

***TOWN OF NAGS HEAD  
NORTH CAROLINA***

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2009**

**MARTIN  STARNES  
& ASSOCIATES, CPAs, P.A.**

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*"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, 2009**

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**Town of Nags Head, North Carolina**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2009**

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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## 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, 2009, 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 provides a reasonable basis for our opinion.

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, 2009, 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 12, 2009 on our consideration of the Town of Nags Head, North Carolina'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 12, 2009

## **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, 2009. 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 \$36,062,172 (net assets).

The Town's net assets increased by \$1,546,307 over the prior year. The governmental net assets increased by \$2,212,398 (+9.77%). The business-type net assets decreased by \$666,091 (-5.60%).

At the end of the current fiscal year, the total unreserved fund balance for the General Fund was \$7,606,961 which is down by \$659,175 (-7.97%) from the prior year. The decrease is due primarily to the use of fund balance for land acquisition during the year and significant declines in several revenues including occupancy taxes, land transfer tax, sales taxes, and investment earnings. This unreserved fund balance represents 60.63% of total General Fund expenditures for the fiscal year down from 69.43% in the prior year.

The Town of Nags Head's total debt decreased by \$517,633 (-9.38%) during the current fiscal year.

The General Fund budget for the fiscal year ended June 30, 2009, was adopted with a tax rate of \$.1475 per \$100 assessed valuation reflecting no change from the prior year. Total assessed valuation increased from \$3,051,148,434 as of June 30, 2008, to \$3,079,696,650 as of June 30, 2009, an increase of \$28,548,216 (+.94%).

General Fund budget amendments during fiscal year 2008-2009 increased the adopted budget by just over \$1,656,862 with individual increases (decreases) by functional area noted below:

- General Government decreased by \$191,064 for reimbursements from the Water Fund for administrative oversight through the allocation of indirect costs partially offset by increases for increasing the annual contribution to the Government Access Channel and capital purchases budgeted at the first year of debt payment.
- Public Safety increased by \$92,287 to fund capital purchases budgeted at the first year debt payment.
- Environmental Protection decreased by \$51,730 due to transfer of funds budgeted for tipping fees to other Public Works departmental line items for additional funding and a vehicle that was budgeted for replacement and not replaced partially offset by capital purchases budgeted at the first year debt payment amount.
- Public Works increased by \$1,817,369 due to capital purchases budgeted at the first year debt payment amount and additional land acquisitions approved and funded during the fiscal year totaling \$1,793,500 partially offset by reimbursements from the Water Fund for administrative oversight through the allocation of indirect costs.
- The amount budgeted for Contingency decreased by \$10,000 during the year to provide additional funding for legal fees related to property insurance cost and deductible increases for coastal communities.

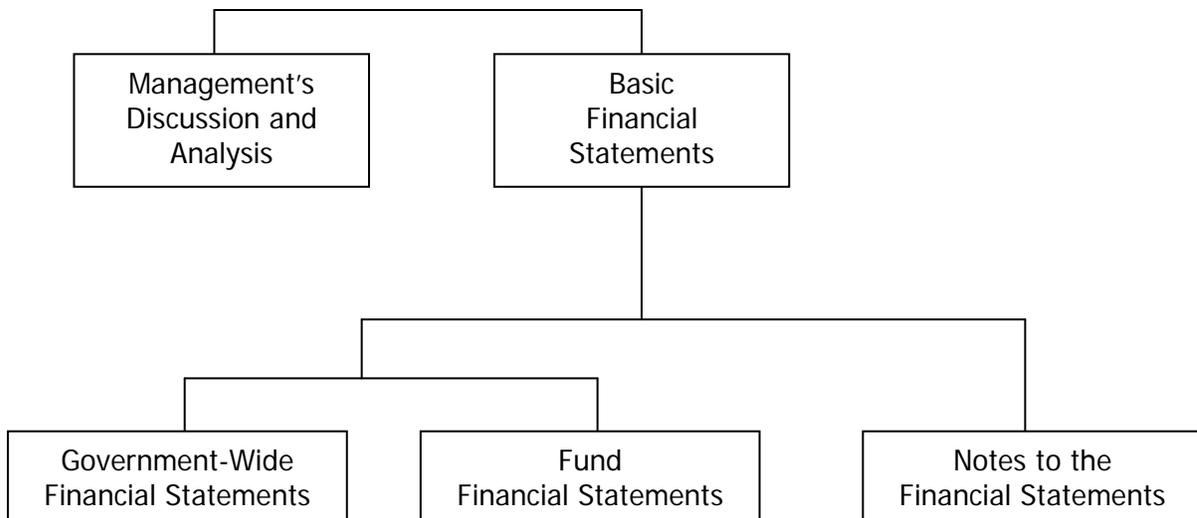
Key Ratios

% Debt to General Governmental Expenses	40.28%
% Property Tax Collection	99.65%
% Increase in Assessed Property Valuation	.94%

**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 \$36,062,172 at the close of the fiscal year ended June 30, 2009. A large portion of the Town of Nags Head's net assets \$22,678,118 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 \$149,282 represents resources that are subject to restrictions on how they may be used. The remainder of \$13,234,772 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					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 11,471,520	\$ 12,441,325	\$ 4,748,556	\$ 4,995,883	\$ 16,220,076	\$ 17,437,208
Capital Assets, Net	<u>17,969,939</u>	<u>15,203,600</u>	<u>8,055,481</u>	<u>8,602,322</u>	<u>26,025,420</u>	<u>23,805,922</u>
<b>Total Assets</b>	<u>29,441,459</u>	<u>27,644,925</u>	<u>12,804,037</u>	<u>13,598,205</u>	<u>42,245,496</u>	<u>41,243,130</u>
Long-Term Debt Outstanding	4,145,238	4,551,029	853,298	965,140	4,998,536	5,516,169
Other Liabilities	<u>441,309</u>	<u>451,382</u>	<u>743,479</u>	<u>759,714</u>	<u>1,184,788</u>	<u>1,211,096</u>
<b>Total Liabilities</b>	<u>4,586,547</u>	<u>5,002,411</u>	<u>1,596,777</u>	<u>1,724,854</u>	<u>6,183,324</u>	<u>6,727,265</u>
Investment in Capital Assets, Net of Related Debt	15,440,091	12,497,096	7,238,027	7,675,457	22,678,118	20,172,553
Restricted	149,282	111,075	-	-	149,282	111,075
Unrestricted	<u>9,265,539</u>	<u>10,034,343</u>	<u>3,969,233</u>	<u>4,197,894</u>	<u>13,234,772</u>	<u>14,232,237</u>
<b>Total Net Assets</b>	<u>\$ 24,854,912</u>	<u>\$ 22,642,514</u>	<u>\$ 11,207,260</u>	<u>\$ 11,873,351</u>	<u>\$ 36,062,172</u>	<u>\$ 34,515,865</u>

See Exhibit 1

Town of Nags Head's Changes in Net Assets

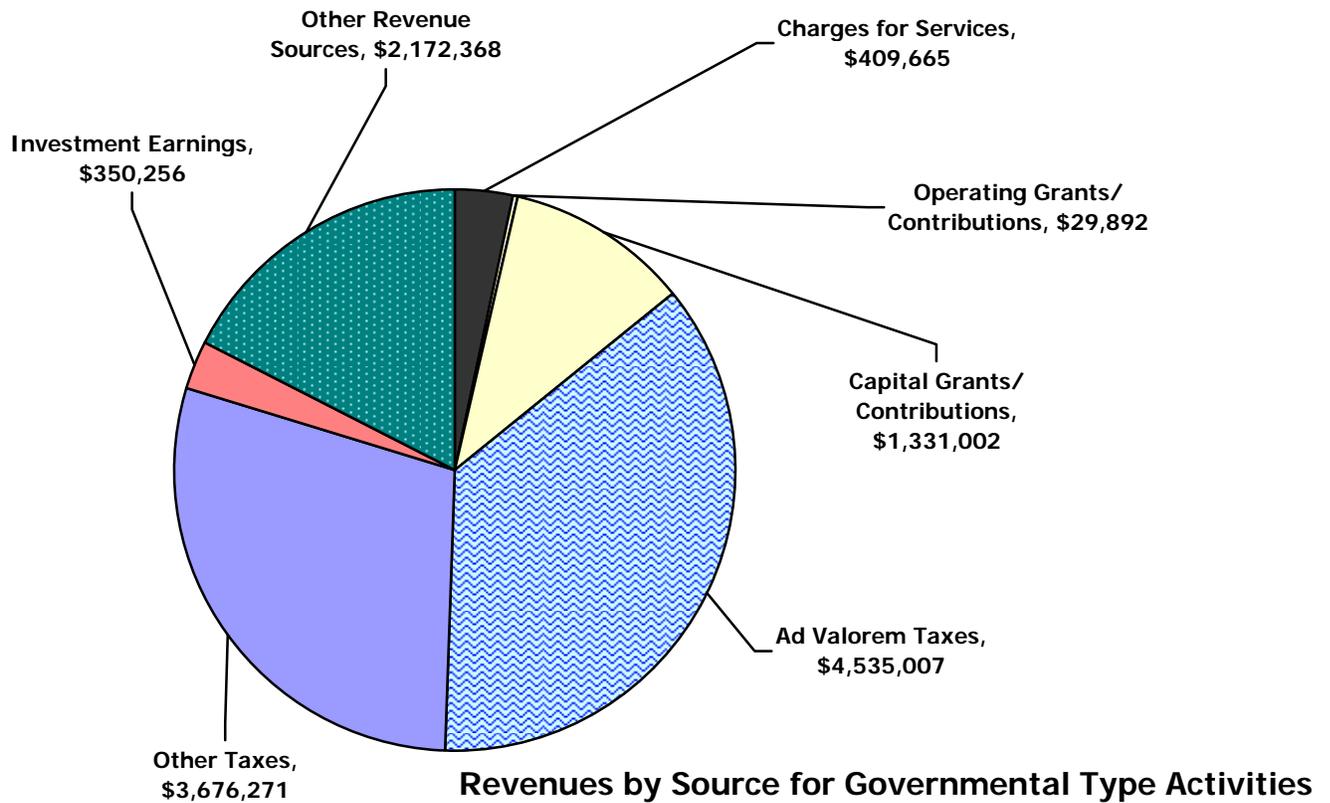
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 409,665	\$ 469,503	\$ 2,504,781	\$ 2,735,363	\$ 2,914,446	\$ 3,204,866
Operating Grants	29,892	301,159	-	-	29,892	301,159
Capital Grants	1,331,002	328,146	151,000	-	1,482,002	328,146
General Revenues:						
Property Taxes	4,535,007	4,513,175	-	-	4,535,007	4,513,175
Other Taxes	3,676,271	4,005,320	-	-	3,676,271	4,005,320
Investment Income	350,256	489,672	58,187	186,930	408,443	676,602
Other	2,172,368	851,663	5,896	245,559	2,178,264	1,097,222
Total Revenues	12,504,461	10,958,638	2,719,864	3,167,852	15,224,325	14,126,490
Expenses:						
General Government	2,367,328	2,215,258	-	-	2,367,328	2,215,258
Public Safety	4,502,963	4,445,113	-	-	4,502,963	4,445,113
Public Works/Transportation	1,648,013	1,720,014	-	-	1,648,013	1,720,014
Environmental Protection	1,638,552	1,687,064	-	-	1,638,552	1,687,064
Interest on Long Term Debt	135,207	191,655	-	-	135,207	191,655
Water Utility	-	-	2,997,628	3,053,103	2,997,628	3,053,103
Other	-	-	388,327	-	388,327	-
Total Expenses	10,292,063	10,259,104	3,385,955	3,053,103	13,678,018	13,312,207
Net Increase in Net Assets						
Before Transfers	2,212,398	699,534	(666,091)	114,749	1,546,307	814,283
Net Assets - July 1	22,642,514	21,942,980	11,873,351	11,758,602	34,515,865	33,701,582
Net Assets - June 30	\$ 24,854,912	\$ 22,642,514	\$ 11,207,260	\$ 11,873,351	\$ 36,062,172	\$ 34,515,865

See Exhibit 2

### A. Governmental Activities

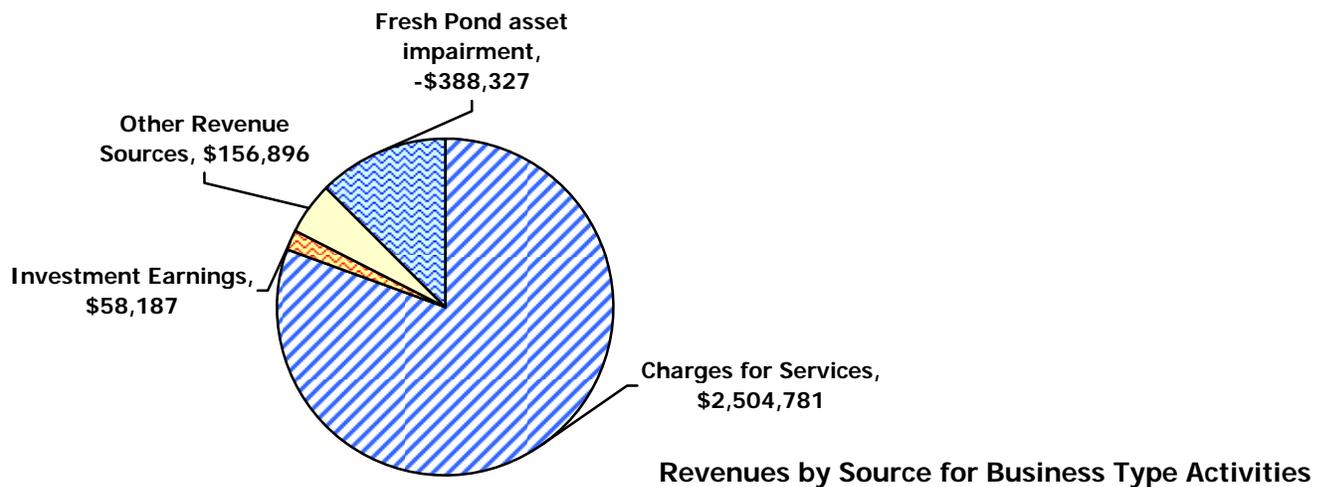
Governmental activities increased the Town of Nags Head's net assets by \$2,212,398. The governmental activities revenues increased by \$1,545,823, which included an increase in grant revenue for the acquisition of real property of \$1,068,500. Capital assets also increased by an additional \$1,043,451 in donated land value and \$279,577 for the exchange of a constructed cell tower for reduced monthly rent payments for the term of the lease included in Other revenues. Ad valorem tax revenue was up by \$21,832 with other taxes down by \$329,049. Investment earnings decreased by \$139,416 due to declining market rate of return. Building permits were down for the sixth year in a row with a decrease of \$38,422.

During the year, the Town's governmental expenses were \$10,292,063 an increase of \$32,959 (+.32%).



**B. Business-Type Activities**

Business-type activities decreased the Town of Nags Head's net assets by \$666,091. 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 Services in the Water Fund decreased in the Water Operations Fund by \$230,572 and decreased slightly in the Storm Water Fund by \$10 as compared to the preceding year.



## ***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 decreased by \$659,175 from \$8,266,136 at 6/30/08 to \$7,606,961 at 6/30/09. Total fund balance also decreased by \$505,939 from \$9,505,611 as of June 30, 2008 to \$8,999,672 at June 30, 2009. 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 at 6/30/09 represents 60.63% of total General Fund expenditures compared with 69.43% for the prior year. Unreserved fund balance decreased by more than total fund balance due to increases in several restricted fund balance amounts including reserved for Encumbrances which increased by \$85,515, an increase in fund balance reserved for Restricted Assets of \$34,526, an increase in reserved for State Statue of \$41,574, and an increase in fund balance reserved for Drug Enforcement of \$7,206. These are partially offset by decreases in fund balances reserved for Inventories (-\$10,420), Powell Bill Streets (-\$3,525), and Prepaids (-\$1,640).

As of June 30, 2009, the governmental funds of the Town of Nags Head reported combined fund balance of \$9,794,480, a decrease of \$730,963 (-6.94 %) 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 an increase 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 \$3,660,893. This represents a decrease of \$216,460 (-5.58%). Unrestricted net assets in the Storm Water Fund also decreased by \$12,207 to \$307,840.

### **C. Capital Assets**

The Town of Nags Head's investment in capital assets for its governmental and business-type activities as of June 30, 2009, totals \$26,025,420 (net of accumulated depreciation) which represents an increase of \$2,219,498. 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 significant acquisitions and disposals:

- Acquisition of the former English per property at a cost of \$1,075,718, in addition to, the donated portion of \$792,165. This will be used for development of park property adjacent to Jennette's Pier. The acquisition cost was funded by grants from North Carolina Department of Parks and Recreation in the amount of \$500,000 and from North Carolina Department of Environment and Natural Resources in the amount of \$568,500.
- Acquisition of the former Forbes property at a cost of \$712,933, in addition to, the donated portion of \$251,286. This represents a 17.949% ownership in the property which is owned jointly with the Outer Banks Visitor's Bureau holding the remaining 85.051% ownership interest. The acquisition was financed by borrowing \$500,000 to be repaid over ten years with the remaining funding provided from fund balance.
- Impairment loss on assets related to the closing of the Fresh Pond water production plant as a result of the amendment to the Regional Water System contract in the amount of \$388,327. Several assets recorded approximately 75% reductions in value as the result of no longer being used for water production with alternative uses of lesser value.

	Town of Nags Head's Capital Assets					
	Governmental Activities		(net of depreciation) Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 7,857,513	\$ 5,025,411	\$ 2,453,473	\$ 2,453,473	\$ 10,310,986	\$ 7,478,884
Construction in Progress	680,438	534,156	10,320	45,875	690,758	580,031
Buildings	4,909,572	5,100,112	3,008,173	3,324,980	7,917,745	8,425,092
Other Improvements	1,661,500	1,243,626	-	-	1,661,500	1,243,626
Equipment	435,923	534,136	384,480	460,347	820,403	994,483
Vehicles	2,424,993	2,766,159	13,444	25,270	2,438,437	2,791,429
Intangibles	-	-	2,185,591	2,292,377	2,185,591	2,292,377
Total	<u>\$ 17,969,939</u>	<u>\$ 15,203,600</u>	<u>\$ 8,055,481</u>	<u>\$ 8,602,322</u>	<u>\$ 26,025,420</u>	<u>\$ 23,805,922</u>

See Exhibit 1

#### D. Long-Term Debt

As of June 30, 2009, the Town of Nags Head had no bonded debt. The Town's total debt decreased by \$517,632 for the year.

	Town of Nags Head's Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Finance Contracts	\$ 2,934,226	\$ 3,032,666	\$ 767,125	\$ 829,080	\$ 3,701,351	\$ 3,861,746
Capital Leases	808,578	1,111,838	50,329	97,785	858,907	1,209,623
Compensated Absences	402,434	406,525	35,844	38,275	438,278	444,800
	<u>\$ 4,145,238</u>	<u>\$ 4,551,029</u>	<u>\$ 853,298</u>	<u>\$ 965,140</u>	<u>\$ 4,998,536</u>	<u>\$ 5,516,169</u>

## ***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

The level of unemployment in Dare County ranged from 3.8% to 17.1% compared to the seasonally adjusted statewide average of 9.77% (up from 5.04% in the prior fiscal year).

Construction in fiscal year 2009 decreased overall in the Town of Nags Head by \$9,613,437 (-33.87%) from the previous year. The only increase over the prior year was in commercial construction which was up by \$2,588,590. There were decreases in both single family and single family large of \$62,359 and \$5,753,560, respectively. Also down were multi-family by \$5,400,000 and miscellaneous construction by \$986,108. Review fees increased over the prior year by \$18,917 or 54.02% but building permit fees decreased for the sixth year in a row.

The property tax base increased by .94% to \$3,079,696,650 in the fiscal year ended June 30, 2009. Occupancy tax which had exhibited continued strong growth for the Town for the past several years decreased in fiscal year 2008-2009 by \$49,720 or 2.66%. All four sales tax articles were down from the prior year for a combined decrease of \$120,150 or 7.57%. Land transfer tax revenues decreased even further from the significant reduction in land transfer revenues experienced during the prior three fiscal years with the continuing softening of the real estate market decreasing by \$157,673 or 30.50%. Investment earnings were also down relative to the prior year due to the decline in market interest rates.

The Town's adopted budget for the fiscal year ending June 30, 2009, 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 2009-2010 budget decreased by \$2,521,651 (-18.25%) over the 2008-2009 amended budget and decreased by \$864,789 (-7.11%) over the adopted budget for 2008-2009.

## ***BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING June 30, 2010***

Governmental Activities: The adopted budget for fiscal year 2009-2010 is based on the estimated increased property valuation of \$3,075,324,928 up \$28,717,763 (+.94%) from the prior year valuation of \$3,046,607,165 allowing the tax rate to remain steady at \$.1475/\$100. The adopted budget reflects a decrease of \$864,789 from the prior year's adopted budget. Decreases in projected funding include a reduction of \$220,000 in land transfer tax revenues, a reduction of \$140,000 in occupancy taxes, a reduction of \$135,000 in combined sales tax revenues, a reduction in building permit fees of \$7,975, reduced rents from the YMCA pass-through of \$88,920, decreased contribution from Capital Reserve Fund of \$73,921, a \$117,500 decrease in projected revenues from investment income, a decrease in funding from Powell Bill of \$19,000, and a decrease in anticipated use of Fund Balance in the amount of \$191,582.

Budgeted expenditures in the General Fund are generally down in all departments with the exception of Governing Body which is up by \$43,884 due to the inclusion of debt service of \$66,965 for the property acquisition in FY 08-09 and Town Manager which is up by \$51,685 due to the reassignment of the Human Resources function from Administrative Services to Town Manager effective with the adoption of the budget for FY 09-10. Positions that were vacant/frozen in FY 08-09 remained frozen and unfunded for FY 09-10 including one sanitation superintendent, one sanitation equipment operator, one facilities maintenance technician, and one part time police officer. The frozen information technology support technician was funded on a part time basis for FY09-10. Additionally, no new positions or programs were funded. Capital replacement was

reduced to four vehicles and the only capital project funded was additional phasing of the west side multi-use path project. Funding for merit and career development was eliminated for all departments with funding for travel and training reduced by approximately 50 per cent across departments.

Business-Type Activities: The water rates in the Town will remain the same with projected decrease in gallons purchased of 8.87%. Appropriated retained earnings will be used to fund the Debt Service on the new water tank of \$93,874, current year contingency in the amount of \$50,000 with funds not spent in the prior fiscal year, and a one time use of fund balance for current year operating costs in the amount of approximately \$270,000.

### **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, North Carolina, 27959 or by calling 252-441-5508.

**Town of Nags Head, North Carolina**  
**Statement of Net Assets**  
**June 30, 2009**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 8,150,102	\$ 4,292,057	\$ 12,442,159
Investments	971,481	-	971,481
Taxes receivable (net)	23,842	-	23,842
Accounts receivable (net)	89,926	401,446	491,372
Accrued interest receivable	249,517	-	249,517
Due from other governments	685,319	-	685,319
Inventories	75,791	55,053	130,844
Prepaid items	1,016	-	1,016
Total current assets	<u>10,246,994</u>	<u>4,748,556</u>	<u>14,995,550</u>
Restricted assets:			
Cash and cash equivalents	<u>34,526</u>	<u>-</u>	<u>34,526</u>
Non-current assets:			
Capital lease receivable	<u>1,190,000</u>	<u>-</u>	<u>1,190,000</u>
Capital assets (Note 4):			
Land, non-depreciable improvements and construction in progress	8,537,951	2,463,793	11,001,744
Other capital assets, net of depreciation	<u>9,431,988</u>	<u>5,591,688</u>	<u>15,023,676</u>
Total capital assets	<u>17,969,939</u>	<u>8,055,481</u>	<u>26,025,420</u>
Total assets	<u>29,441,459</u>	<u>12,804,037</u>	<u>42,245,496</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	148,608	118,728	267,336
Accrued liabilities	204,587	20,350	224,937
Unearned revenue	69,046	220,000	289,046
Bonds and deposits	16,750	384,401	401,151
Due to other governments	2,318	-	2,318
Long-term liabilities:			
Due within one year	1,205,746	112,091	1,317,837
Due in more than one year	<u>2,939,492</u>	<u>741,207</u>	<u>3,680,699</u>
Total liabilities	<u>4,586,547</u>	<u>1,596,777</u>	<u>6,183,324</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	15,440,091	7,238,027	22,678,118
Restricted for:			
Powell Bill expenditures	99,543	-	99,543
Public safety enforcement	15,213	-	15,213
Capital (unexpended debt)	34,526	-	34,526
Unrestricted	<u>9,265,539</u>	<u>3,969,233</u>	<u>13,234,772</u>
Total net assets	<u>\$ 24,854,912</u>	<u>\$ 11,207,260</u>	<u>\$ 36,062,172</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, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental activities:				
General Government	\$ 2,367,328	\$ 382,541	\$ 9,350	\$ -
Public Safety	4,502,963	27,124	16,613	-
Public Works/Transportation	1,648,013	-	3,929	1,331,002
Environmental Protection	1,638,552	-	-	-
Interest on long-term debt	135,207	-	-	-
Total governmental activities (See Note 1)	<u>10,292,063</u>	<u>409,665</u>	<u>29,892</u>	<u>1,331,002</u>
Business-type activities:				
Water	2,869,842	2,392,413	-	151,000
Stormwater	127,786	112,368	-	-
Total business-type activities	<u>2,997,628</u>	<u>2,504,781</u>	<u>-</u>	<u>151,000</u>
Total primary government	<u>\$ 13,289,691</u>	<u>\$ 2,914,446</u>	<u>\$ 29,892</u>	<u>\$ 1,482,002</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

Acquisition of cell tower in exchange for reduced rent revenue

Special Items:

Loss on asset impairment for Fresh Pond

Total general revenues and special items

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**

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,975,437)	\$ -	\$ (1,975,437)
(4,459,226)	-	(4,459,226)
(313,082)	-	(313,082)
(1,638,552)	-	(1,638,552)
(135,207)	-	(135,207)
<u>(8,521,504)</u>	<u>-</u>	<u>(8,521,504)</u>
-	(326,429)	(326,429)
-	(15,418)	(15,418)
<u>-</u>	<u>(341,847)</u>	<u>(341,847)</u>
<u>(8,521,504)</u>	<u>(341,847)</u>	<u>(8,863,351)</u>
4,535,007	-	4,535,007
1,814,235	-	1,814,235
359,153	-	359,153
1,465,108	-	1,465,108
37,775	-	37,775
620,354	-	620,354
350,256	58,187	408,443
228,986	5,896	234,882
1,043,451	-	1,043,451
279,577	-	279,577
<u>-</u>	<u>(388,327)</u>	<u>(388,327)</u>
<u>10,733,902</u>	<u>(324,244)</u>	<u>10,409,658</u>
2,212,398	(666,091)	1,546,307
<u>22,642,514</u>	<u>11,873,351</u>	<u>34,515,865</u>
<u>\$ 24,854,912</u>	<u>\$ 11,207,260</u>	<u>\$ 36,062,172</u>

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, 2009**

	Major Funds			Total
	General	Capital Reserve	Beach Nourishment	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,470,010	\$ 572,451	\$ 107,641	\$ 8,150,102
Investments	971,481	-	-	971,481
Taxes receivable (net)	23,842	-	-	23,842
Accounts receivable (net)	89,926	-	-	89,926
Accrued interest receivable	249,517	-	-	249,517
Due from other governments	685,319	-	-	685,319
Due from other funds	-	125,029	-	125,029
Inventories	75,791	-	-	75,791
Prepaid items	1,016	-	-	1,016
Capital lease receivable	1,190,000	-	-	1,190,000
Restricted assets:				
Cash and cash equivalents	34,526	-	-	34,526
Total assets	<u>\$ 10,791,428</u>	<u>\$ 697,480</u>	<u>\$ 107,641</u>	<u>\$ 11,596,549</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 138,295	\$ -	\$ 10,313	\$ 148,608
Accrued expenses	204,587	-	-	204,587
Bonds and deposits	16,750	-	-	16,750
Due to other funds	125,029	-	-	125,029
Due to other governments	2,318	-	-	2,318
Deferred revenue	1,235,731	-	-	1,235,731
Unearned revenue	69,046	-	-	69,046
Total liabilities	<u>1,791,756</u>	<u>-</u>	<u>10,313</u>	<u>1,802,069</u>
Fund balances:				
Reserved for:				
Encumbrances	163,748	-	980,749	1,144,497
Inventories	75,791	-	-	75,791
State statute	1,002,874	125,029	-	1,127,903
Streets - Powell Bill	99,543	-	-	99,543
Prepays	1,016	-	-	1,016
Drug enforcement	15,213	-	-	15,213
Restricted assets	34,526	-	-	34,526
Unreserved	6,869,898	-	(883,421)	5,986,477
Designated for future capital	-	423,320	-	423,320
Designated for GAC	10,309	-	-	10,309
Designated for next year budget	726,754	149,131	-	875,885
Total fund balances	<u>8,999,672</u>	<u>697,480</u>	<u>97,328</u>	<u>9,794,480</u>
Total liabilities and fund balances	<u>\$ 10,791,428</u>	<u>\$ 697,480</u>	<u>\$ 107,641</u>	

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.	17,969,939
Liabilities for earned but deferred revenues in the fund statements.	
Deferred capital lease receivable	1,190,000
Deferred taxes receivable	45,208
Deferred miscellaneous receivable	523
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.	(4,145,238)
Net assets of governmental activities	<u>\$ 24,854,912</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, 2009**

	Major Funds				Total
	General Fund	Capital Reserve	Beach/Sound Accesses	Beach Nourishment	
<b>REVENUES</b>					
Ad valorem taxes	\$ 4,515,775	\$ -	\$ -	\$ -	\$ 4,515,775
Other taxes and licenses	3,711,933	-	-	-	3,711,933
Unrestricted intergovernmental	584,692	-	-	-	584,692
Restricted intergovernmental	1,243,103	-	130,880	-	1,373,983
Permits and fees	308,871	-	-	-	308,871
Sales and services	5,856	-	-	-	5,856
Investment earnings	340,344	7,154	-	2,758	350,256
Miscellaneous	558,835	-	-	-	558,835
Total revenues	<u>11,269,409</u>	<u>7,154</u>	<u>130,880</u>	<u>2,758</u>	<u>11,410,201</u>
<b>EXPENDITURES</b>					
Current:					
General Government	2,340,661	-	-	-	2,340,661
Public Safety	4,167,170	-	-	-	4,167,170
Environmental Protection	1,419,724	-	-	-	1,419,724
Public Works	1,309,722	-	-	-	1,309,722
Debt service:					
Principal	1,073,181	-	-	-	1,073,181
Interest and other charges	135,207	-	-	-	135,207
Capital outlay	<u>2,101,442</u>	<u>-</u>	<u>120,312</u>	<u>145,226</u>	<u>2,366,980</u>
Total expenditures	<u>12,547,107</u>	<u>-</u>	<u>120,312</u>	<u>145,226</u>	<u>12,812,645</u>
Revenues over (under) expenditures	<u>(1,277,698)</u>	<u>7,154</u>	<u>10,568</u>	<u>(142,468)</u>	<u>(1,402,444)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	165,501	65,223	-	-	230,724
Transfers to other funds	(65,223)	(165,501)	-	-	(230,724)
Installment purchase obligations issued	671,481	-	-	-	671,481
Total other financing sources (uses)	<u>771,759</u>	<u>(100,278)</u>	<u>-</u>	<u>-</u>	<u>671,481</u>
Net change in fund balances	(505,939)	(93,124)	10,568	(142,468)	(730,963)
Fund balances - beginning of year	<u>9,505,611</u>	<u>790,604</u>	<u>(10,568)</u>	<u>239,796</u>	<u>10,525,443</u>
Fund balances - end of year	<u>\$ 8,999,672</u>	<u>\$ 697,480</u>	<u>\$ -</u>	<u>\$ 97,328</u>	<u>\$ 9,794,480</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, 2009**

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

Net changes in fund balances - total governmental funds \$ (730,963)

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	\$1,043,451	
Cell tower exchange for reduced rents	279,577	
Capital outlay	2,366,980	
Depreciation	<u>(923,670)</u>	2,766,338

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	19,232
Change in deferred capital lease receivable	<u>(248,000)</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	(671,481)	
Decrease in compensated absences	4,091	
Principal repayments	<u>1,073,181</u>	<u>405,791</u>

Total changes in net assets of governmental activities \$ 2,212,398

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

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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, 2009**

	<b>General Fund</b>			Variance with Final Budget - Over/Under
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Ad valorem taxes	\$ 4,460,277	\$ 4,460,277	\$ 4,515,775	\$ 55,498
Other taxes and licenses	4,105,000	4,105,000	3,711,933	(393,067)
Unrestricted intergovernmental	522,000	532,308	584,692	52,384
Restricted intergovernmental	174,500	1,235,500	1,243,103	7,603
Permits and fees	343,125	343,125	308,871	(34,254)
Special assessments	134	134	133	(1)
Sales and services	8,000	8,000	5,856	(2,144)
Investment earnings	262,500	262,500	340,344	77,844
Miscellaneous	625,293	698,779	558,702	(140,077)
Total revenues	<u>10,500,829</u>	<u>11,645,623</u>	<u>11,269,409</u>	<u>(376,214)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,832,207	2,632,711	2,365,335	267,376
Public Safety	4,484,275	4,552,495	4,209,660	342,835
Environmental Protection	1,642,617	1,515,793	1,483,905	31,888
Public Works	1,738,677	3,497,263	3,279,819	217,444
Debt service:				
Principal	974,444	1,080,820	1,073,181	7,639
Interest and other charges	259,997	319,997	135,207	184,790
Contingency	125,000	115,000	-	115,000
Total expenditures	<u>12,057,217</u>	<u>13,714,079</u>	<u>12,547,107</u>	<u>1,166,972</u>
Revenues over (under) expenditures	<u>(1,556,388)</u>	<u>(2,068,456)</u>	<u>(1,277,698)</u>	<u>790,758</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	738,052	225,652	165,501	(60,151)
Transfers to other funds	(100,000)	(100,000)	(65,223)	34,777
Installment purchase obligations issued	-	671,553	671,481	(72)
Appropriated fund balance	918,336	1,271,251	-	(1,271,251)
Total other financing sources (uses)	<u>1,556,388</u>	<u>2,068,456</u>	<u>771,759</u>	<u>(1,296,697)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(505,939)	<u>\$ (505,939)</u>
Fund balances, beginning of year			9,505,611	
Fund balances, end of year			<u>\$ 8,999,672</u>	

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

Exhibit 5

<b>Capital Reserve Fund</b>			
Original	Final	Actual Amounts	Variance with Final Budget - Over/Under
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	7,154	7,154
-	-	-	-
<u>-</u>	<u>-</u>	<u>7,154</u>	<u>7,154</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>7,154</u>	<u>7,154</u>
100,000	100,000	65,223	(34,777)
(223,052)	(225,652)	(165,501)	60,151
-	-	-	-
<u>123,052</u>	<u>125,652</u>	<u>-</u>	<u>(125,652)</u>
<u>-</u>	<u>-</u>	<u>(100,278)</u>	<u>(100,278)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>(93,124)</u>	<u>\$ (93,124)</u>
		790,604	
		<u>\$ 697,480</u>	

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, 2009**

	Enterprise Funds			Total
	Major Funds		Nonmajor	
	Water Fund	Stormwater Fund	Nags Head Leasing	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 3,988,036	\$ 303,521	\$ 500	\$ 4,292,057
Accounts receivable trade (net)	373,811	5,548	-	379,359
Accounts receivable other (net)	22,087	-	-	22,087
Inventories	55,053	-	-	55,053
Total current assets	<u>4,438,987</u>	<u>309,069</u>	<u>500</u>	<u>4,748,556</u>
Capital assets:				
Land, non-depreciable improvements and construction in progress	2,463,793	-	-	2,463,793
Other capital assets, net of depreciation	5,514,510	77,178	-	5,591,688
Total capital assets (net)	<u>7,978,303</u>	<u>77,178</u>	<u>-</u>	<u>8,055,481</u>
Total assets	<u>\$ 12,417,290</u>	<u>\$ 386,247</u>	<u>\$ 500</u>	<u>\$ 12,804,037</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 118,226	\$ 502	\$ -	\$ 118,728
Accrued liabilities	19,623	727	-	20,350
Unearned revenue	220,000	-	-	220,000
Customer deposits	379,511	-	-	379,511
Cash bonds	4,890	-	-	4,890
Compensated absences - current	35,844	-	-	35,844
Capital leases payable - current	64,340	11,907	-	76,247
Total current liabilities	<u>842,434</u>	<u>13,136</u>	<u>-</u>	<u>855,570</u>
Non-current liabilities:				
Capital leases payable - non-current	702,785	38,422	-	741,207
Total liabilities	<u>1,545,219</u>	<u>51,558</u>	<u>-</u>	<u>1,596,777</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7,211,178	26,849	-	7,238,027
Unrestricted	3,660,893	307,840	500	3,969,233
Total net assets	<u>\$ 10,872,071</u>	<u>\$ 334,689</u>	<u>\$ 500</u>	<u>\$ 11,207,260</u>

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, 2009**

	Enterprise Funds			Total
	Water Fund	Stormwater Fund	Nags Head Leasing	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,044,928	\$ 112,368	\$ -	\$ 2,157,296
Contribution to Fresh Pond	268,452	-	-	268,452
Charges to other governmental units	40,512	-	-	40,512
Tap and connection fees	6,520	-	-	6,520
Late payment penalties	21,474	-	-	21,474
Water tag fees	10,527	-	-	10,527
Miscellaneous	5,896	-	-	5,896
Total operating revenues	<u>2,398,309</u>	<u>112,368</u>	<u>-</u>	<u>2,510,677</u>
<b>OPERATING EXPENSES</b>				
Administration	169,938	-	-	169,938
Septic health	255,937	-	-	255,937
Operations	1,330,100	-	-	1,330,100
Fresh Pond operations	198,779	-	-	198,779
Distribution	564,170	-	-	564,170
Stormwater	-	114,876	-	-
Depreciation and amortization	318,564	10,629	-	329,193
Total operating expenses	<u>2,837,488</u>	<u>125,505</u>	<u>-</u>	<u>2,962,993</u>
Total operating income (loss)	<u>(439,179)</u>	<u>(13,137)</u>	<u>-</u>	<u>(452,316)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment earnings	54,116	4,065	6	58,187
Interest expense	(32,354)	(2,281)	-	(34,635)
Total non-operating revenues (expenses)	<u>21,762</u>	<u>1,784</u>	<u>6</u>	<u>23,552</u>
Income (loss) before contributions transfers, and special items	(417,417)	(11,353)	6	(428,764)
Capital contributions from impact fees	151,000	-	-	151,000
Loss on Fresh Pond asset impairment	(388,327)	-	-	(388,327)
Change in net assets	(654,744)	(11,353)	6	(666,091)
Total net assets - beginning	<u>11,526,815</u>	<u>346,042</u>	<u>494</u>	<u>11,873,351</u>
Total net assets - ending	<u>\$ 10,872,071</u>	<u>\$ 334,689</u>	<u>\$ 500</u>	<u>\$ 11,207,260</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, 2009**

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Stormwater	Nags Head Leasing	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,486,492	\$ 112,020	\$ -	\$ 2,598,512
Cash paid for goods and services	(1,740,845)	(100,988)	-	(1,841,833)
Cash paid to or on behalf of employees for services	(776,362)	(22,481)	-	(798,843)
Customer deposits received	(795)	-	-	(795)
Other operating revenues	5,896	-	-	5,896
Net cash provided (used) by operating activities	<u>(25,614)</u>	<u>(11,449)</u>	<u>-</u>	<u>(37,063)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Initial impact fees received	147,000	-	-	147,000
Interest paid on debt financing	(32,354)	(2,281)	-	(34,635)
Septic loans issued	(23,070)	-	-	(23,070)
Repayment of septic loans	13,790	-	-	13,790
Principal paid on debt financing	(97,928)	(11,483)	-	(109,411)
Acquisition of capital assets	(170,679)	-	-	(170,679)
Net cash provided (used) by capital and related financing activities	<u>(163,241)</u>	<u>(13,764)</u>	<u>-</u>	<u>(177,005)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	54,116	4,065	6	58,187
Net increase (decrease) in cash and cash equivalents	(134,739)	(21,148)	6	(155,881)
Cash balances - beginning of the year	4,122,775	324,669	494	4,447,938
Cash balances - end of the year	<u>\$ 3,988,036</u>	<u>\$ 303,521</u>	<u>\$ 500</u>	<u>\$ 4,292,057</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, 2009**

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Stormwater	Nags Head Leasing	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (439,179)	\$ (13,137)	\$ -	\$ (452,316)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	318,564	10,629	-	329,193
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	94,079	(348)	-	93,731
(Increase) decrease in inventories	6,997	-	-	6,997
Increase (decrease) in accounts payable	(7,095)	(9,320)	-	(16,415)
Increase (decrease) in accrued liabilities	1,815	727	-	2,542
Increase (decrease) in customer deposits	(795)	-	-	(795)
Total adjustments	413,565	1,688	-	415,253
Net cash provided (used) by operating activities	\$ (25,614)	\$ (11,449)	\$ -	\$ (37,063)

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, 2009**

	Pension Trust	Private-Purpose Trust <u>Private Beach Nourishment</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 239,648	\$ 2,652
 <b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	\$ 239,648	\$ 2,652

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, 2009**

	Pension Trust	Private-Purpose Trust <u>Private Beach Nourishment</u>
<b>ADDITIONS</b>		
Employer contributions	\$ 30,000	\$ -
Private donations	-	600
Investment earnings	<u>3,073</u>	<u>1</u>
Total additions	<u>33,073</u>	<u>601</u>
<b>DEDUCTIONS</b>		
Benefits	<u>21,103</u>	<u>-</u>
Change in net assets	11,970	601
Net assets - beginning of the year	<u>227,678</u>	<u>2,051</u>
Net assets - end of the year	<u><u>\$ 239,648</u></u>	<u><u>\$ 2,652</u></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, 2009**

**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.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, 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 and 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.

**Stormwater Fund.** This fund is used to account for the Town's stormwater management operations.

The Town reports the following nonmajor 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. Non-

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

exchange 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.

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 non-operating 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 non-operating 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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. 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

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

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.

**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 and 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, 2009, \$163,748 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 \$980,749 in outstanding encumbrances at June 30, 2009. The Water Fund had \$1,070 in encumbrances outstanding at June 30, 2009. There were no open purchase orders in any of the other Town funds.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

**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), an SEC-registered mutual fund.

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, an 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. The amount of restricted assets in the General Fund as of June 30, 2009 was \$34,526.

**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, 2008.

**Town of Nags Head, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2009**

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.

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:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Infrastructure	30 years
Buildings	40 years
Improvements	25 years
Vehicles	5 to 10 years
Furniture and equipment	5 to 20 years

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

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.

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.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

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.

Unreserved:

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2009–2010 budget ordinance.

Designated for Government Access Channel Funding – portion of fund balance owed to the Government Access Channel pursuant to Memorandum of Understanding for future funding from the excess of PEG funds received over the amount requested from the Government Access Channel as of year end.

Designated for future capital – portion of the total fund balance designated for funding capital expenditures in future years.

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.

**Town of Nags Head, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2009**

**II. 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 undercollateralization, 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, 2009, the Town's deposits had a carrying amount of \$12,717,985 and a bank balance of \$12,916,610. Of the bank balance, \$4,388,959 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2009, the Town's petty cash fund totaled \$1,000.

2. Investments

At June 30, 2009, the Town's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>	<u>3-10 Years</u>
U.S. government obligations	\$ 151,734	\$ 50,203	\$ 101,531	\$ -	\$ -
U.S. government agencies	338,943	288,708	-	50,235	-
GNMA Mortgage backed securities	208,885	-	-	-	208,885
NC Capital Management Trust - Cash Portfolio*	271,919	-	271,919	-	-
Total	<u>\$ 971,481</u>	<u>\$ 338,911</u>	<u>\$ 373,450</u>	<u>\$ 50,235</u>	<u>\$ 208,885</u>

\* 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.

*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.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2009**

*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 all government obligations and agencies are rated AAA by Standard and Poor's as of June 30, 2009. The Town's investment in NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2009.

*Concentration of Credit Risk.* The Town's policy prohibits the investment of 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 Government National Mortgage Association mortgage-backed securities, Federal Home Loan Mortgage securities, Federal National Mortgage Association securities, Federal Home Loan Bank securities, and Federal Farm Credit securities. These investments are 21.50%, 18.77%, 16.12%, 10.45%, and 5.17%, respectively, of the Town's total investments.

3. Receivables

The receivables shown in Exhibit 1 at June 30, 2009 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Interest Receivable</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General	\$ 89,926	\$ 33,842	\$ 685,319	\$ 249,517	\$ 1,058,604
Allowance for doubtful accounts	-	(10,000)	-	-	(10,000)
Total governmental activities	<u>\$ 89,926</u>	<u>\$ 23,842</u>	<u>\$ 685,319</u>	<u>\$ 249,517</u>	<u>\$ 1,048,604</u>
<b>Business-Type Activities:</b>					
Water	\$ 412,107	\$ -	\$ -	\$ -	\$ 412,107
Stormwater	5,548	-	-	-	5,548
Allowance for doubtful accounts	(16,209)	-	-	-	(16,209)
Total business-type activities	<u>\$ 401,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 401,446</u>

Due from other governments consisted of the following:

Occupancy tax	\$ 300,272
Land transfer tax	101,128
Sales taxes	224,480
Tax reimbursement	55,576
Other	3,863
Total	<u>\$ 685,319</u>

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
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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, 2009 was \$1,190,000. Total payments received under this lease for the fiscal year ended June 30, 2009 were \$283,575, and the payments made were \$248,000 in principal and \$35,575 in interest.

4. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2009, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 5,025,411	\$ 1,756,384	\$ 1,075,718	\$ 7,857,513
Construction in progress	534,156	1,494,244	(1,347,962)	680,438
Total capital assets not being depreciated	<u>5,559,567</u>	<u>3,250,628</u>	<u>(272,244)</u>	<u>8,537,951</u>
<b>Capital assets being depreciated:</b>				
Buildings	7,085,446	-	-	7,085,446
Other improvements	1,443,691	279,577	272,244	1,995,512
Equipment	1,430,605	19,540	(21,801)	1,428,344
Vehicles and motorized equipment	6,001,081	140,264	(359,950)	5,781,395
Total capital assets being depreciated	<u>15,960,823</u>	<u>439,381</u>	<u>(109,507)</u>	<u>16,290,697</u>
<b>Less accumulated depreciation for:</b>				
Buildings	1,985,334	190,540	-	2,175,874
Other improvements	200,065	133,946	-	334,011
Equipment	896,469	117,754	(21,801)	992,422
Vehicles and motorized equipment	3,234,922	481,430	(359,950)	3,356,402
Total accumulated depreciation	<u>6,316,790</u>	<u>\$ 923,670</u>	<u>\$ (381,751)</u>	<u>6,858,709</u>
Total capital assets being depreciated, net	<u>9,644,033</u>			<u>9,431,988</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 15,203,600</u>			<u>\$ 17,969,939</u>

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

General Government	\$ 42,732
Public Safety	324,665
Public Works/Transportation	332,603
Environmental Protection	223,670
Total depreciation expense	\$ 923,670

Capital asset activities for the business-type activities for the year ended June 30, 2009 was as follows:

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
<b>Business-type activities:</b>				
Enterprise funds:				
Capital assets not being depreciated:				
Land	\$ 2,453,473	\$ -	\$ -	\$ 2,453,473
Construction in progress	45,875	170,679	(206,234)	10,320
Total capital assets not being depreciated	2,499,348	170,679	(206,234)	2,463,793
<b>Capital assets being depreciated:</b>				
Plant	5,636,278	-	(184,443)	5,451,835
Equipment	1,092,172	-	2,350	1,094,522
Vehicles	144,861	-	-	144,861
Intangibles	4,203,620	-	-	4,203,620
Total capital assets being depreciated	11,076,931	-	(182,093)	10,894,838
<b>Less accumulated depreciation for:</b>				
Plant	2,311,298	132,364	-	2,443,662
Equipment	631,825	78,217	-	710,042
Vehicles	119,591	11,826	-	131,417
Intangibles	1,911,243	106,786	-	2,018,029
Total accumulated depreciation	4,973,957	\$ 329,193	\$ -	5,303,150
Total capital assets being depreciated, net	6,102,974			5,591,688
Fund capital assets, net	8,602,322			8,055,481
<b>Business-type activities capital assets, net</b>	<b>\$ 8,602,322</b>			<b>\$ 8,055,481</b>

**Special Item**

The decrease in assets being depreciated for business-type activities includes \$388,327 in impairment loss for assets from Fresh Pond related to the decision to close Fresh Pond operations in June of 2009 as a result of changes to the contract with the Regional Water System.

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The government has active construction projects as of June 30, 2009. At year-end, the government's estimated commitments to projects ongoing are as follows:

<b>Project</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Beach Nourishment	\$ 633,926	\$ 633,926
Total	\$ 633,926	\$ 633,926

**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 LGERS 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 4.88% 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, 2009, 2008, and 2007 were \$277,133, \$260,794, and \$249,502, 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

**Town of Nags Head, North Carolina  
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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, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	0
Active plan members	22
Total	23

A separate report was not issued for the plan. The Separation Allowance is reported in the Town's report as a pension trust fund.

*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 amounts necessary to cover the benefits earned by making contributions based on actuarial valuations through appropriations made in the General Fund operating budget. For the current year the Town contributed \$30,000, or 2.75%, of annual covered payroll. 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, 2007 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, 2007 was 23 years.

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*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	\$	23,846
Interest on net pension obligation		(1,327)
Adjustment to annual required contribution		1,119
Annual pension cost		23,638
Contributions made		30,000
Increase (decrease) in net pension obligation		(6,362)
Net pension obligation, beginning of year		(18,300)
Net pension obligation, end of year	\$	(24,662)

**Three-Year Trend Information**

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 16,205	226.2%	\$ (34,256)
2008	15,956	0.0%	(18,300)
2009	23,638	126.9%	(24,662)

As of December 31, 2008, the most recent actuarial valuation date, the plan was 66.72 percent funded. The actuarial accrued liability for benefits was \$367,986, resulting in an unfunded actuarial accrued liability (UAAL) of \$122,478. The covered payroll (annual payroll of active employees covered by the plan) was \$1,167,081, and the ratio of the UAAL to the covered payroll was 10.49 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year 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.

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*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, 2009 were \$98,953, which consisted of \$61,298 from the Town and \$37,655 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, 2009 were \$228,973, which consisted of \$132,655 from the Town and \$96,318 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 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.

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*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, 2009, 2008, and 2007 were \$3,340, \$3,200, and \$3,640, respectively.

f. Other Post-Employment Benefits

According to a Town resolution, the Town provides post-employment healthcare 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 toward 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 eight retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2009, the Town made payments for post-employment health benefit premiums of \$30,502. The Town obtains healthcare 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, 2009, the Town made contributions to the State for death benefits of \$7,221. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% 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.

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2. Payables

Payables at Exhibit 1 at June 30, 2009 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Customer Deposits</u>	<u>Total</u>
<b>Governmental Activities</b>					
General	\$ 138,295	\$ 204,587	-	\$ 16,750	\$ 359,632
Beach Nourishment Fund	10,313	-	-	-	10,313
Total governmental activities	<u>\$ 148,608</u>	<u>\$ 204,587</u>	<u>\$ -</u>	<u>\$ 16,750</u>	<u>\$ 369,945</u>
<b>Business-Type Activities</b>					
Water	\$ 118,226	\$ 19,623	\$ -	\$ 379,511	\$ 517,360
Stormwater	502	727	-	-	1,229
Total business-type activities	<u>\$ 118,728</u>	<u>\$ 20,350</u>	<u>\$ -</u>	<u>\$ 379,511</u>	<u>\$ 518,589</u>

3. Deferred/Unearned Revenues

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes and privilege licenses (General Fund)	\$ -	\$ 37,457
Taxes and privilege licenses receivable (General Fund)	45,208	-
Capital lease for YMCA (General Fund)	1,190,000	-
Miscellaneous accounts receivable (General Fund)	523	-
Prepaid rent (General Fund)	-	31,589
Prepaid impact fees (Water Fund)	-	220,000
Total	<u>\$ 1,235,731</u>	<u>\$ 289,046</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.

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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, A03, 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 \$2,868,502 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, 2009, 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 at 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  
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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 entered into a ten-year installment financing contract in 2008 with BB&T for the acquisition of real property. The amount borrowed was \$500,000 at an interest rate of 3.77% and is secured by the property. Payments are due annually in the amount of \$50,000 in principal, plus accrued interest through November 15, 2017.

The Town currently has seven leases outstanding for various vehicles and equipment. Annual payments range from \$12,636 to \$126,970. Expiration dates range from March 2010 to May 2013. Interest rates vary from 2.49% to 3.69%.

The gross value of all assets recorded under capital leases and installment finance contracts is \$7,393,364. The following is an analysis of the assets recorded under capital leases and installment finance contracts in the Town at June 30, 2009:

<b>Classes of Property</b>	<b>Cost</b>
Building	\$ 4,000,000
Land	500,000
Vehicles and equipment	2,893,364
Total	\$ 7,393,364

**Town of Nags Head, North Carolina  
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A summary of changes in the governmental long-term debt follows:

	<u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u>	<u>Current Portion</u>
By Type of Debt:					
Finance contract	\$ 3,032,666	\$ 500,000	\$ (598,440)	\$ 2,934,226	\$ 545,320
Capital leases	1,111,838	171,481	(474,741)	808,578	354,953
Compensated absences	406,525	305,473	(309,564)	402,434	305,473
Total	<u>\$ 4,551,029</u>	<u>\$ 976,954</u>	<u>\$ (1,382,745)</u>	<u>\$ 4,145,238</u>	<u>\$ 1,205,746</u>

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

	<u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u>	<u>Current Portion</u>
By Type of Debt:					
Finance contract	\$ 829,080	\$ -	\$ (61,955)	\$ 767,125	\$ 64,340
Capital leases	97,785	-	(47,456)	50,329	11,907
Compensated absences	38,275	38,662	(41,093)	35,844	35,844
Total	<u>\$ 965,140</u>	<u>\$ 38,662</u>	<u>\$ (150,504)</u>	<u>\$ 853,298</u>	<u>\$ 112,091</u>

**b. Changes in Long-Term Liabilities**

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

	<u>Balance July 1, 2008</u>	<u>Earned</u>	<u>Used</u>	<u>Balance June 30, 2009</u>
General Fund:				
General Government	\$ 115,965	\$ 81,393	\$ 97,459	\$ 99,899
Public Safety	198,030	147,870	136,742	209,158
Public Works/Transportation	62,438	49,917	44,229	68,126
Environmental Protection	30,092	26,293	31,134	25,251
Total	<u>\$ 406,525</u>	<u>\$ 305,473</u>	<u>\$ 309,564</u>	<u>\$ 402,434</u>
Proprietary Fund	<u>\$ 38,275</u>	<u>\$ 38,662</u>	<u>\$ 41,093</u>	<u>\$ 35,844</u>

**Town of Nags Head, North Carolina**  
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A summary of General government debt service obligations is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 900,273	\$ 226,151
2011	663,910	175,953
2012	437,807	141,824
2013	390,538	113,926
2014	295,046	87,168
2015 - 2019	<u>1,055,230</u>	<u>135,517</u>
Total	<u>\$ 3,742,804</u>	<u>\$ 880,539</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 76,247	\$ 31,391
2011	79,163	28,475
2012	82,192	25,447
2013	85,335	22,303
2014	74,836	19,039
2015 - 2019	<u>419,681</u>	<u>49,693</u>
Total	<u>\$ 817,454</u>	<u>\$ 176,348</u>

Amortization of assets acquired under capital leases in enterprise funds is included in depreciation. At June 30, 2009, the Town of Nags Head, North Carolina has a legal debt margin of \$241,815,473.

**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, 2009, are as follows:

<u>Year Ending June 30</u>	
2010	<u>\$ 2,269</u>
Total	<u>\$ 2,269</u>

**Town of Nags Head, North Carolina  
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During the year ended June 30, 2009, the total amount expended by the Town under the above operating lease was \$8,553, including both minimum monthly rentals and per copy charges.

Under a separate lease agreement effective September 17, 2008, the Town entered into a lease for one copier for a period of 60 months in the amount of \$242 per month, plus monthly copy charges based on actual usage.

Total minimum lease payments for the remaining term of the contract at June 30, 2009, are as follows:

<u>Year Ending June 30</u>	
2009	\$ 742
2010	2,904
2011	2,904
2012	2,904
2013	2,904
Total	<u>\$ 12,358</u>

During the year ended June 30, 2009, the total amount expended by the Town under the above operating lease was \$2,869, including both minimum monthly rentals and overage per copy charges.

The Town leases office and laboratory space to North Carolina University Systems for a period of ten years beginning in May 2005 through December 2013 for an annual rental amount of \$35,000. During the year ending June 30, 2009, this was increased for a one-time reimbursement of \$34,500 for leasehold improvements to the office space. Of the \$34,500, \$30,000 was for improvement costs incurred in FY 08-09, with the remaining \$4,500 for completion in FY 09-10. The total earned under this lease in the year ended June 30, 2009 was \$65,000.

The Town also leases space on the water tower in south Nags Head and the newly constructed cell tower at Town Hall. Under a construction services and structure license agreement with AT&T dated February 6, 2008, AT&T agreed to construct a cell tower at their cost to be transferred to the Town of Nags Head upon completion in exchange for reduced monthly rentals for leased space on the tower for the length of time needed to abate the full cost of construction. The costs to construct the tower to which the Town took ownership in the year ended June 30, 2009 was \$279,577, and the amount of rent abatement for the year totaled \$20,118. AT&T also leases space on the water tower in south Nags Head through June 2012, which earned \$25,525 for the year ending June 30, 2009. Additional space leased on the cell tower at Town Hall with Verizon through August 2009 and with Ntelos through June 2010 earned \$27,012 and \$26,2255, respectively, for the year ended June 30, 2009.

**8. Interfund Balances and Activity**

The balance sheet for government funds shows a liability in the General Fund of \$125,029 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

**Town of Nags Head, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2009**

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 \$16,598.

Transfers to/from other funds for the year ended June 30, 2009 consisted of the following:

From the General Fund to the Capital Reserve Fund for future capital purchases	\$ 65,223
From the Capital Reserve Fund to the General Fund for current year capital purchases	165,501
Total	\$ 230,724

**9. On-Behalf-Of Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2009, the Town has recognized on-behalf-of payments for pension contributions made by the State as a revenue and an expenditure of \$2,721 for the ten volunteer firemen who perform firefighting duties for the Town's fire department. The volunteers and employees elected to be members of the Firemen's 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 monies 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, 2009. 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.

On November 14, 2009, the Town acquired a 17.949% interest in property owned jointly with the Outer Banks Visitors' Bureau acquiring the remaining 82.051% interest. The total cost for the Town's share was \$712,933. The Town's share of the amount donated by the seller was an additional \$251,286. Costs incurred through the end of the year ended June 30, 2009 for insurance, utilities, and maintenance were split between the two parties based on their ownership interests. A memorandum of understanding formalizing the cost and revenue sharing for the property is currently under review by both parties. On March 31, 2009, the parties entered into a lease agreement for a portion of the

**Town of Nags Head, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2009**

jointly owned property to be used for recreational activities for a period of three years in the amount of \$42,500 annually. These revenues will be used to cover the ongoing operating costs of the property with any extra reserved for future development. The funds are held in an enterprise fund by the Outer Banks Visitor's Bureau.

**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 monies 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 monies.

**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 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 took place in the fall of 2007. Design plans for the renovation of the property are complete and construction began in the spring of 2009 with expected completion by May of 2011.

**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 2008-2009 year was \$67.90 per ton.

On December 3, 2008, the Town approved a Municipal Waste Management Agreement with Dare County, a member of the Albemarle Regional Solid Waste Authority, for disposal of solid waste as contracted through Republic Services. The contract extends for 26 years and will become effective when signed by all parties to the agreement.

**Town of Nags Head, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2009**

**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 member's 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 \$3,057. The method of calculation of incentive pay was amended administratively 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. Beginning in FY 08-09 incentive pay was changed from annual payments to monthly. The amount expended under this agreement for the full year ending June 30, 2009 was \$2,870, plus an additional \$187 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 \$2,018,028.

On August 21, 1996, the Town approved a revised agreement with Dare County and the Town of Kill Devil Hills which allocates 3,500,0000 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.

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 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, the Town of Kill Devil Hills and the Town of Nags Head will share in capital expenditures evenly. All funds previously set aside for capital expenditures under this agreement have been expended as of June 30, 2009. 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, 2009, the Town received \$268,452 from the Regional Water System in reimbursement of excess operating costs from the prior fiscal year.

**Town of Nags Head, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2009**

On February 4, 2009, the Town approved a revised agreement with Dare County and the Town of Kill Devil Hills which deleted the Fresh Pond plant as one of the mandatory production facilities under the contract agreement. The revised agreement relieves Dare County and the Town of Kill Devil Hills from any funding responsibility for the costs to continue to operate the Fresh Pond plant, and there is no longer any requirement that the Regional System purchase water produced by the Fresh Pond plant. Allocation of water to the Town of Nags Head and the Town of Kill Devil Hills was not effected by the revised agreement.

**F. Fresh Pond Operations**

Based on the changes to the agreement with Dare County and the Town of Kill Devil Hills which removed the Fresh Pond plant as a production facility under the contract and the shift to the Town of Nags Head all costs for continued operation, the Town Board of Commissioners decided on June 3, 2009 to formally close the plant and cease all production operations. Pursuant to that decision, capital assets with an ongoing benefit to the Town were transferred to Water Operations. Additionally, the Town recognized an impairment loss in the amount of \$388,277 for the year ended June 30, 2009 for the reduced value for several capital assets that will be used in an alternative capacity by the Town.

**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, 2009, 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 694 WCUs which are guaranteed by the Town and are valued at \$1,384,000. The Town reimbursed Ammons-Dare Corporation for 100 unused WCUs in the amount of \$200,000 during the fiscal year ending June 30, 1992, 50 unused WCUs 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 110 WCUs in the amount of \$220,000 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 WCUs 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.

**Town of Nags Head, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2009**

For the year ended June 30, 2009, the following facility fee revenue (including interest) was collected in the General Fund:

Administration	\$	5,631
Fire		14,296
Police		25,639
Sanitation		16,191
Recreation		3,466
Total	<u>\$</u>	<u>65,223</u>

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, 2009, 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, 2009, 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. Fire facility fees of \$16,598 were used toward the interfund loan used to satisfy the previous fire station debt. There was \$5,000 in sanitation facility fees used toward the debt for new equipment. Lastly, there was \$2,449 of recreation facility fees used during the year for the cost of a mobility mat at the Eighth Street beach access to allow beach access for disabled visitors.

As of June 30, 2009, the following balances of facility fees remained, and are included in the Capital Reserve Fund:

Administration	\$	114,785
Fire		27,152
Police		172,733
Sanitation		26,140
Recreation		39,625
Total	<u>\$</u>	<u>380,435</u>

**Town of Nags Head, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2009**

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

**Facility Fees Collected (inclusive of interest):**

<b>Year Ending June 30</b>	<b>Admin.</b>	<b>Fire</b>	<b>Police</b>	<b>Sanitation</b>	<b>Recreation</b>	<b>Total</b>
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
FY 08-09	5,631	14,296	25,639	16,191	3,466	65,223
Total	<u>660,146</u>	<u>498,862</u>	<u>546,368</u>	<u>369,287</u>	<u>245,989</u>	<u>2,320,652</u>

**Town of Nags Head, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2009**

**Facility Fees Used:**

<b>Year Ending June 30</b>	<b>Admin.</b>	<b>Fire</b>	<b>Police</b>	<b>Sanitation</b>	<b>Recreation</b>	<b>Total</b>
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
FY 08-09	31,500	16,598	25,033	5,000	2,449	80,580
<b>Total</b>	<b>545,361</b>	<b>471,710</b>	<b>373,635</b>	<b>343,146</b>	<b>206,364</b>	<b>1,940,216</b>
<b>Remaining</b>	<b>\$ 114,785</b>	<b>\$ 27,152</b>	<b>\$ 172,733</b>	<b>\$ 26,141</b>	<b>\$ 39,625</b>	<b>\$ 380,436</b>

**I. 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 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. During the year ended June 30, 2009, an additional \$144,751 was expended under this contract, in addition to \$475 for permit fees. Total costs incurred through June 30, 2009 include \$611,750 for engineering and construction oversight and \$22,176 in attorneys' fees and other costs.

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

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%
12/31/2008	245,508	367,986	122,478	66.72%	1,167,081	10.49%

\* 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**

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Year Ended June 30	Annual Required Contribution	Percentage Contributed
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%
2009	(18,300)	67.56%

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**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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>REVENUES</b>			
Ad Valorem Taxes:			
Current year		\$ 4,479,313	
Discounts		(22,715)	
Prior year		56	
DMV current year		49,016	
DMV prior year		882	
Penalties and interest		9,223	
Total	<u>\$ 4,460,277</u>	<u>4,515,775</u>	<u>\$ 55,498</u>
Other Taxes and Licenses:			
Occupancy tax		1,814,235	
Land Transfer tax		359,153	
Local governmental sales tax		821,119	
1/2% sales tax revenue		643,989	
Privilege licenses		36,540	
Mixed beverage tax		35,662	
Privilege license penalties		1,235	
Total	<u>4,105,000</u>	<u>3,711,933</u>	<u>(393,067)</u>
Intergovernmental Revenues:			
Unrestricted:			
Utility Franchise tax		287,711	
Telecommunications tax		63,428	
Natural Gas Franchise fee		439	
Solid Waste Disposal fees		937	
Video programming tax/franchise fees		183,320	
Cable Franchise - PEG fund fees		19,100	
Beer and wine		13,981	
ABC revenue		15,776	
Total	<u>532,308</u>	<u>584,692</u>	<u>52,384</u>
Restricted:			
NC Parks and Recreation Grant		500,000	
Contributions from governmental units		6,295	
State Street Aid allocation		131,622	
DCM Grant		568,500	
Dare County Sandfencing reimbursement		18,768	
Drug Fund revenue		8,568	
CAMA Reimbursement		9,350	
Total	<u>1,235,500</u>	<u>1,243,103</u>	<u>7,603</u>
Total Intergovernmental Revenues	<u>1,767,808</u>	<u>1,827,795</u>	<u>59,987</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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Permits and Fees:			
Building permits		162,949	
Facility fees		65,222	
Inspection and review fees		53,935	
Beach driving permits		10,461	
CAMA permits		15,600	
Motor vehicle licenses		704	
Total	<u>343,125</u>	<u>308,871</u>	<u>(34,254)</u>
Special Assessments:			
Pond Island Project		133	
Total	<u>134</u>	<u>133</u>	<u>(1)</u>
Sales and Services:			
Court costs and fees	8,000	5,856	
Total	<u>8,000</u>	<u>5,856</u>	<u>(2,144)</u>
Investment Earnings	<u>262,500</u>	<u>340,344</u>	<u>77,844</u>
Other Revenues:			
YMCA rents		283,575	
Other rents		157,706	
Sale of materials		29,277	
Miscellaneous		24,639	
Sale of assets		20,635	
Damage recovery		26,155	
Civil penalties		8,670	
Contributions to Police, Fire & Rescue Benevolent Fund		8,045	
Total	<u>698,779</u>	<u>558,702</u>	<u>(140,077)</u>
Total Revenues	<u>11,645,623</u>	<u>11,269,409</u>	<u>(376,214)</u>
<b>EXPENDITURES</b>			
General Government:			
Governing Body:			
Fees paid to elected officials		39,253	
FICA expense		3,003	
Contracted services		42,430	
Professional fees		10,000	
Department supplies and materials		5,315	
Special events		1,405	
Dues and subscriptions		5,038	
Printing		2,531	
Travel		2,067	

**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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Telephone		302	
Training		610	
Equipment rental		380	
Employee incentive		475	
Contribution to YMCA		5,000	
Contribution to Nags Head Woods		14,000	
Contribution to Government Access Channel		33,028	
Contributions, miscellaneous		2,800	
Total	<u>238,595</u>	<u>167,637</u>	<u>(70,958)</u>
Special Projects:			
YMCA principal pass-through		248,000	
YMCA interest pass-through		35,575	
Total	<u>406,430</u>	<u>283,575</u>	<u>(122,855)</u>
Administration:			
Salaries and wages		335,589	
FICA expense		23,984	
Group insurance		48,292	
Group insurance - retiree		5,387	
Retirement		16,362	
401(k) account		11,571	
Contracted services		7,842	
Travel		7,796	
Advertising		5,036	
Departmental supplies		4,767	
Dues and subscriptions		2,453	
Equipment rental		3,714	
Telephone		3,667	
Employee training		3,072	
Postage		689	
Career development		1,987	
Professional fees		66	
Other supplies		2,892	
Reimbursement from Water Fund		(59,564)	
Total	<u>456,807</u>	<u>425,602</u>	<u>(31,205)</u>
Administrative Services:			
Salaries and wages		345,503	
FICA expense		25,374	
Group insurance expense		41,059	
Retirement		16,227	
401(k) account		9,976	
Unemployment expense		19,836	
Insurance		243,403	
Contracted services		11,929	
Employee training		5,526	

**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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Professional services		29,300	
Departmental supplies and materials		9,632	
Postage		10,641	
Telephone		3,298	
Travel		8,905	
Other supplies		1,445	
Equipment rental		5,161	
Printing		6,984	
Repairs and maintenance, equipment		527	
Career development		2,177	
Wellness program		544	
Personnel committee		1,741	
Special contracted services		724	
Dues and subscriptions		1,181	
Purchases for resale		1,182	
Advertising		577	
Repairs and maintenance, vehicles		921	
Automotive supplies		1,748	
Reimbursement from Water Fund		(149,044)	
Debt service, capital lease		203,394	
Debt service, interest		22,892	
	<u>923,356</u>	<u>882,763</u>	<u>(40,593)</u>
<b>Total</b>			
Information Technology:			
Salaries and wages		73,290	
FICA expense		5,411	
Group insurance		5,336	
Retirement		3,576	
401(k) account		2,296	
Contracted services		20,142	
Contracted services, website		1,627	
Contracted services, annual contracts		40,683	
Departmental supplies		10,282	
Travel		649	
Advertising		39	
Telephone		4,182	
Postage		11	
Career development, other		481	
Repairs and maintenance, equipment		6,107	
Other supplies		3,869	
Internet costs		8,773	
Employee training		149	
Computer training		4,264	
Equipment rental		14,459	
Dues and subscriptions		305	
Reimbursement from Water Fund		(16,039)	
	<u>252,203</u>	<u>189,892</u>	<u>(62,311)</u>
<b>Total</b>			

**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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Planning and Development:			
Salaries and wages		621,935	
FICA expense		46,110	
Group insurance		68,693	
Group insurance - retiree		1,020	
Retirement		30,351	
401(k) account		18,658	
Planning board, board of adjustment		8,130	
Contracted services		255	
Professional services		15,988	
Departmental supplies		5,436	
Travel		3,735	
Advertising		5,931	
Telephone		5,643	
Postage		1,359	
Repairs and maintenance, vehicles		1,689	
Repairs and maintenance, equipment		6,336	
Other supplies		3,469	
Uniforms		1,842	
Automotive supplies		3,818	
Employee training		3,860	
Equipment rental		1,690	
Dues and subscriptions		3,118	
Reimbursement from Water Fund		(81,401)	
Capital outlay, equipment		24,674	
Debt service, capital lease		7,985	
Debt service, interest		2	
Total	<u>869,278</u>	<u>810,326</u>	<u>(58,952)</u>
Legal Services:			
Professional services		126,198	
Reimbursement from Water Fund		(2,810)	
Total	<u>127,190</u>	<u>123,388</u>	<u>(3,802)</u>
Total General Government	<u>3,273,859</u>	<u>2,883,183</u>	<u>(390,676)</u>
Public Safety:			
Police Department:			
Salaries and wages		1,206,202	
FICA expense		89,219	
Group insurance		165,482	
Group insurance - retiree		4,686	
Retirement		58,577	
401(k) account		58,339	
Separation allowance		30,000	
Automotive supplies		50,493	
Departmental supplies		18,420	
Repairs and maintenance, vehicles		20,535	

**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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Repairs and maintenance, equipment		20,253	
Telephone		15,328	
Other supplies		28,547	
Uniforms		14,534	
Career development		7,247	
Equipment rental		7,692	
Travel		4,748	
Professional services		9,649	
Employee training		1,215	
Special investigations		2,000	
Postage		1,331	
Dues and subscriptions		1,010	
Advertising		92	
Contracted services		736	
Reimbursement from Water Fund		(12,909)	
Debt service, capital lease		64,946	
Debt service, interest		1,719	
<b>Total</b>	<u>2,066,600</u>	<u>1,870,091</u>	<u>(196,509)</u>
 Drug Forfeiture:			
Department supplies			
Employee training		1,362	
<b>Total</b>	<u>1,378</u>	<u>1,362</u>	<u>(16)</u>
 Fire Department:			
Salaries and wages		1,286,750	
FICA expense		93,054	
Group insurance		234,862	
Retirement expense		65,092	
401(k) account		38,559	
Departmental supplies		29,651	
Repairs and maintenance, vehicles		14,157	
Uniforms		13,424	
Repairs and maintenance, equipment		4,456	
Automotive supplies		15,885	
Telephone		6,168	
Employee training		1,615	
OSHA compliance		2,755	
Career development		8,829	
Travel		3,774	
Safety training		4,348	
Other supplies		2,358	
Equipment rental		1,373	
Dues and subscriptions		2,264	
Professional services		9,192	
Postage		368	
Contracted services		8,140	

**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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Printing		195	
Capital outlay, equipment		10,066	
Debt service, capital lease		162,957	
Debt service, interest		53,788	
		<u>          </u>	
Total	<u>2,136,204</u>	<u>2,074,080</u>	<u>(62,124)</u>
 Volunteer Fire:			
Incentive pay		2,870	
FICA expense		187	
Uniforms		2,101	
Dues and subscriptions		296	
Repairs and maintenance, equipment		36	
Professional services		5,913	
Retirement		3,726	
Department supplies		299	
		<u>          </u>	
Total	<u>31,555</u>	<u>15,428</u>	<u>(16,127)</u>
 Ocean Rescue:			
Salaries and wages		350,776	
FICA expense		18,357	
Group insurance		5,086	
Retirement expense		2,539	
401(k) account		1,561	
Departmental supplies		22,061	
Uniforms		10,477	
Automotive supplies		9,638	
Repairs and maintenance, equipment		4,582	
Travel		4,963	
Repairs and maintenance, vehicles		6,457	
Professional fees		2,726	
Telephone		1,552	
Employee training		410	
Printing		357	
Dues and subscriptions		1,060	
Advertising		218	
Postage		81	
Capital outlay, equipment		32,424	
Debt service, capital lease		10,493	
Debt service, interest		2	
		<u>          </u>	
Total	<u>549,417</u>	<u>485,820</u>	<u>(63,597)</u>
 Animal Control:			
Salaries and wages		38,277	
FICA expense		2,827	
Group insurance		5,132	
Retirement		1,860	

**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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
401(k) account		1,914	
Automotive supplies		2,515	
Departmental supplies		646	
Repairs and maintenance, vehicles		305	
Equipment rental		144	
Employee training		410	
Travel		568	
Telephone		1,261	
Uniforms		776	
Printing		149	
<b>Total</b>	<u>63,689</u>	<u>56,784</u>	<u>(6,905)</u>
<b>Total Public Safety</b>	<u>4,848,843</u>	<u>4,503,565</u>	<u>(345,278)</u>
<b>Environmental Protection:</b>			
<b>Sanitation:</b>			
Salaries and wages		420,877	
FICA expense		30,806	
Group insurance		82,944	
Retirement		19,540	
401(k) account		12,012	
Repairs and maintenance, vehicles		108,918	
Automotive supplies		103,140	
Department supplies		23,819	
Uniforms		7,519	
Contracted services		20,400	
Recycling		3,857	
Repairs and maintenance, equipment		3,299	
Professional fees		110	
Advertising		226	
Capital outlay, equipment		64,181	
Debt service, capital lease		289,009	
Debt service, interest		19,286	
<b>Total</b>	<u>1,304,182</u>	<u>1,209,943</u>	<u>(94,239)</u>
<b>Solid Waste:</b>			
Tipping fees		582,257	
<b>Total</b>	<u>583,955</u>	<u>582,257</u>	<u>(1,698)</u>
<b>Total Environmental Protection</b>	<u>1,888,137</u>	<u>1,792,200</u>	<u>(95,937)</u>
<b>Public Works:</b>			
<b>Administration:</b>			
Salaries and wages		268,746	
FICA expense		20,005	
Group insurance		31,929	
Group insurance - retiree		14,808	

**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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Retirement		13,115	
401(k) account		8,062	
Contracted services		2,136	
Purchase for resale		19,824	
Telephone		9,619	
Departmental supplies		2,795	
Other supplies		1,246	
Advertising		180	
Travel		95	
Equipment rental		470	
Automotive supplies		4,282	
Employee training		860	
Career development		385	
Dues and subscriptions		770	
Postage		322	
Repairs and maintenance, vehicles		370	
Uniforms		813	
Professional fees		937	
Reimbursement from Water Fund		(141,261)	
Debt service, capital lease		7,977	
Debt service, interest		425	
<b>Total</b>	<u>287,764</u>	<u>268,910</u>	<u>(18,854)</u>
<b>Public Facilities Maintenance:</b>			
Salaries and wages		316,554	
FICA expense		23,241	
Group insurance		72,933	
Group insurance, retiree		2,297	
Retirement		15,123	
401(k) account		9,297	
Repairs and maintenance, facilities		44,335	
Utilities		163,820	
Contracted services		48,473	
Department supplies		22,419	
Repairs and maintenance, equipment		31,223	
Signs		6,928	
Automotive supplies		18,153	
Repairs and maintenance, other		4,951	
Career development		1,048	
Other supplies		10,714	
Professional services		6,691	
Uniforms		6,023	
Repairs and maintenance, vehicles		4,541	
Employee training		135	
Special projects		18,768	
Street supplies		12,604	
Dues and subscriptions		50	
Reimbursement from Water Fund		(41,312)	
Capital outlay, land		1,786,391	
Capital outlay, other		30,000	

**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, 2009**

	Budget	Actual	Variance Over/Under
Capital outlay, equipment		28,459	
Capital outlay, other Powell Bill		125,247	
Debt service, capital lease		78,420	
Debt service, interest		1,518	
Total	3,036,985	2,849,044	(187,941)
Maintenance Garage:			
Salaries and wages		177,972	
FICA account		13,371	
Group insurance		28,650	
Group insurance, retiree		4,570	
Retirement		8,685	
401(k) account		5,339	
Other supplies		5,302	
Departmental supplies		9,608	
Uniforms		3,120	
Contracted services		304	
Automotive supplies		1,894	
Repairs and maintenance, vehicles		327	
Employee training		353	
Career development		853	
Repairs and maintenance, equipment		285	
Travel		232	
Reimbursement from Water Fund		(10,660)	
Total	263,491	250,205	(13,286)
Total Public Works	3,588,240	3,368,159	(220,081)
Contingency	115,000	-	(115,000)
Total Expenditures	13,714,079	12,547,107	(1,166,972)
Revenues Over (Under) Expenditures	(2,068,456)	(1,277,698)	790,758
Other Financing Sources (Uses):			
Proceeds from capital lease	671,553	671,481	(72)
Transfers from Capital Projects Funds (Net)	125,652	100,278	(25,374)
Appropriated fund balance	1,271,251	-	(1,271,251)
Other financing sources (uses), net	2,068,456	771,759	(1,296,697)
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ -	(505,939)	\$ (505,939)
Fund balance, beginning of year		9,505,611	
FUND BALANCE, end of year		\$ 8,999,672	

**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, 2009**

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
<b>REVENUES</b>					
Investment earnings	\$ -	\$ 28,496	\$ 2,758	\$ 31,254	\$ 31,254
Restricted intergovernmental	8,000,000	-	-	-	(8,000,000)
Total revenues	8,000,000	28,496	2,758	31,254	(7,968,746)
<b>EXPENDITURES</b>					
Capital construction oversight	1,592,500	466,999	144,751	611,750	(980,750)
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	475	22,176	(677,824)
Total Expenditures	32,700,000	488,700	145,226	633,926	(32,066,074)
Revenues over (under) expenditures	(24,700,000)	(460,204)	(142,468)	(602,672)	24,097,328
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)	24,700,000	700,000	-	700,000	(24,000,000)
Revenues and other sources over expenditures	\$ -	\$ 239,796	(142,468)	\$ 97,328	\$ 97,328
Fund balance, beginning of year			239,796		
Fund balance, end of year			\$ 97,328		

**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, 2009**

	Project Authorization	Prior Years	Actual		Variance Over/Under
			Current Year	Total to Date	
<b>REVENUES</b>					
Restricted intergovernmental	\$ 306,858	\$ 147,612	\$ 130,880	\$ 278,492	\$ (28,366)
Total revenues	<u>306,858</u>	<u>147,612</u>	<u>130,880</u>	<u>278,492</u>	<u>(28,366)</u>
<b>EXPENDITURES</b>					
Baltic Street Access	153,208	10,568	120,312	130,880	(22,328)
June Street Access	51,000	49,179	-	49,179	(1,821)
Indigo Street Access	50,000	45,142	-	45,142	(4,858)
Bittern Street Access	26,100	26,743	-	26,743	643
Town Hall Access	35,400	35,398	-	35,398	(2)
Total Expenditures	<u>315,708</u>	<u>167,030</u>	<u>120,312</u>	<u>287,342</u>	<u>(28,366)</u>
Revenues over (under) expenditures	<u>(8,850)</u>	<u>(19,418)</u>	<u>10,568</u>	<u>(8,850)</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfer from Capital Reserve Fund	<u>8,850</u>	<u>8,850</u>	<u>-</u>	<u>8,850</u>	<u>-</u>
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>\$ (10,568)</u>	<u>10,568</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>(10,568)</u>		
Fund balance, end of year			<u>\$ -</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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>REVENUES</b>			
Operating Revenues:			
Water sales		\$ 2,044,928	
Contribution to Fresh Pond		268,452	
Charges to other governmental units, Dare County		40,512	
Tap and connection fees		6,520	
Late payment penalties and interest		21,474	
Water cutoff tag fees		10,528	
Damage recovery		2,494	
Miscellaneous		3,402	
Total	<u>\$ 2,351,616</u>	<u>2,398,310</u>	<u>\$ 46,694</u>
Non-Operating Revenues:			
Interest earned on investments		54,116	
Impact fees		151,000	
Decrease in prepaid impact fees		(4,000)	
Total	<u>112,500</u>	<u>201,116</u>	<u>88,616</u>
Total Revenues	<u>2,464,116</u>	<u>2,599,426</u>	<u>135,310</u>
<b>EXPENDITURES</b>			
Administration:			
Salaries and wages		60,932	
FICA expense		4,305	
Group insurance		18,262	
Retirement expense		2,981	
401(k) account		1,833	
Reimburse General Fund administrative expenses		63,525	
Contracted services		4,475	
Postage		8,532	
Repairs and maintenance, equipment		2,204	
Supplies and materials		1,060	
Career Development		1,666	
Travel		163	
Total Administration	<u>182,262</u>	<u>169,938</u>	<u>(12,324)</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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Septic Health:			
Salaries and wages		47,243	
FICA expense		3,518	
Group insurance		7,954	
Retirement		2,362	
401(k) account		1,452	
Contracted services		74,691	
Reimburse General Fund administrative expenses		97,201	
Inspection rebates		12,938	
Pumping credits		1,470	
Postage		1,790	
Travel		122	
Advertising		325	
Telephone		503	
Printing		1,993	
Employee training		(495)	
Automotive supplies		576	
Career development		2,013	
Repairs and maintenance, vehicles		81	
Departmental supplies		200	
	<hr/>	<hr/>	<hr/>
Total Septic Health	281,099	255,937	(25,162)
Operations:			
Salaries and wages		189,312	
FICA expense		14,109	
Group insurance		43,499	
Group insurance - retirees		(2,264)	
Retirement		9,473	
401(k) account		5,824	
Purchases for resale		792,242	
Reimburse General Fund administrative expenses		95,084	
Insurance		35,128	
Utilities		42,529	
Contracted services		7,073	
Departmental supplies		30,232	
Professional fees		4,731	
Other supplies		3,482	
Repairs and maintenance, equipment		17,036	
Postage		1,761	
Telephone		4,540	
Repairs and maintenance, buildings		21,585	

**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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Uniforms		3,319	
Dues and subscriptions		2,191	
Equipment rental		897	
Printing		2,163	
Automotive supplies		3,842	
Employee training		(45)	
Travel		1,257	
Repairs and maintenance, vehicles		1,100	
<b>Total Operations</b>	<u>1,436,537</u>	<u>1,330,100</u>	<u>(106,437)</u>
Fresh Pond Operations:			
Salaries and wages		12,291	
FICA expense		894	
Retirement		600	
401(k) account		369	
Reimburse General Fund administrative expenses		132,590	
Repairs and maintenance, equipment		797	
Other supplies and materials		15,498	
Insurance		6,525	
Contracted services		4,374	
Professional services		16,658	
Departmental supplies		1,612	
Utilities		1,442	
Repairs and maintenance, building		3,000	
Telephone		85	
Printing		297	
Dues and subscriptions		1,510	
Postage		237	
<b>Total Fresh Pond Operations</b>	<u>250,127</u>	<u>198,779</u>	<u>(51,348)</u>
Operations Distribution:			
Salaries and wages		252,612	
FICA expense		17,540	
Group insurance		59,506	
Retirement		12,069	
401(k) account		7,420	
Reimburse General Fund administrative expenses		126,600	
Contracted services		1,050	
Other supplies		7,454	
Repairs and maintenance, other		36,386	

**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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Insurance		5,148	
Automobile supplies		6,727	
Departmental supplies		16,358	
Uniforms		3,739	
Repairs and maintenance, vehicles		1,148	
Telephone		2,058	
Dues and subscriptions		1,154	
Advertising		502	
Repairs and maintenance, equipment		3,165	
Travel		464	
Employee training		100	
Career Development		2,800	
Building/equipment rental		170	
Total Operations Distribution	<u>599,648</u>	<u>564,170</u>	<u>(35,478)</u>
Budgetary Appropriations:			
Appropriated Retained Earnings	(783,455)	-	
Interest	33,154	32,355	
Debt principal	97,929	97,928	
Septic Health Loans	36,300	23,070	
Principal repayments Septic Health Loans	(10,000)	(13,790)	
Increase (decrease) in:			
Inventory	-	(6,997)	
(Increase) decrease in:			
Compensated absences	-	2,431	
Capital outlay:			
Land			
Buildings and improvements			
Machinery and equipment	100,460	100,460	
Other	190,055	70,219	
Contingency	50,000	-	
Total Budgetary Appropriations	<u>(285,557)</u>	<u>305,676</u>	<u>591,233</u>
Total Expenditures	<u>2,464,116</u>	<u>2,824,600</u>	<u>360,484</u>
Revenues Under Expenditures	<u>\$ -</u>	<u>\$ (225,174)</u>	<u>\$ (225,174)</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, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS			
Revenues under expenditures		\$ (225,174)	
Septic Health Loans		23,070	
Principal repayments Septic Health Loans		(13,790)	
Payment of debt principal		97,928	
Increase in inventory		(6,997)	
Capital outlay		170,679	
Depreciation and amortization		(318,564)	
Fresh Pond asset impairment loss		(388,327)	
Decrease in accrued vacation and comp pay		2,431	
Decrease in prepaid impact fees		<u>4,000</u>	
Change in net assets		<u>\$ (654,744)</u>	

**Town of Nags Head, North Carolina**  
**Stormwater Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>REVENUES</b>			
Operating Revenues:			
Stormwater fees	\$ 112,008	\$ 112,368	\$ 360
Total	<u>112,008</u>	<u>112,368</u>	<u>360</u>
Non-Operating Revenues:			
Interest earned on investments	-	4,065	4,065
Total	<u>-</u>	<u>4,065</u>	<u>4,065</u>
Total Revenues	<u>112,008</u>	<u>116,433</u>	<u>4,425</u>
<b>EXPENDITURES</b>			
Salaries and wages	24,429	20,085	(4,344)
FICA expense	1,869	1,473	(396)
Group insurance	5,796	56	(5,740)
Retirement	1,189	987	(202)
401K	733	607	(126)
Advertising	1,000	-	(1,000)
Fuel	1,650	906	(744)
Department supplies	10,000	626	(9,374)
Repairs and maintenance, equipment	3,000	143	(2,857)
Professional Fees	10,000	1,629	(8,371)
Contracted Services	<u>320,418</u>	<u>88,364</u>	<u>(232,054)</u>
Total Expenditures	<u>380,084</u>	<u>114,876</u>	<u>(253,400)</u>
Budgetary Appropriations:			
Appropriated retained earnings	(281,840)	-	-
Interest	2,281	2,281	-
Debt principal	<u>11,483</u>	<u>11,483</u>	<u>-</u>
Total Budgetary Appropriations	<u>(268,076)</u>	<u>13,764</u>	<u>281,840</u>
Total Expenditures	<u>112,008</u>	<u>128,640</u>	<u>16,632</u>
Revenues over Expenditures	<u>\$ -</u>	<u>\$ (12,207)</u>	<u>\$ (12,207)</u>

**Town of Nags Head, North Carolina**  
**Stormwater Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:			
Revenues over (under) expenditures		\$ (12,207)	
Payment of debt principal		11,483	
Depreciation		<u>(10,629)</u>	
Change in net assets		<u><u>\$ (11,353)</u></u>	

**Town of Nags Head, North Carolina**  
**Nags Head Leasing**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP) For the Fiscal Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>REVENUES</b>			
Non-Operating Revenues:			
Interest Earned on Investments	\$ -	\$ 6	\$ 6
Total Revenues	<u>-</u>	<u>6</u>	<u>6</u>
<b>EXPENDITURES</b>			
Other expenditures	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over Expenditures	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 6</u>
<b>RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:</b>			
Revenues over (under) expenditures		\$ 6	
Contributions to Water Fund		-	
Sale of fixed assets		-	
Depreciation		<u>-</u>	
Change in Net Assets		<u>\$ 6</u>	

**Town of Nags Head, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2009**

Fiscal Year	Uncollected Balance June 30, 2008	Additions	Collection And Credits	Adjustments	Uncollected Balance June 30, 2009
2008-2009	\$ -	\$ 4,467,849	\$ 4,528,330	\$ 76,287	\$ 15,806
2007-2008	1,590	-	(302)	(121)	1,771
2006-2007	1,347	-	376	(7)	964
2005-2006	1,983	-	96	(7)	1,880
2004-2005	2,837	-	128	(3)	2,706
2003-2004	2,850	-	122	-	2,728
2002-2003	1,559	-	(193)	-	1,752
2001-2002	1,898	-	128	-	1,770
2000-2001	1,857	-	213	-	1,644
1999-2000	2,658	-	(164)	-	2,822
1998-1999	1,203	-	1,203	-	-
	<u>\$ 19,783</u>	<u>\$ 4,467,849</u>	<u>\$ 4,529,937</u>	<u>\$ 76,148</u>	33,842

Less allowance for uncollectible ad valorem taxes receivable

10,000

Ad Valorem Taxes Receivable, net

\$ 23,842

Reconciliation with revenues:

Taxes, ad valorem , General Fund	\$ 4,515,775
Amounts written off for tax year 98-99	183
DMV written off	481
Amounts written off <\$1	(14)
Refunds paid on taxes	19
Plus discounts taken	22,715
Less penalties and interest	(9,223)
	<u>\$ 4,529,937</u>

**Town of Nags Head, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2009**

	<b>Town - Wide</b>		<b>Total Levy</b>		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,028,162,799	0.1475	\$ 4,466,545	\$ 4,466,545	\$ -
Penalties	-		1,304	1,304	-
Total	<u>3,028,162,799</u>		<u>4,467,849</u>	<u>4,467,849</u>	<u>-</u>
Discoveries:					
Current year taxes	52,920,678		78,038	24,998	53,040
Penalties	-		20	20	-
Total	<u>52,920,678</u>		<u>78,058</u>	<u>25,018</u>	<u>53,040</u>
Releases:	<u>(1,386,827)</u>		<u>(1,771)</u>	<u>(494)</u>	<u>(1,278)</u>
Total property valuation	<u>\$ 3,079,696,650</u>				
Net levy			4,544,136	4,492,374	51,762
Uncollected taxes at June 30, 2009			<u>(15,806)</u>	<u>(13,060)</u>	<u>(2,746)</u>
Current year taxes collected			<u>\$ 4,528,330</u>	<u>\$ 4,479,314</u>	<u>\$ 49,016</u>
Current levy collection percentage			<u>99.65%</u>	<u>99.71%</u>	<u>94.69%</u>