-	31,083
Prepaid impact fees (Water Fund)	-	224,000
Total	<u>\$ 1,464,499</u>	<u>\$ 294,327</u>

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 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 \$2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. 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 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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

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.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town owns property in an area of the State that has been mapped and designated an "AE, A036, A04, C, and X" area (an area with a 1% annual chance of flooding and a 26% chance of flooding over 30 years) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town is also eligible to and has purchased commercial flood insurance for up to \$5,000,000 of coverage per structure for properties in C and X designated areas. The Town has also purchased commercial excess flood insurance in the amount of \$2,456,853 for its Town Hall structure and \$955,000 for its newest fire station.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$125,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

5. Claims and Judgments

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.

6. Long-Term Debt

a. Capital Leases and Installment Finance Contracts

The Town entered into a fifteen year installment financing contract in 1995 with First Union National Bank of North Carolina for the construction of a 19,348 square foot municipal complex. The amount borrowed was \$2,400,000 at an interest rate of 4.80% and is secured by the property. Payments are due in semi-annual installments of \$113,143 with final payment due December 15, 2010.

The Town entered into a fifteen year installment financing contract in 2002 with Bank of America for the construction of the YMCA building. The amount borrowed was \$3,721,000 requiring repayment in quarterly installments of varying amounts. The interest rate is variable and is calculated as 65% of London Interbank Offering Rate (LIBOR) plus 1.14% per annum and is secured by the property and the building. The Town has entered into an agreement to lease the property to the YMCA for the total of the amount due under the financing arrangement and has no financial responsibility beyond lease payments. The Lease Agreement with the YMCA calls for payments in the amount of the debt to be made directly to Bank of America as they become due. Should the YMCA default on the payments, the bank may take possession of the property. The Town has the right in that case to purchase the property at 25% below market value and take possession of the property by continuing to make the debt service payments.

**Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008**

The Town entered into a fifteen year installment financing contract in 2005 with RBC Centura for the construction of the fire/police facility in south Nags Head. The amount borrowed was \$1,600,000 at an interest rate of 3.82% and is secured by the property. Originally payments were due in annual installments of \$106,666.67 plus accrued interest with final payment due on May 30, 2019. The Town prepaid \$125,068 during the fiscal year ending June 30, 2006 from unused escrow funds and the remaining principal was reamortized with payments due in annual installments of \$97,046 plus accrued interest through May 17, 2019.

The Town entered into a fifteen year installment financing contract in 2005 with RBC Centura for the construction of an above ground water storage tank and waterline extension located adjacent to the Public Works facility. The amount borrowed was \$1,200,000 at an interest rate of 3.85% and is secured by the property. Originally payments were due in annual installments of \$102,840.98 including accrued interest with final payment due on May 30, 2019. The Town prepaid \$85,871 during the fiscal year ending June 30, 2006 from unused escrow funds and the remaining principal was reamortized with payments due in annual installments of \$93,875 including accrued interest through May 17, 2019.

The Town currently has seven leases outstanding for various vehicles and equipment. Annual payments range from \$23,014 to \$126,970. Expiration dates range from April 2009 to May 2013. Interest rates vary from 2.49% to 3.78%.

The gross value of all assets recorded under capital leases and installment finance contracts is \$7,642,295. The following is an analysis of the assets recorded under capital leases and installment finance contracts in the Town's at June 30, 2008:

<u>Classes of Property</u>	<u>Cost</u>
Building	\$ 4,000,000
Vehicles and equipment	3,642,295
Total	<u>\$ 7,642,295</u>

**Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008**

A summary of changes in the Governmental long-term debt follows:

BY TYPE OF DEBT	General Long-term Debt			General Long-term Debt June 30, 2008	Current Portion
	July 1, 2007	Increases	Decreases		
Finance Contract	\$ 3,604,684	\$ -	\$ (572,018)	\$ 3,032,666	\$ 548,440
Capital Leases	1,376,813	312,426	(577,401)	1,111,838	426,004
Compensated Absences	<u>391,532</u>	<u>275,183</u>	<u>(260,190)</u>	<u>406,525</u>	<u>275,183</u>
	<u>\$ 5,373,029</u>	<u>\$ 587,609</u>	<u>\$ (1,409,609)</u>	<u>\$ 4,551,029</u>	<u>\$ 1,249,627</u>

A summary of changes in the Business type long-term debt follows:

BY TYPE OF DEBT	General Long-term			General Long-term Debt June 30, 2008	Current Portion
	Debt July 1, 2007	Increases	Decreases		
Finance Contract	\$ 888,738	\$ -	\$ (59,658)	\$ 829,080	\$ 47,457
Capital Leases	166,354	-	(68,569)	97,785	61,955
Compensated Absences	<u>36,091</u>	<u>33,801</u>	<u>(31,617)</u>	<u>38,275</u>	<u>33,801</u>
	<u>\$ 1,091,183</u>	<u>\$ 33,801</u>	<u>\$ (159,844)</u>	<u>\$ 965,140</u>	<u>\$ 143,213</u>

b. Changes in Long-Term Liabilities

Compensated absences have been liquidated in the General Fund as follows:

	Balance			Balance June 30, 2008
	July 1, 2007	Earned	Used	
General Fund				
General Government	\$ 113,727	\$ 73,637	\$ 71,399	\$ 115,965
Public Safety	195,784	129,684	127,438	198,030
Public Works/Transportation	51,265	45,783	34,610	62,438
Environmental Protection	<u>30,756</u>	<u>26,079</u>	<u>26,743</u>	<u>30,092</u>
	<u>\$ 391,532</u>	<u>\$ 275,183</u>	<u>\$ 260,190</u>	<u>\$ 406,525</u>
Proprietary Fund	<u>\$ 36,091</u>	<u>\$ 33,801</u>	<u>\$ 31,617</u>	<u>\$ 38,275</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

A summary of General government debt service obligations is as follows:

Year Ending June 30	Principal	Interest
2009	\$ 974,444	\$ 259,997
2010	801,536	205,810
2011	565,174	158,837
2012	375,171	127,934
2013	327,902	102,268
2014 - 2018	1,003,230	190,693
2019 - 2022	<u>97,047</u>	<u>3,707</u>
Total	<u>\$ 4,144,504</u>	<u>\$ 1,049,246</u>

A summary of Business-type debt service obligations is as follows:

Year Ending June 30	Principal	Interest
2009	\$ 109,412	\$ 35,435
2010	76,247	31,391
2011	79,163	28,475
2012	82,192	25,447
2013	85,335	22,303
2014 - 2018	404,121	65,252
2019 - 2022	<u>90,394</u>	<u>3,481</u>
Total	<u>\$ 926,864</u>	<u>\$ 211,784</u>

Amortization of assets acquired under capital leases in Enterprise Funds is included in depreciation. At June 30, 2008 the Town of Nags Head, North Carolina, has a legal debt margin of \$238,903,353.

7. Operating Leases

The Town entered into an operating lease for the lease of six copiers effective November 19, 2004 for a period of 60 months. The lease calls for minimum monthly rental payments and per copy maintenance charges based on actual usage.

Total minimum lease payments for the remaining term of the contract at June 30, 2008, are as follows:

2009	\$ 6,808
2010	<u>2,269</u>
Total	<u>\$ 9,077</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

During the year ended June 30, 2008, the total amount expended by the Town under the above operating lease was \$8,492 including both minimum monthly rentals and per copy charges.

Under a separate lease agreement effective August 30, 2003, the Town leases one copier for a period of 60 months in the amount of \$213 per month plus monthly copy charges of \$115 per month which includes up to 11,500 copies. Copies in excess of that amount are additional.

Total minimum lease payments for the remaining term of the contract at June 30, 2008, are as follows:

2009	<u>\$ 984</u>
Total	<u>\$ 984</u>

During the year ended June 30, 2008, the total amount expended by the Town under the above operating lease was \$3,863 including both minimum monthly rentals and overage per copy charges.

The Town assisted the Outer Banks Family YMCA in obtaining tax exempt financing for the YMCA property located within the Town of Nags Head. The Town acquired title to the YMCA property and borrowed funds from the Bank of America in the amount of \$3,721,000. The terms of the loan call for varying quarterly principal payments over fifteen years with interest determined quarterly as 65% of London Interbank Offering Rate (LIBOR) plus 1.14% per annum. The Town has entered into an agreement to lease the property to the YMCA for the total of the amount due under the financing arrangement and has no financial responsibility beyond lease payments. The total payments received under this operating lease for the fiscal year ended June 30, 2008 were \$346,354 and the payments made were \$281,000 in principal and \$65,354 in interest.

8. Interfund Balances and Activity

The balance sheet for Government Funds shows a liability in the General Fund of \$141,627 and a corresponding receivable in the Capital Reserve Fund. The original advance amount of \$438,481 represents reimbursement of funds collected in the Capital Reserve Fund originally intended to offset the cost of the municipal complex. Instead these funds were used to pay off the higher interest rate Fire Station debt. This amount is to be paid back from the General Fund to the Capital Reserve Fund with fire facility fee revenues. The amounts and timing of the repayments will be determined by availability of collected fees and decided by the Board of Commissioners. During the current year, repayment was made in the amount of \$14,921.

The balance sheet for the Government Funds shows an asset in the General Fund of \$10,567 and a corresponding payable in the Beach and Sound Access Project Fund. These funds were used for construction costs for access projects and will be reimbursed by grant funds for the project costs when received.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

Transfers to/from other funds for the year ended June 30, 2008 consisted of the following:

From the General Fund to the Capital Reserve Fund for future capital purchases	\$ 96,892.00
From the Capital Reserve Fund to the General Fund for current year capital purchases	<u>143,273.00</u>
Total	<u>\$ 240,165.00</u>

9. On-Behalf of Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2008, the Town has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$9,453 for the 38 volunteer firemen who perform fire fighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen and Rescue Squad Workers' Pension Fund, a cost-sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

IV. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2008. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

V. Summary Disclosure of Commitments and Contingencies

A. Federal and State Assisted 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.

B. Jennette's Pier

During the year ending June 30, 2003 the Town agreed conceptually to participate in the acquisition by The North Carolina Aquarium Society of the Jennette's Pier property by making a one time contribution of \$300,000, based on a mutually agreed to Memorandum of Understanding between and among various agencies of North Carolina State Government, Dare County and The Town of Nags Head. This was recorded as a payable at that time. As of October 7, 2005 a Memorandum of Understanding was entered

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

into between The Town, Dare County, the North Carolina Aquarium Society, The North Carolina Aquariums, and the Clean Water Management Trust and payment of the \$300,000 was made to Clean Water Management Trust at that time. The transfer of this property from the North Carolina Aquarium Society to the North Carolina Aquariums is anticipated to take place in the fall of 2007. Design plans for the renovation of the property are complete and construction could begin as early as the winter of 2008 with completion by the fall of 2010.

C. Municipal Waste Management Agreement

On December 23, 1993, the Town entered into a Municipal Waste Management Agreement with Dare County, a member of the Albemarle Regional Solid Waste Authority, for disposal of solid waste. The contract extends for twenty years. Charges are based on the Town's actual tonnage of solid waste; the rate in effect in the 2007-2008 year was \$62.64 per ton.

D. Volunteer Fire Department Agreement

The Board of Commissioners maintains an agreement with the Nags Head Volunteer Fire Department (NHVFD) that calls for incentive pay based on an individual members qualifications and call response. Billing for the incentive is based on the twelve-month period of November through October each year. Under the agreement, it is the obligation of NHVFD to provide an accurate accounting of the incentive earned at various intervals during the year including the Town's fiscal year end. The amount expended under this agreement in the current fiscal year was \$8,095. The method of calculation of incentive pay was amended by the Board of Commissioners during the fiscal year ending June 30, 2006 as was the twelve month period for calculation to coincide with the Town's fiscal year from July through June. The amount expended under this agreement for the full year ending June 30, 2008 was \$7,520 plus an additional \$575 in related FICA.

E. Intangible Water Rights

The Town entered into an agreement with Dare County and the Town of Kill Devil Hills to construct a reverse osmosis (R.O.) water desalination plant. Under this agreement, the Town agrees to fund the capital cost of the R.O. project on a pro rata basis as related to the water capacities allocated to each of the three parties. The Town's total original cost was \$3,614,000. Subsequent costs of \$589,619 were incurred for the Town's share of additional projects including well field expansions. The Town has the right to water produced from the R.O. plant. Presently, the Town's share is 1,000,000 gallons per day.

The intangible water rights are being amortized over 40 years. This time period corresponds to the estimated useful life of the R.O. water desalination plant. At June 30, 2008, accumulated amortization totaled \$1,911,242.

On August 21, 1996, the Town approved a revised agreement with Dare County and the Town of Kill Devil Hills which allocates three million five hundred thousand gallons per day of water from the system capacity, inclusive of expansions. Nags Head will bear all costs and expenses associated with expansions requested or required by the Town. This agreement was signed on October 4, 1996.

F. Fresh Pond Operations

As part of the agreement with Dare County and the Town of Kill Devil Hills, the Town of Nags Head operates the Fresh Pond surface water facility for the regional system. The terms of the agreement require

**Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008**

the Town to provide an annual accounting to the Regional Water System and to settle any difference in water revenues and expenses. Pursuant to the Regional Water System agreement, Fresh Pond Capital as of June 1996 is to be used for capital expenditures of Fresh Pond. After this amount is exhausted, Dare County, Kill Devil Hills and the Town will share in capital expenditures evenly. All funds previously set aside for capital expenditures under this agreement have been expended as of June 30, 2008. In the case of capital expenditures in excess of \$100,000, each entity must agree to fund their share or accept a reduction in their allocation from the Fresh Pond water supply. During the fiscal year ending June 30, 2008 the Town received \$246,739 from the Regional Water System in reimbursement of excess operating costs from the prior fiscal year and an additional \$51,354 from both Dare County and Kill Devil Hills for their share of Fresh Pond capital expenditures.

G. Water Impact Fees

The Town entered into a letter of understanding with the Ammons-Dare Corporation (its successors and assigns) for the provision of water to the Village of Nags Head Development. The Town guarantees 1,000 water consumption units (WCU) will be available for the development. Ammons-Dare Corporation has agreed to pay an impact fee of \$2,000 per WCU in advance in the form of an irrevocable letter of credit in the amount of \$2,000,000. As of June 30, 2008, draws in the amount of \$2,000,000 have been made by the Town on this letter of credit, and Ammons-Dare Corporation has utilized 692 WCU's which are guaranteed by the Town and are valued at \$1,384,000. The Town reimbursed Ammons-Dare Corporation for 100 unused WCU's in the amount of \$200,000 during the fiscal year ending June 30, 1992, 50 unused WCU's in the amount of \$100,000 during the fiscal year ending June 30, 1993, 15 units in the amount of \$30,000 during the fiscal year ending June 30, 1995, and 31 units in the amount of \$62,000 in the year ended June 30, 1996. The remaining 112 WCU's in the amount of \$224,000 represent the balance due under the letter of understanding and are included in the Water Fund balance sheet as unearned revenue. Should any of the remaining WCU's be unused, the Town agrees to reimburse Ammons-Dare Corporation, its successors and assigns, at any time after September 4, 1991.

H. Facility Fees

The Town enacted a Facility Fee ordinance on July 3, 1989. Facility fees are imposed on new development or construction requiring a building permit. These fees will be used to fund capital expenditures associated with increased Police, Fire, Administration, and Solid Waste Collection Services necessitated by new development. A fee for Recreation Facilities was added effective January 1, 2000. The facility fees are deposited in a separate interest-bearing account. The interest earned shall be used solely for purposes specified in the account.

For the year ended June 30, 2008, the following Facility Fee Revenue (including interest) was collected in the General Fund:

Administration	\$ 28,606.00
Fire	12,856.00
Police	24,638.00
Sanitation	11,786.00
Recreation	19,005.00
Total	<u>\$ 96,891.00</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

Facility fees are to be spent for capital expenditures within ten years of collection of the fees. In the event that the funds are unexpended, the Town is obligated to refund the fees to the eligible property owner after the ten-year period expires.

At June 30, 2008, the facility fees were transferred to the Capital Reserve Fund where they will remain until funds are needed for appropriate capital expenditures.

During the year ended June 30, 2008, administration facility fees in the amount of \$31,500 and police facility fees in the amount of \$13,500 were used toward the municipal complex debt. Police facility fees of \$11,533 were used for a portion of new police vehicle debt and \$14,594 used for the purchase of a mobile sign for public safety information. Fire facility fees of \$14,921 were used toward the interfund loan used to satisfy the previous fire station debt. There was \$12,000 in sanitation facility fees used toward the debt for new equipment. Lastly, there was no recreation facility fees used during the year ended June 30, 2008.

As of June 30, 2008, the following balances of facility fees remained, and are included in the Capital Reserve Fund:

Administration	\$ 140,654
Fire	29,454
Police	172,127
Sanitation	14,950
Recreation	38,608
Total	<u>\$ 395,793</u>

The following schedule summarizes facility fees collected and used from the inception of the fees to date:

Facility Fees Collected (Inclusive of interest):

	Admin.	Fire	Police	Sanitation	Recreation	Total
FY 89-90	\$ 29,114	\$ 19,035	\$ 7,179	\$ 16,548	\$ -	\$ 71,876
FY 90-91	17,704	15,761	6,293	10,194	-	49,952
FY 91-92	24,115	27,159	11,204	15,236	-	77,714
FY 92-93	24,392	16,237	6,509	12,473	-	59,611
FY 93-94	23,758	24,740	10,317	12,476	-	71,291
FY 94-95	25,965	27,202	11,743	17,074	-	81,984
FY 95-96	28,330	28,125	12,570	19,832	-	88,857
FY 96-97	22,811	11,699	5,322	9,682	-	49,514
FY 97-98	34,009	15,243	15,749	10,406	-	75,407
FY 98-99	45,061	23,584	28,535	19,367	-	116,547
FY 99-00	45,953	31,970	43,067	24,461	14,473	159,924
FY 00-01	64,457	66,526	102,658	47,078	41,911	322,630
FY 01-02	64,532	34,245	43,293	30,466	42,338	214,874
FY 02-03	63,155	36,834	50,102	33,571	38,719	222,381
FY 03-04	39,368	16,606	18,221	10,109	28,633	112,937
FY 04-05	33,300	45,226	75,807	23,782	23,479	201,594
FY 05-06	24,395	14,920	20,474	13,677	23,030	96,496
FY 06-07	15,490	16,598	27,048	14,878	10,935	84,949
FY 07-08	28,606	12,856	24,638	11,786	19,005	96,891
Total	<u>\$ 654,515</u>	<u>\$ 484,566</u>	<u>\$ 520,729</u>	<u>\$ 353,096</u>	<u>\$ 242,523</u>	<u>\$ 2,255,429</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

Facility Fees Used:

	Admin.	Fire	Police	Sanitation	Recreation	Total
FY 89-90	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY 90-91	-	-	-	-	-	-
FY 91-92	-	30,000	-	20,000	-	50,000
FY 92-93	-	-	6,520	-	-	6,520
FY 93-94	-	26,247	4,097	-	-	30,344
FY 94-95	-	26,247	4,097	-	-	30,344
FY 95-96	-	75,765	-	-	-	75,765
FY 96-97	160,000	-	40,000	5,000	-	205,000
FY 97-98	10,000	-	5,000	5,000	-	20,000
FY 98-99	35,000	-	16,120	-	-	51,120
FY 99-00	31,500	26,942	28,434	18,864	-	105,740
FY 00-01	31,500	23,584	13,500	19,818	7,065	95,467
FY 01-02	31,500	31,970	48,227	71,677	44,000	227,374
FY 02-03	31,500	66,526	13,500	36,716	25,000	173,242
FY 03-04	56,861	40,591	60,601	50,999	42,000	251,052
FY 04-05	31,500	30,667	18,648	52,356	25,000	158,171
FY 05-06	31,500	16,427	25,198	36,716	52,000	161,841
FY 06-07	31,500	45,225	25,033	9,000	8,850	119,608
FY 07-08	31,500	14,921	39,627	12,000	-	98,048
Total	\$ 513,861	\$ 455,112	\$ 348,602	\$ 338,146	\$ 203,915	\$ 1,859,636
Remaining	140,654	29,454	172,127	14,950	38,608	395,793

I. Hurricane Recovery

The Town of Nags Head entered into agreements to complete infrastructure repairs/replacements necessitated by Hurricane Isabel in September 2003. As of June 30, 2008, all contracts for the emergency berm project, the road repair project and the beach emergency berm project had been completed and reimbursement had been received including \$282,318 for the costs of sprigging the emergency berm. This reimbursement was initially denied by FEMA and subsequently appealed by the Town. The costs were reported as expenditures in the year incurred and no receivable or revenue had been recorded by the Town related to reimbursement of these costs prior to revenue recorded in the current fiscal year upon receipt of the funds.

J. Beach Nourishment

On November 2, 2005, the Town adopted a capital project ordinance for Beach Nourishment with an estimated cost of \$27,697,850 to be funded by bond proceeds in the amount of \$26,997,850 and a contribution from the General Fund in the amount of \$700,000. This project ordinance was amended on December 20, 2006 to increase the total estimated costs of the project to \$32,700,000 with \$24,000,000 funded by bond proceeds, \$8,000,000 funded by contribution from Dare County, and the remaining \$700,000 funded by a transfer from the General Fund. The initial phase of that project is a contract for

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

the engineering and construction oversight in the amount of \$1,592,500. The contract allows for cancellation at any time by either party upon payment of costs incurred through the date of cancellation. The bond referendum held during April 2007 was not approved by all districts as required for the issuance of bonds to fund the project. It is the intent of the Board to continue through completion of the permitting process with costs incurred through that date funded by the transfer from the General Fund. The total amount expended under this contract at June 30, 2006 was \$200,347. During the year ended June 30, 2007, an additional \$206,117 was expended under this contract, in addition to, \$21,701 in attorneys fees related to the project and the referendum. During the year ended June 30, 2008 an additional \$60,535 was expended under this contract. Total costs incurred through June 30, 2008 include \$467,000 for engineering and construction oversight and \$21,701 in attorneys' fees.

K. Significant Effects of Subsequent Events

On September 11, 2008 the Town entered into a contract for the purchase of land with a purchase cost of \$1,065,000 plus related closing costs. An additional \$792,165 of land valuation is being donated to the Town by the seller of the property. The Town has received approved grant funding to be used towards the acquisition costs in the amount of \$500,000 from North Carolina Parks and Recreation Trust Fund and from North Carolina Coastal Management in the amount of \$568,500. Any costs in excess of the grant funding will be funded from Undesignated Fund Balance. Closing for the property acquisition was October 2, 2008 and grant funding is anticipated to be received prior to the end of fiscal year 2008-2009.

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Town of Nags Head, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Schedule A-1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
12/31/1998	62,331	83,495	21,164	74.65%	656,523	3.22%
12/31/1999	71,819	81,751	9,932	87.85%	579,505	1.71%
* 12/31/2000	88,268	145,789	57,521	60.55%	673,137	8.55%
12/31/2001	90,229	178,317	88,088	50.60%	771,135	11.42%
12/31/2002	90,891	182,538	91,647	49.79%	815,534	11.24%
12/31/2003	151,541	212,074	60,533	71.46%	915,380	6.61%
12/31/2004	184,675	250,217	65,542	73.81%	1,026,938	6.38%
12/31/2005	217,715	241,698	23,983	90.08%	1,021,727	2.35%
12/31/2006	256,998	301,636	44,638	85.20%	1,058,590	4.22%
12/31/2007	241,424	357,343	115,919	67.56%	1,091,569	10.62%

* Valuations beginning December 31, 2000 reflect a change in actuarial assumptions

Town of Nags Head, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Schedule A-2

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
1998	7,398	82.62%
1999	8,503	74.46%
2000	10,300	74.65%
2001	8,148	87.85%
2002	15,773	60.55%
2003	18,854	50.60%
2004	17,883	49.79%
2005	7,225	71.46%
2006	(5,653)	73.81%
2007	(13,806)	90.08%
2008	(34,256)	85.20%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases *	4.5 - 12.3%
* Includes inflation at	3.75%
Cost-of-living adjustments	N/A

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Over (Under)
REVENUES			
Ad Valorem Taxes:			
Current year		\$ 4,446,445	
Prior year		699	
DMV current year		53,997	
DMV prior year		233	
Penalties and interest		<u>11,017</u>	
Total	\$ 4,452,415	4,512,391	\$ 59,976
Other Taxes and Licenses:			
Occupancy tax		1,863,955	
Land Transfer tax		516,826	
Local governmental sales tax		866,525	
1/2% sales tax revenue		718,971	
Privilege licenses		38,807	
Mixed beverage tax		38,077	
Privilege license penalties		<u>236</u>	
Total	4,160,000	4,043,397	(116,603)
Intergovernmental Revenues:			
Unrestricted:			
Utility Franchise tax		291,852	
Telecommunications tax		56,290	
Video programming tax/franchise fees		184,786	
Beer and wine		14,432	
ABC revenue		<u>14,607</u>	
Total	453,000	561,967	108,967
Restricted:			
FEMA Reimbursement		282,318	
Contributions from governmental units		63,546	
State Street Aid allocation		147,771	
Governor's Highway Grant		8,399	
Drug Fund revenue		1,487	
NC DOT Enhancement Grant		93,994	
CAMA Reimbursement		<u>6,760</u>	
Total	349,159	604,275	255,116
Total Intergovernmental Revenues	802,159	1,166,242	364,083

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Permits and Fees:			
Building permits		201,371	
Facility fees		96,892	
Inspection and review fees		35,019	
Beach driving permits		11,333	
CAMA permits		14,600	
Motor vehicle licenses		<u>818</u>	
 Total	 <u>425,650</u>	 <u>360,033</u>	 <u>(65,617)</u>
Special Assessments:			
Pond Island Project		<u>499</u>	
 Total	 <u>500</u>	 <u>499</u>	 <u>(1)</u>
Sales and Services:			
Court costs and fees		<u>4,519</u>	
 Total	 <u>8,000</u>	 <u>4,519</u>	 <u>(3,481)</u>
Investment Earnings	<u>472,500</u>	<u>455,040</u>	<u>(17,460)</u>
Other Revenues:			
YMCA Rents		407,818	
Sale of materials		46,239	
Miscellaneous		48,495	
Sale of assets		20,141	
Damage recovery		23,926	
Civil Penalties		6,405	
Contributions to Police, Fire & Rescue Benevolent Fund		<u>10,095</u>	
 Total	 <u>674,965</u>	 <u>563,119</u>	 <u>(111,846)</u>
 Total Revenues	 <u>10,996,189</u>	 <u>11,105,240</u>	 <u>109,051</u>
 EXPENDITURES			
General Government:			
Governing Body:			
Fees paid to elected officials		31,443	
FICA expense		2,405	
Contracted services		34,143	
Contracted services - beach nourishment		(400)	
Capital outlay, art		700	

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Over (Under)
Department supplies and materials		6,476	
Special events		1,167	
Dues and subscriptions		4,835	
Printing		3,301	
Travel		5,528	
Telephone		422	
Training		1,005	
Equipment rental		381	
Employee incentive		500	
Contribution to YMCA		5,000	
Contribution to Nags Head Woods		14,000	
Contributions, miscellaneous		<u>100</u>	
Total	<u>160,897</u>	<u>111,006</u>	<u>49,891</u>
Special Projects:			
YMCA principal passthrough		281,000	
YMCA interest passthrough		<u>65,354</u>	
Total	<u>471,170</u>	<u>346,354</u>	<u>124,816</u>
Administration:			
Salaries and wages		242,186	
FICA expense		17,077	
Group insurance		37,842	
Group insurance - retiree		4,746	
Retirement		11,665	
401(k) account		5,445	
Contracted services		58,756	
Travel		2,968	
Advertising		794	
Departmental supplies		4,713	
Dues and subscriptions		2,965	
Equipment rental		1,684	
Telephone		3,863	
Employee training		1,210	
Postage		4,624	
Repairs and maintenance, equipment		1,080	
Career development		1,078	
Professional fees		26	
Other supplies		7,106	
Reimbursement from Water Fund		(58,334)	
Capital Outlay, other		<u>9,850</u>	
Total	<u>393,418</u>	<u>361,344</u>	<u>32,074</u>

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Administrative Services:			
Salaries and wages		326,250	
FICA expense		23,796	
Group Insurance expense		44,462	
Retirement		15,262	
401(k) account		9,401	
Unemployment expense		15,064	
Insurance		262,338	
Contracted services		14,016	
Employee training		7,005	
Professional services		28,321	
Departmental supplies and materials		11,807	
Postage		10,718	
Telephone		3,163	
Travel		5,634	
Other supplies		5,862	
Equipment rental		5,194	
Printing		9,875	
Repairs and maintenance, equipment		598	
Career development		1,067	
Wellness program		1,001	
Personnel Committee		1,797	
Special contracted services		822	
Dues and subscriptions		1,911	
Purchases for resale		1,433	
Advertising		420	
Repairs and maintenance, vehicles		831	
Automotive supplies		1,682	
Reimbursement from Water Fund		(176,327)	
Debt service, capital lease		193,972	
Debt service, interest		32,314	
Total	<u>922,818</u>	<u>859,689</u>	<u>63,129</u>
Information Technology:			
Salaries and wages		97,688	
FICA expense		7,303	
Group insurance		13,809	
Retirement		4,757	
401(k) account		2,931	
Contracted services		12,687	
Contracted services, GIS		540	
Contracted services, website		688	
Contracted services, annual contracts		39,151	
Professional services		71	
Departmental supplies		7,149	

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Over (Under)
Travel		345	
Advertising		174	
Telephone		4,182	
Postage		36	
Career development, other		651	
Repairs and maintenance, equipment		1,892	
Other supplies		13,821	
Internet costs		9,178	
Employee training		1,439	
Computer training		4,150	
Equipment rental		14,833	
Dues and subscriptions		140	
Reimbursement from Water Fund		(15,766)	
Capital outlay, other		7,120	
Capital outlay, equipment		<u>8,283</u>	
Total	<u>298,940</u>	<u>237,252</u>	<u>61,688</u>
Planning and Development:			
Salaries and wages		601,370	
FICA expense		44,518	
Group insurance		72,460	
Group insurance - retiree		3,694	
Retirement		29,287	
401(k) account		18,041	
Planning board, board of adjustment		9,470	
Contracted services		29	
Professional services		12,566	
Departmental supplies		14,269	
Travel		6,150	
Advertising		5,138	
Telephone		5,737	
Postage		2,089	
Repairs and maintenance, vehicles		1,217	
Repairs and maintenance, equipment		700	
Other supplies		3,082	
Uniforms		1,125	
Automotive supplies		5,764	
Employee training		3,580	
Career development, other		379	
Equipment rental		1,556	
Dues and subscriptions		2,569	
Printing		225	
Reimbursement from Water Fund		(77,162)	
Debt service, capital lease		7,602	
Debt service, interest		<u>275</u>	
Total	<u>854,085</u>	<u>775,730</u>	<u>78,355</u>

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Legal Services:			
Professional services		86,190	
Reimbursement from Water Fund		<u>(878)</u>	
Total	<u>85,522</u>	<u>85,312</u>	<u>210</u>
Total General Government	<u>3,186,850</u>	<u>2,776,687</u>	<u>410,163</u>
Public Safety:			
Salaries and wages		1,087,096	
FICA expense		80,396	
Group insurance		147,477	
Group insurance - retiree		2,329	
Retirement		52,604	
401(k) account		51,935	
Automotive supplies		63,408	
Departmental supplies		37,677	
Repairs and maintenance, vehicles		21,059	
Repairs and maintenance, equipment		20,388	
Telephone		16,060	
Other supplies		1,770	
Uniforms		13,266	
Career development		4,373	
Equipment rental		7,778	
Travel		6,104	
Professional services		9,201	
Employee training		3,837	
Special investigations		3,000	
Repairs and maintenance, range		2,828	
Postage		1,067	
Dues and subscriptions		1,377	
Contracted services		258	
Grant, Governor's Highway Safety		2,674	
Reimbursement from Wate Fund		(13,070)	
Capital outlay, equipment		147,947	
Capital outlay, Governor's Crime Commission		8,969	
Debt service, capital lease		105,028	
Debt service, interest		<u>5,829</u>	
Total	<u>2,095,223</u>	<u>1,892,665</u>	<u>202,558</u>
Drug Forfeiture:			
Employee training		<u>3,020</u>	
Total	<u>3,020</u>	<u>3,020</u>	<u>-</u>

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Over <u>(Under)</u>
Fire Department:			
Salaries and wages		1,228,364	
FICA expense		89,397	
Group insurance		232,196	
Retirement expense		62,106	
401(k) account		36,903	
Departmental supplies		73,064	
Repairs and maintenance, vehicles		29,109	
Uniforms		16,392	
Repairs and maintenance, equipment		14,727	
Automotive supplies		18,735	
Telephone		5,331	
Employee training		4,668	
OSHA Compliance		3,792	
Career development		8,872	
Travel		2,707	
Safety training		11,207	
Other supplies		2,710	
Equipment rental		1,358	
Dues and subscriptions		2,164	
Professional services		11,135	
Postage		609	
Contracted Services		1,812	
Printing		543	
Advertising		168	
Capital outlay, equipment		498,355	
Debt service, capital lease		160,611	
Debt service, interest		<u>59,851</u>	
Total	<u>2,659,501</u>	<u>2,576,886</u>	<u>82,615</u>
Volunteer Fire:			
Incentive pay		6,719	
FICA expense		514	
Uniforms		3,851	
Dues and subscriptions		364	
Training		335	
Travel		1,224	
Postage		211	
Repairs and maintenance, equipment		25	
Professional services		6,451	
Retirement		10,438	
Department supplies		<u>9,003</u>	
Total	<u>38,333</u>	<u>39,135</u>	<u>(802)</u>

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Ocean Rescue:			
Salaries and wages		362,126	
FICA expense		19,321	
Group insurance		5,182	
Retirement expense		2,538	
401(k) account		1,563	
Departmental supplies		28,645	
Uniforms		11,853	
Automotive supplies		10,080	
Repairs and maintenance, equipment		6,016	
Travel		4,903	
Repairs and maintenance, vehicles		2,011	
Professional fees		2,376	
Telephone		1,397	
Employee training		585	
Printing		884	
Dues and subscriptions		1,100	
Advertising		584	
Postage		70	
Debt service, capital lease		9,323	
Debt service, interest		<u>337</u>	
Total	<u>531,375</u>	<u>470,894</u>	<u>60,481</u>
Animal Control:			
Salaries and wages		42,791	
FICA expense		3,171	
Group insurance		9,156	
Retirement		2,080	
401(k) account		2,139	
Automotive supplies		1,834	
Departmental supplies		663	
Repairs and maintenance, vehicles		375	
Professional fees		200	
Equipment rental		144	
Travel		123	
Telephone		980	
Uniforms		<u>630</u>	
Total	<u>73,397</u>	<u>64,286</u>	<u>9,111</u>
Total Public Safety	<u>5,400,849</u>	<u>5,046,886</u>	<u>353,963</u>

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Over (Under)
Environmental Protection:			
Sanitation:			
Salaries and wages		447,495	
FICA expense		32,847	
Group insurance		91,577	
Retirement		20,889	
401(k) account		12,868	
Repairs and maintenance, vehicles		103,758	
Automotive supplies		119,711	
Department supplies		31,747	
Uniforms		9,523	
Contracted services		18,900	
Recycling		3,993	
Repairs and maintenance, equipment		4,033	
Professional Fees		134	
Travel		368	
Employee training		1,274	
Dues and subscriptions		379	
Capital outlay, equipment		473,109	
Debt service, capital lease		332,643	
Debt service, interest		<u>24,994</u>	
Total	<u>1,749,647</u>	<u>1,730,242</u>	<u>19,405</u>
Solid Waste:			
Tipping fees		<u>577,506</u>	
Total	<u>605,302</u>	<u>577,506</u>	<u>27,796</u>
Total Environmental Protection	<u>2,354,949</u>	<u>2,307,748</u>	<u>47,201</u>
Public Works:			
Administration:			
Salaries and wages		253,928	
FICA expense		18,911	
Group insurance		31,005	
Group insurance - retiree		15,270	
Retirement		12,296	
401(k) account		7,575	
Contracted services		1,642	
Purchase for resale		36,689	
Telephone		9,695	
Departmental supplies		8,216	
Advertising		183	
Travel		3,214	
Equipment rental		520	
Automotive supplies		5,311	

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Over (Under)
Employee training		833	
Career development		853	
Dues and subscriptions		702	
Postage		556	
Repairs and maintenance, vehicles		550	
Uniforms		983	
Professional fees		924	
Reimbursement from Water Fund		(124,067)	
Capital outlay, equipment		25,304	
Debt service, capital lease		16,430	
Debt service, interest		<u>290</u>	
Total	<u>360,363</u>	<u>327,813</u>	<u>32,550</u>
Public Facilities Maintenance:			
Salaries and wages		339,952	
FICA expense		24,829	
Group insurance		86,578	
Group insurance, retiree		2,523	
Retirement		15,984	
401(k) account		9,846	
Special Projects		24,953	
Repairs and maintenance, facilities		24,879	
Utilities		142,662	
Contracted services		49,283	
Department supplies		22,992	
Repairs and maintenance, equipment		26,282	
Signs		16,166	
Automotive supplies		21,919	
Repairs and maintenance, other		17,642	
Career development		575	
Other supplies		12,592	
Professional services		1,101	
Uniforms		5,292	
Repairs and maintenance, vehicles		8,165	
Employee training		2,288	
Travel		(15)	
Street supplies		12,747	
Dues and subscriptions		50	
Reimbursement from Water Fund		(40,672)	
Capital outlay, Multi use path		107,339	
Capital outlay, land		2,260	
Capital outlay, equipment		20,035	
Capital outlay, other Powell Bill		186,365	
Debt service, capital lease		42,811	
Debt service, interest		<u>2,412</u>	
Total	<u>1,354,465</u>	<u>1,189,835</u>	<u>164,630</u>

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Over (Under)
Maintenance Garage:			
Salaries and wages		169,953	
FICA account		12,759	
Group insurance		31,531	
Group insurance, retiree		5,111	
Retirement		8,277	
401(k) account		5,099	
Other supplies		8,858	
Departmental supplies		15,290	
Uniforms		2,910	
Contracted services		313	
Automotive supplies		1,358	
Repairs and maintenance, vehicles		254	
Employee training		603	
Career development		575	
Repairs and maintenance, equipment		655	
Travel		42	
Advertising		86	
Professional fees		450	
Dues and subscriptions			
Reimbursement from Water Fund		<u>(8,724)</u>	
Total	<u>268,588</u>	<u>255,400</u>	<u>13,188</u>
Total Public Works	<u>1,983,416</u>	<u>1,773,048</u>	<u>210,368</u>
Contingency	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total Expenditures	<u>13,051,064</u>	<u>11,904,369</u>	<u>1,146,695</u>
Revenues Over (Under) Expenditures	<u>(2,054,875)</u>	<u>(799,129)</u>	<u>1,255,746</u>
Other Financing Sources (Uses):			
Proceeds from capital lease	312,426	312,426	-
Transfers from Capital Projects Funds (Net)	73,679	46,381	(27,298)
Appropriated Fund Balance	<u>1,668,770</u>	<u>-</u>	<u>(1,668,770)</u>
Other financing sources (uses), net	<u>2,054,875</u>	<u>358,807</u>	<u>(1,696,068)</u>
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>(440,322)</u>	<u>\$ (440,322)</u>
FUND BALANCE, beginning		<u>9,945,933</u>	
FUND BALANCE, ending		<u>\$ 9,505,611</u>	

TOWN OF NAGS HEAD, NORTH CAROLINA
Beach Nourishment Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2008

	Project Authorization	Actual Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ 17,951	\$ 10,545	\$ 28,496	\$ 28,496
Restricted intergovernmental	8,000,000	-	-	-	(8,000,000)
Total revenues	<u>8,000,000</u>	<u>17,951</u>	<u>10,545</u>	<u>28,496</u>	<u>(7,971,504)</u>
Expenditures					
Capital Construction Oversight	1,592,500	406,464	60,535	466,999	1,125,501
Pumping Costs	28,002,150	-	-	-	28,002,150
Mobilization	1,500,000	-	-	-	1,500,000
Contingency	905,350	-	-	-	905,350
Other Costs	700,000	21,701	-	21,701	678,299
Total Expenditures	<u>32,700,000</u>	<u>428,165</u>	<u>60,535</u>	<u>488,700</u>	<u>32,211,300</u>
Revenues over (under) expenditures	<u>(24,700,000)</u>	<u>(410,214)</u>	<u>(49,990)</u>	<u>(460,204)</u>	<u>24,239,796</u>
Other financing sources (uses):					
Bond Proceeds Issued	24,000,000	-	-	-	24,000,000
Transfers from other funds	700,000	700,000	-	700,000	-
Total other financing sources (uses)	<u>24,700,000</u>	<u>700,000</u>	<u>-</u>	<u>700,000</u>	<u>(24,000,000)</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 289,786</u>	<u>(49,990)</u>	<u>\$ 239,796</u>	<u>\$ 239,796</u>
Fund balance, beginning of year			289,786		
Fund balance, end of year			<u>\$ 239,796</u>		

TOWN OF NAGS HEAD, NORTH CAROLINA
Beach and Sound Accesses Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2008

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Restricted intergovernmental	\$ 306,858	\$ 69,630	\$ 77,982	\$ 147,612	\$ (159,246)
Total revenues	<u>306,858</u>	<u>69,630</u>	<u>77,982</u>	<u>147,612</u>	<u>(159,246)</u>
Expenditures					
Baltic Street Access	153,208	4,146	6,422	10,568	142,640
June Street Access	51,000	44,006	5,173	49,179	1,821
Indigo Street Access	50,000	40,406	4,736	45,142	4,858
Bittern Street Access	26,100	26,720	23	26,743	(643)
Town Hall Access	35,400	35,398	-	35,398	2
Total Expenditures	<u>315,708</u>	<u>150,676</u>	<u>16,354</u>	<u>167,030</u>	<u>148,678</u>
Revenues over (under) expenditures	<u>(8,850)</u>	<u>(81,046)</u>	<u>61,628</u>	<u>(19,418)</u>	<u>(10,568)</u>
Other financing sources (uses):					
Transfer from Capital Reserve Fund	8,850	8,850	-	8,850	-
Appropriated fund balance					
Total other financing sources (uses)	<u>8,850</u>	<u>8,850</u>	<u>-</u>	<u>8,850</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ (72,196)</u>	<u>\$ 61,628</u>	<u>\$ (10,568)</u>	<u>\$ (10,568)</u>
Fund balance, beginning of year			(72,196)		
Fund balance, end of year			<u>\$ (10,568)</u>		

Town of Nags Head, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES			
Operating Revenues:			
Water sales		\$ 2,088,244	
Contribution to Fresh Pond		349,447	
Charges to other governmental units, Dare County		65,255	
Rents		77,208	
Tap and connection fees		12,135	
Late payment penalties and interest		21,961	
Water cutoff tag fees		8,735	
Sale of capital assets		2,960	
Miscellaneous		<u>2,249</u>	
Total	<u>\$ 2,712,547</u>	<u>2,628,194</u>	<u>\$ (84,353)</u>
Non-Operating Revenues:			
Interest earned on investments		176,051	
Impact fees		213,000	
Decrease in prepaid impact fees		<u>2,000</u>	
Total	<u>180,000</u>	<u>391,051</u>	<u>211,051</u>
Total Revenues	<u>2,892,547</u>	<u>3,019,245</u>	<u>126,698</u>
EXPENDITURES			
Administration:			
Salaries and wages		58,639	
FICA expense		4,023	
Group insurance		19,430	
Group insurance - retirees		642	
Retirement expense		2,807	
401(k) account		1,729	
Reimburse General Fund administrative expenses		54,444	
Contracted services		1,880	
Postage		8,268	
Supplies and materials		3,146	
Employee training		1,110	
Career Development		475	
Travel		<u>470</u>	

Town of Nags Head, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2008

	Budget	Actual	Variance Over (Under)
Total Administration	<u>166,707</u>	<u>157,063</u>	<u>9,644</u>
Septic Health:			
Salaries and wages		46,651	
FICA expense		3,334	
Group insurance		8,191	
Retirement		2,223	
401(k) account		1,370	
Contracted services		69,769	
Reimburse General Fund administrative expenses		100,408	
Inspection rebates		19,312	
Pumping credits		2,280	
Postage		1,244	
Travel		757	
Telephone		506	
Printing		1,610	
Automotive supplies		406	
Career Development		1,175	
Repairs and maintenance, vehicles		15	
Departmental supplies		<u>2,483</u>	
Total Septic Health	<u>280,678</u>	<u>261,734</u>	<u>18,944</u>
Operations:			
Salaries and wages		183,566	
FICA expense		13,003	
Group insurance		44,475	
Retirement		8,971	
401(k) account		5,527	
Purchases for resale		737,590	
Reimburse General Fund administrative expenses		121,356	
Insurance		39,081	
Utilities		42,497	
Contracted services		48,108	
Departmental supplies		28,687	
Professional fees		6,002	
Other supplies		4,893	
Repairs and maintenance, equipment		22,100	

Town of Nags Head, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Postage		1,975	
Telephone		4,412	
Repairs and maintenance, buildings		4,623	
Uniforms		3,073	
Dues and subscriptions		2,183	
Equipment rental		901	
Printing		1,921	
Automotive supplies		5,111	
Employee training		729	
Travel		329	
Advertising		73	
Repairs and maintenance, vehicles		<u>502</u>	
Total Operations	<u>1,396,155</u>	<u>1,331,688</u>	<u>64,467</u>
Fresh Pond Operations:			
Salaries and wages		17,054	
FICA expense		1,199	
Group Insurance		3,542	
Retirement		827	
401(k) account		510	
Reimburse General Fund administrative expenses		101,932	
Repairs and maintenance, equipment		15,319	
Other supplies and materials		37,085	
Insurance		7,259	
Contracted services		26,457	
Professional services		16,108	
Departmental supplies		17,590	
Utilities		1,595	
Repairs and maintenance, building		8,114	
Telephone		92	
Employee training		205	
Travel		1,447	
Printing		145	
Dues and subscriptions		100	
Postage		<u>425</u>	
Total Fresh Pond Operations	<u>297,627</u>	<u>257,005</u>	<u>40,622</u>

Town of Nags Head, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2008

	Budget	Actual	Variance Over (Under)
Operations Distribution:			
Salaries and wages		246,162	
FICA expense		17,194	
Group insurance		66,730	
Retirement		11,970	
401(k) account		7,374	
Reimburse General Fund administrative expenses		136,860	
Contracted services		780	
Other supplies		13,064	
Repairs and maintenance, other		39,102	
Insurance		5,727	
Automobile supplies		8,914	
Departmental supplies		8,570	
Uniforms		4,084	
Repairs and maintenance, vehicles		1,757	
Telephone		1,971	
Dues and subscriptions		1,086	
Advertising		404	
Repairs and maintenance, equipment		3,454	
Travel		1,301	
Employee training		434	
Career Development		1,097	
Professional fees		291	
Building/equipment rental		203	
Total Operations Distribution	588,015	578,529	9,486
Budgetary Appropriations:			
Appropriated Retained Earnings	(450,745)	-	
Interest	37,360	37,302	
Debt principal	117,153	117,153	
Septic Health Loans	15,000	7,550	
Principal repayments Septic Health Loans	(10,000)	(8,087)	
Increase (decrease) in:			
Inventory	-	12,431	
(Increase) decrease in:			
Compensated absences	-	(2,184)	
Capital outlay:			
Land	5,222	5,221	

Town of Nags Head, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2008

	Budget	Actual	Variance Over (Under)
Other Contingency	399,375	208,784	
Capital Improvements Plan	50,000	-	
Total Budgetary Appropriations	163,365	378,170	(214,805)
Total Expenditures	2,892,547	2,964,189	(71,642)
Revenues Over Expenditures	\$ -	\$ 55,056	\$ (55,056)
RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS			
Revenues over expenditures		55,056	(1,325,645)
Reconciling Items:			
Septic Health Loans		7,550	
Principal repayments Septic Health Loans		(8,087)	
Payment of debt principal		117,153	
Increase in inventory		12,431	
Capital outlay		214,005	
Depreciation and amortization		(398,623)	
Increase in accrued vacation and comp pay		(2,184)	
Decrease in prepaid impact fees		2,000	
Capital contributions		23,350	
Change in net assets		\$ 22,651	

**Town of Nags Head, North Carolina
Storm Water Fund**

Schedule 5
Page 1 of 2

**Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	Variance Over (Under)
REVENUES			
Operating Revenues:			
Storm Water Fees	\$ 112,152	\$ 112,378	\$ 226
Total	<u>112,152</u>	<u>112,378</u>	<u>226</u>
Nonoperating Revenues:			
Interest earned on investments	<u>10,225</u>	<u>10,860</u>	<u>635</u>
Total	<u>10,225</u>	<u>10,860</u>	<u>635</u>
Total Revenues	<u>122,377</u>	<u>123,238</u>	<u>861</u>
EXPENDITURES			
Fuel	2,100	1,797	303
Department Supplies	150	65	85
Repairs and maintenance, equipment	7,500	5,434	2,066
Professional Fees	6,691	4,254	2,437
Contracted Services	<u>82,322</u>	<u>8,254</u>	<u>74,068</u>
Total Expenditures	<u>98,763</u>	<u>19,804</u>	<u>78,959</u>
Budgetary Appropriations:			
Interest	2,690	2,690	-
Debt Principal	11,074	11,074	-
Capital Outlay Equipment	<u>9,850</u>	<u>9,822</u>	<u>28</u>
Total Budgetary Appropriations	<u>23,614</u>	<u>23,586</u>	<u>28</u>
Total Expenditures	<u>122,377</u>	<u>43,390</u>	<u>78,987</u>
Revenues over Expenditures	<u>\$ -</u>	<u>\$ 79,848</u>	<u>\$ 79,848</u>

RECONCILIATION OF MODIFIED ACCRUAL BASIS
TO FULL ACCRUAL BASIS

Revenues over (under) expenditures	79,848
Debt Issued	
Capital Outlay	9,822
Payment of Debt Principal	11,074
Contributions to Water Fund	
Sale of Fixed Assets	
Depreciation	<u>(8,665)</u>
Change in net assets	<u>\$ 92,079</u>

**Town of Nags Head, North Carolina
Nags Head Leasing**

Schedule 6

**Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES			
Operating Revenues:			
Other revenues	\$ -	\$ -	\$ -
Total	-	-	-
Nonoperating Revenues:			
Interest Earned on Investments	-	19	19
Total	-	19	19
Total Revenues	-	19	19
EXPENDITURES			
Other expenditures	-	-	-
Total Expenditures	-	-	-
Budgetary Appropriations			
Appropriated retained earnings	-	-	-
Total Budgetary Appropriations	-	-	-
Total Expenditures	-	-	-
Revenues over Expenditures	\$ -	\$ 19	\$ 19
 RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS			
Revenues over (under) expenditures		19	
Contributions to Water Fund			
Sale of Fixed Assets			
Depreciation		-	
Change in Net Assets		\$ 19	

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2008

Schedule 7

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2007</u>	<u>Additions</u>	<u>Collection And Credits</u>	<u>Adjustments</u>	<u>Uncollected Balance June 30, 2008</u>
2007-2008	\$ -	\$ 4,423,318	\$ 4,500,442	\$ 78,714	\$ 1,590
2006-2007	1,888		358	(183)	1,347
2005-2006	2,242		256	(3)	1,983
2004-2005	2,852		15		2,837
2003-2004	2,922		72		2,850
2002-2003	1,590		31		1,559
2001-2002	2,036		138		1,898
2000-2001	1,896		39		1,857
1999-2000	2,675		17		2,658
1998-1999	1,694		491		1,203
1997-1998	1,104	-	1,104	-	-
	<u>\$ 20,899</u>	<u>\$ 4,423,318</u>	<u>\$ 4,502,962</u>	<u>\$ 78,528</u>	<u>\$ 19,783</u>

Less allowance for uncollectible
ad valorem taxes receivable

10,000

Ad Valorem Taxes Receivable, net

\$ 9,783

Reconciliation with revenues:

Taxes, ad valorem, General Fund	\$ 4,512,391
Amounts written off for tax year 97-98	218
DMV written off	1,326
Amounts written off <\$1	(4)
Refunds paid on taxes	48
Less penalties and interest	<u>(11,017)</u>
	<u>\$ 4,502,962</u>

Town of Nags Head, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2008

Schedule 8

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 2,998,050,246	0.1475	\$ 4,422,128	\$ 4,422,128	\$ -
Penalties	-		1,190	1,190	-
Total	<u>2,998,050,246</u>		<u>4,423,318</u>	<u>4,423,318</u>	<u>-</u>
Discoveries:					
Current year taxes	57,349,497		84,687.01	24,203	60,484
Penalties	-		24	24	-
Total	<u>57,349,497</u>		<u>84,711</u>	<u>24,227</u>	<u>60,484</u>
	<u>(4,251,309)</u>		<u>(5,996.83)</u>	<u>(409)</u>	<u>(5,587)</u>
Total property valuation	<u>\$ 3,051,148,434</u>				
Net levy			4,502,032	4,447,136	54,896
Uncollected taxes at June 30, 2008			(1,590)	(687)	(903)
Current year taxes collected			<u>\$ 4,500,442</u>	<u>\$ 4,446,445</u>	<u>\$ 53,997</u>
Current levy collection percentage			<u>99.96%</u>	<u>99.98%</u>	<u>98.36%</u>

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