
TOWN OF NAGS HEAD, NORTH CAROLINA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020

*Prepared by the Town of Nags Head Administrative Services Department
Amy M. Miller, Finance Director
Brooke R. Norris, Deputy Finance Officer*

Town of Nags Head Comprehensive Annual Financial Report For the Fiscal Year Ended June 30 2020

Table of Contents

INTRODUCTORY SECTION	PAGE
Letter of Transmittal.....	i-iv
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	v
List of Elected and Appointed Officials.....	vi
Organizational Chart.....	vii
FINANCIAL SECTION	EXHIBIT PAGE
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis.....	4-16
Basic Financial Statements - Overview:	
Government-wide Financial Statements:	
Government-wide Statement of Net Position.....	1 17
Government-wide Statement of Activities.....	2 18-19
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	3 20
Reconciliation of the Balance Sheet - Governmental Funds to the Government-wide Statement of Net Position.....	3 21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	4 22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Government-wide Statement of Activities.....	4 23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund.....	5 24
Statement of Fund Net Position- Proprietary Funds.....	6 25
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	7 26
Statement of Cash Flows - Proprietary Funds.....	8 27
Notes to the Basic Financial Statements.....	28-69

Town of Nags Head Comprehensive Annual Financial Report For the Fiscal Year Ended June 30 2019

Table of Contents

(Continued)

	EXHIBIT	PAGE
Required Supplemental Information:		
Local Government Employees' Retirement System:		
Schedule of the Proportionate share of Net Pension Liability (Asset).....	A-1	70
Schedule of Contributions.....	A-2	71
Law Enforcement Officers' Special Separation Allowance:		
Schedule of Changes in Total Pension Liability.....	A-3	72
Schedule of Total Pension Liability as a Percentage of Covered Payroll.....	A-4	73
Other Post Employment Health Care Benefits Plan:		
Schedule of Changes in the Total OPEB Liability and Related Ratios.....	A-5	74
 Combining and Individual Fund Financial Statements and Schedules Section:		
Major Governmental Funds:		
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -		
Budget and Actual.....	1	75-85
Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in		
Fund Balance - Budget and Actual.....	2	86
Beach Renourishment Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in		
Fund Balance - Budget and Actual - From Inception.....	3	87
Proprietary Funds - Enterprise Funds:		
Major Fund:		
Water Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP).....	4	88-91
Water Capital Reserve Fund - Schedule of Revenues and Expenditures -		
Budget and Actual (Non-GAAP).....	5	92
Supplementary Schedules:		
Schedule of Ad Valorem Taxes Receivable.....	6	93
Analysis of Current Tax Levy.....	7	94

**Town of Nags Head
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30 2019**

Table of Contents

(Continued)

STATISTICAL SECTION (Not Covered by Auditor's Report)

	TABLE	PAGE
Financial Trends:		
Net Position by Component.....	1	95-96
Changes in Net Position.....	2	97-100
Fund Balances of Governmental Funds.....	3	101-102
Changes in Fund Balances of Governmental Funds.....	4	103-104
Revenue Capacity:		
Property Tax Levies and Collections - Last Ten Fiscal Years.....	5	105
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years.....	6	106-107
Property Tax Rates of Direct and Overlapping Governmental Jurisdictions - Last Ten Fiscal Years....	7	108
Principal Property Taxpayers.....	8	109
Debt Capacity:		
Ratios of Outstanding Debt by Type.....	9	110-111
Legal Debt Margin Information.....	10	112-113
Direct and Overlapping Governmental Activities Debt.....	11	114
Demographic & Economic Information:		
Demographic and Economic Statistics.....	12	115
Principal Employers.....	13	116
Operating Information:		
Full-time Equivalent Town Government Employees by Function.....	14	117
Operating Indicators by Function/Program.....	15	118-123
Capital Asset Statistics by Function/Program.....	16	124-125

**Town of Nags Head
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30 2019**

Table of Contents

(Continued)

COMPLIANCE SECTION	PAGE
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	126-127
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance With OMB Uniform Guidance and the State Single Audit Implementation Act.....	128-129
Schedule of Findings and Questioned Costs.....	130-131
Schedule of Prior Year Audit Findings.....	132
Schedule of Expenditures of Federal and State Awards.....	133

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INTRODUCTORY SECTION

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Benjamin Cahoon
Mayor

Michael Siers
Mayor Pro Tem

Greg L. Sparks
Interim Town Manager



Town of Nags Head
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Nags Head, NC 27959
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M. Renée Cahoon
Commissioner

J. Webb Fuller
Commissioner

Kevin Brinkley
Commissioner

November 25, 2020

To the Honorable Mayor, Board of Commissioners,
and Citizens of the Town of Nags Head:

The Local Government Commission of the North Carolina State Treasurer's Office requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principals (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Nags Head for the fiscal year ended June 30, 2020.

The report consists of management's representations concerning the finances of the Town of Nags Head. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Nags Head has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Nags Head's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Nags Head's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management we assert, that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements contained herein have been audited by Johnson, Mizelle, Straub, & Murphy, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Nags Head for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified, "clean" opinion that the Town of Nags Head's financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Nags Head's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town. The Town of Nags Head is located in Dare County on Bodie Island on the coast of eastern North Carolina. This area is approximately 200 miles east of Raleigh, the State capital, and 90 miles south of Virginia Beach and Norfolk, Virginia, a metropolitan area. The county is named in honor of Virginia Dare, the first-born child of English parents in America. This area contains much of what are known as North Carolina's "Outer Banks" resort and vacation areas and is home to such attractions as the Cape Hatteras National Seashore and the North Carolina Aquarium. Nags Head is proud to have included among its distinguishing features Jockey's Ridge State Park, the tallest natural sand dune system in the Eastern United

States and one of the most significant landmarks on the Outer Banks, as well as Nags Head Woods Preserve, a designated National Natural Landmark owned and operated by The Nature Conservancy.

Nags Head received its municipal charter from the North Carolina General Assembly on June 14, 1961. The Town operates under the commissioner-manager form of government. Policy making authority is vested in the governing Board of Commissioners consisting of a mayor and four commissioners, including the mayor pro tem who is appointed by the governing board. The governing board is responsible for, among other things, establishing policy, passing ordinances, adopting the budget, appointing committees and appointing the Town's manager and attorney. The manager is responsible for carrying out the policies and ordinances of the governing board and for overseeing the day-to-day operations of the Town. All board members, including the mayor and mayor pro tem, are elected to four-year staggered terms, all on a non-partisan basis.

The Town provides a full range of services. These services include tax collection, planning and inspections, police, animal control, fire and ocean rescue protection, sanitation, and the construction and maintenance of streets and infrastructure as well as stormwater management. In addition to general government activities, the Town provides water and septic health services.

The Board is required to hold at least one public hearing on the proposed budget and must adopt a final budget by no later than June 30, the close of the fiscal year. This annual budget serves as the foundation for the Town of Nags Head's financial planning and control. An annual budget is adopted for the General, Capital Reserve, Water, and Water Capital Reserve Funds. Multi-year project budgets are adopted for Capital Project Funds. Appropriations in the General and Water Fund are made at the department level and at the project level for all Capital Project Funds. The Town Manager may transfer resources within a department as he sees fit. Transfers between departments, however, need special approval from the Board.

Local Economy. The Town's economy is based on travel, tourism and related service industries and is directly tied to national and local economies especially those in the mid-Atlantic region. Nags Head remains one of the most desirable destinations in the country. The result is that tourists and vacationers not only come to our area during the busy summer season, but are also visiting the Outer Banks during the non-peak months of March through May and September through November. The longer tourist season has extended and increased rental income and other economic benefits to local businesses. The Town's travel and tourism industry not only encompasses those revenues that have a direct relationship, such as sales and occupancy taxes, but also revenues related to property transactions and construction, such as land transfer tax, as the majority of those activities come from non-residents and residential construction for rental purposes. This steady stream of income has helped to maintain a healthy balance in the tax base that has enabled the Town to keep property tax rates at moderate levels while providing the infrastructure and high level of services demanded by citizens. In planning for the future, the Town continues to maintain a high priority on both the delivery of quality services and financial stability.

Long-term financial planning

To allow for strategic planning and provide a basis for future fiscal policy decision making, the Board of Commissioners annually adopts a five-year Capital Improvements Plan (CIP) for General Fund projects and a ten-year CIP for Water Fund projects. The CIP addresses all major capital improvements including new capital asset acquisition requests, replacement items, and studies for future requests. The first year of the adopted CIP is a basis of formal fiscal year appropriations during the annual budget process.

The Town has two legally adopted capital reserve funds for specific priorities, which sets aside revenue sources designated for future capital projects. The capital reserve fund has been consolidated with the general fund. Funding includes appropriations for parks and paths and stormwater management projects, facility fees, town-wide and municipal service district tax net of debt service, and sales tax revenues derived from the municipal service district (MSD). The water capital reserve fund has been consolidated with the water fund. All system development fee capital contributions are accounted for in the water capital reserve fund and are used for funding capital improvements and debt payments related to the Town's water system.

The water fund owns real property which is more appropriately owned by the general fund. The water fund holds land valued at \$872,532 from an original purchase amount of \$1,623,174. The remaining \$750,642 was purchased by the general fund. The Board of Commissioners formalized for the general fund to purchase the remaining land from the water fund for \$872,532 in the fiscal year 2021 budget.

Minimum and commodity water rates have been set as recommended by the North Carolina Rural Water Association's rate study in order to fund and plan for future capital needs identified in the water master plan, sustain reliable operations, and provide positive cash flow from operations. A system development fee has been adopted in accordance with North Carolina General Statutes.

Major Initiatives

The Town has continued to maintain services while keeping our staff safe and supporting the unique needs of our community. Operating and capital expenditures continue to be funded to stay ahead of maintenance, repairs, and replacements. Initial conservative budget assumptions allow us to be prepared for uncertainty but continue to be adjusted as we have more certainty over tourism-based revenues for the coming year. Compared to fiscal year 2020 for the same time period, occupancy tax revenue has come in 22% higher, sales tax revenue has come in 10% higher, and land transfer tax has come in 93% higher. As revenues return at greater levels than originally forecasted, our local economy is resilient in the face of what appears to be a national recession that has all levels of government struggling to forecast how to recover. This has put the Board in a position to review revenues after the seasonal peak period in order to fund projects that were not included in the adopted budget. More complex items to be discussed at a later date include continued construction implementation of the stormwater master plan, building security retrofits, a water system appraisal, and digital water meter switch outs.

An implementation plan has been created which details Town priorities. The long-term visioning aligns with our mission, values, legacy, and community goals in order to accomplish established results in the future as a result of actions today. This strategic direction is designed to make progress on lingering or threatening issues for the community such as a framework for integrated groundwater protection, shoreline management, and sanitation. To ensure the long-term vitality of the Town, we will work towards an integrated master plan for all infrastructure needs, long-term, focused shoreline management, and empower the delivery of consistent and exemplary public services. Collaboration among other local governments and businesses of the Outer Banks will facilitate identifying further community wide regional issues and developing solutions .

Town leaders identified processes for driving results. The Town's long-term strategy for protecting water quality through its decentralized wastewater management plan is being evaluated for its overall effectiveness. The intent of this update is to recommend additional necessary measures and expand and integrate the plan considering the relationship between onsite wastewater, stormwater, and groundwater. Over 95% of residential developed properties use onsite wastewater systems. As this number continues to grow, an advisory committee has been established to assist with the plan elements of development, goals, policies, programs, community engagement, and overall future direction of the septic health initiative. In order to preserve the long-term viability and health of the eco-system, the National Coastal Resilience Fund awarded \$75,000 towards a \$150,000 estuarine shoreline management plan for the Town of Nags Head. The project will prioritize shoreline management opportunities, identify shoreline best management practices, and explore regulatory issues considering the impacts of future hazards on the estuarine system. A long-term planning exercise is being conducted for a facilities master plan for Public Works, which would allow for improved services to the public. This includes a sanitation and recycling plan and a waste reduction task force committee for stakeholder input and feedback.

The stormwater master plan implementation continues using stormwater capital reserve funds. The master plan identifies chronic drainage issues and develops effective long term, environmentally sensitive solutions to improve the Town's drainage infrastructure. The current scope of work includes pipe replacements at West Danube Street and Wrightsville Avenue at Barnes Street totaling \$280,000 and \$44,000 for a storm drainage system at Barracuda Drive on the proximity of Kipper Court.

The Town is actively pursuing obtaining perpetual beach nourishment easements for a beach restoration project tentatively approved by the State of North Carolina. The Division of Water Resources of the North Carolina Department of Environmental Quality awarded \$1,408,247 in financial assistance to be used for costs associated

for projects to mitigate or remediate coastal storm damage. These funds would be combined, upon final confirmation, with the Federal Emergency Management Agency (FEMA) and North Carolina Division of Emergency Management grant funds to replace lost sand as a result of Hurricane Dorian occurring in September 2019. Construction for this tentative project would occur in the summer of 2022. We are receiving professional assistance in compiling necessary documentation and surveys to support the Town's request for this Coastal Storm Damage Mitigation funding. Additionally, we are under contract for an annual beach monitoring and analysis program. The primary purpose is to determine the condition of the beaches, measure shoreline change and rates of erosion and accretion, and evaluate the performance of beach nourishment and other restoration efforts. Year one of a multi-decadal beach nourishment master plan is also underway which encompasses initial modeling and development of preliminary nourishment trigger estimates.

The Town has received additional grants which supplement local funding. The Assistance to Firefighters Grants program provided \$243,510, or 95% funding, to replace 35 self-contained breathing apparatuses (SCBA) units. This equipment is a required respiratory protection component each firefighter must wear. A grant from the North Carolina Division of Coastal Management will provide funding towards construction of an improved public beach access at Islington Street including a parking area, dune crossover extension, shower, and bike rack. The grant award of \$47,232 requires local cash and in-kind contributions of \$35,677. The Town was a subrecipient of Federal COVID-19 grant funding of \$31,636 towards facilitating compliance with COVID-19 related public health measures in order to improve telework capabilities for employees to enable compliance with COVID-19 public health precautions.

Water fund projects include a \$43,000 Homeland Security Grant awarded for a dry prime pump. This will be used when repairing water main breaks and to prevent sanitary sewer or pump station overflows during high water events. The Town has appropriated \$300,000 towards the replacement of asbestos cement water lines in the water distribution system throughout town. This initiative is part of the water master plan recommendation, with over \$4,500,000 in pipe replacements adopted into the water CIP plan spanning over ten years on a pay-as-you-go basis. Water capital reserve funds will be used to defray these costs. The water CIP also includes approval for a 10-year tower and ground tank maintenance contract. Maintenance would include inspections, wash outs, and interior and exterior repairs and painting as needed. This would extend the life of the tower and tank rehabilitations out to every seven years as opposed to every five years. An additional project of note is a water line tie in on Sea Bass Court from the Coastal Villas subdivision.

Awards and Acknowledgements. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Nags Head for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Nags Head has received a Certificate of Achievement for the last four consecutive years. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

We wish to express our appreciation to each member of the Finance Department who has assisted in the preparation of this report. We also thank the Mayor and the Board of Commissioners for their continued support for maintaining the highest standards of professionalism in the management of the Town of Nags Head's finances.

Respectfully submitted,



Greg L. Sparks
Interim Town Manager



Amy Miller
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Nags Head
North Carolina**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Town of Nags Head, North Carolina
List of Elected and Appointed Officials
For the Fiscal Year Ended June 30, 2020

Elected Officials

Mayor
Mayor Pro Tempore
Commissioner
Commissioner
Commissioner

Benjamin Cahoon
Michael Siers
M. Renee Cahoon
J. Webb Fuller
Kevin Brinkley

Appointed

Town Attorney
Interim Town Manager

John Leidy
Greg L. Sparks

Town Administration

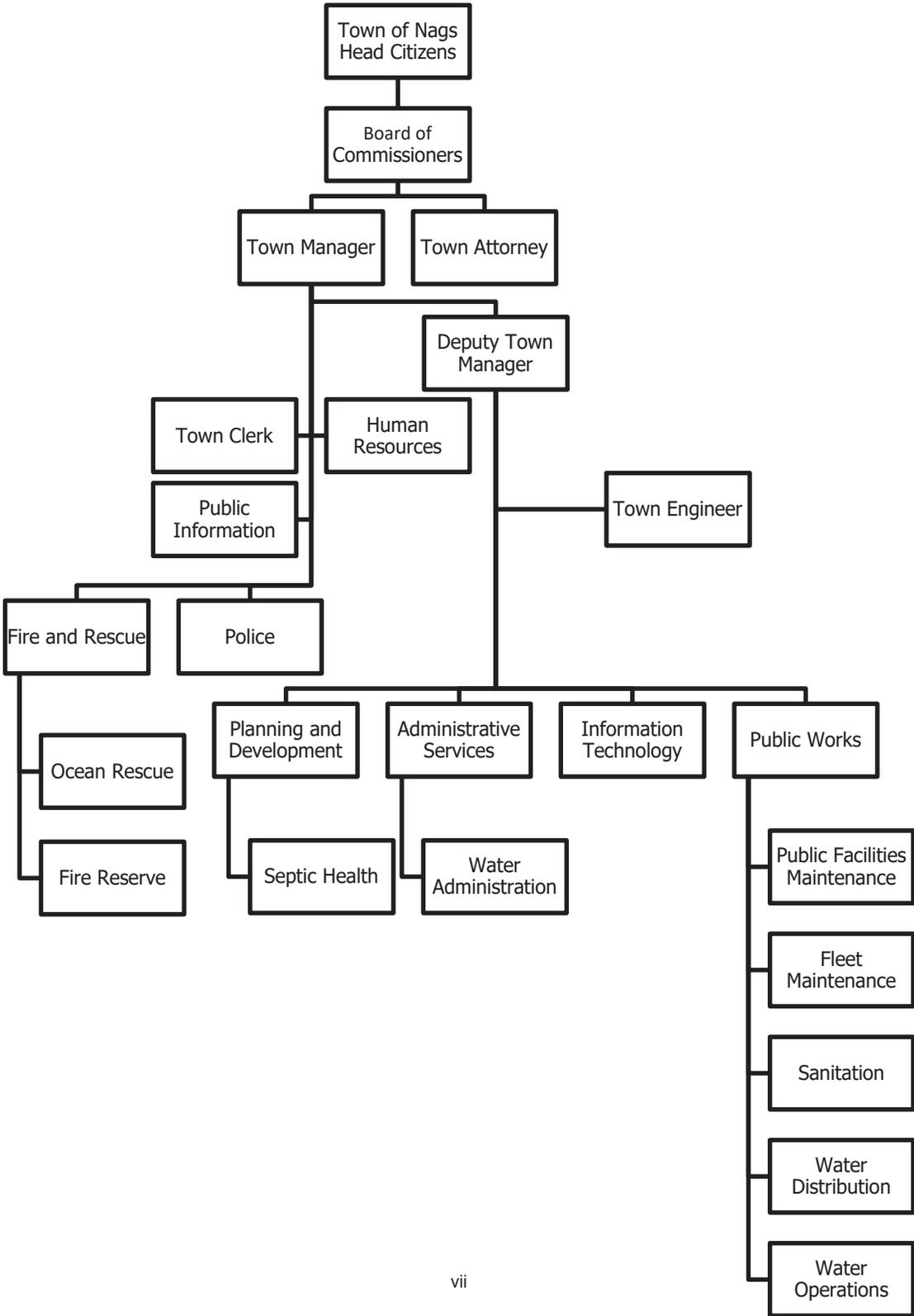
Town Clerk
Deputy Town Manager
Finance Director
Planning Director
Public Works Director
Fire Chief
Police Chief

Carolyn Morris
Andy Garman
Amy Miller
Michael Zehner
Ralph Barile
Randy Wells
J. Phillip Webster

Town of Nags Head, North Carolina

Organizational Chart

June 30, 2020



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

MEMBERS OF AICPA AND NCACPA

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nags Head, North Carolina as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 - 16, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Contributions, on pages 70 - 71, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 72 - 73 and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 74 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Nags Head, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, supplemental ad valorem tax schedules, statistical section as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for the purposes of additional analysis and not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, supplemental ad valorem tax schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical section have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020 on our consideration of the Town'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 the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Nags Head's internal control over financial reporting and compliance.

JOHNSON, MIZELLE, STRAUB & MURPHY, LLP
Certified Public Accountants

Johnson, Mizelle, Straub & Murphy, LLP

Kitty Hawk, North Carolina
November 25, 2020

Management Discussion and Analysis

Town of Nags Head

June 30, 2020

Management's Discussion and Analysis

As management of the Town of Nags Head, we offer readers of the Town of Nags Head's financial statements this narrative overview and analysis of the financial activities of the Town of Nags Head for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town of Nags Head's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Nags Head exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 63,958,280 (*net position*).
- The Town's total net position increased by \$ 2,573,572. This includes an increase in the governmental activities of \$ 2,302,209 and an increase in the business-type activities of \$ 271,363.
- As of the close of the current fiscal year, the Town of Nags Head's governmental funds reported combined ending fund balances of \$ 22,355,236, a decrease of \$ 23,950,707 over the prior year. Approximately 50% of this total amount, or \$ 11,208,428, is non-spendable or restricted. The fund balance decrease is attributed to a decrease in assets related to a beach nourishment maintenance project, including due from other government receivables and restricted cash and cash equivalents. Revenues were recognized of \$7,676,761 in the prior year from the Federal Emergency Management Agency (FEMA) and the North Carolina Department of Emergency Management (NCDEM) towards the project. In the prior year, these funds were included in the restricted for stabilization by state statute portion of fund balance. Also, in due from other governments in the prior year was a \$1,781,338 contribution from Dare County. Restricted debt proceeds, net of liabilities payable from restricted assets, totaling \$13,891,207 in the prior fiscal year were included from the direct placement installment financing towards this project. Subsequent beach nourishment debt payments totaling \$19,254,101 were not made until made until in the fiscal year ended June 30, 2020.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 8,634,215, or 23% of total general fund expenditures for the fiscal year, or 48% of general fund expenditures excluding bond debt. This is a \$1,652,753 increase over the prior year of \$ 6,981,462. The increase primarily results from the decrease in restricted fund balance for stabilization by North Carolina State Statute. This restricted portion of fund balance for annually budget funds includes outstanding encumbrances in the general fund, which decreased by \$730,187 over the prior fiscal year primarily due to the liquidation of the fire pumper truck in public safety at \$700,537. No subsequent year's expenditures were assigned in the general fund which resulted in a \$411,322 decrease in assigned fund balance.
- The Town's total governmental debt for installment financing purchase contracts decreased by \$ 17,799,117 due to debt payments made towards direct placement financing for beach nourishment special obligation bonds of \$18,509,837.
- The General Fund budget for the fiscal year June 30, 2020, was adopted with a tax rate of 31.7 cents per \$ 100 of assessed valuation, increasing one cent over the prior year. Of this town-wide tax rate, 2.7 cents are restricted by the Board for beach nourishment, 1.0 cent is restricted by the Board for parks and paths, and 2.0 cents are restricted by the Board for stormwater management.
- The Municipal Service District (MSD) tax restricted for beach nourishment remains at 17.5 cents in fiscal year 2020.
- The Beach Renourishment Capital Project Fund is funded through the restricted town-wide and MSD beach nourishment taxes and sales tax revenues derived from the MSD held in

**Management Discussion and Analysis
Town of Nags Head
June 30, 2020**

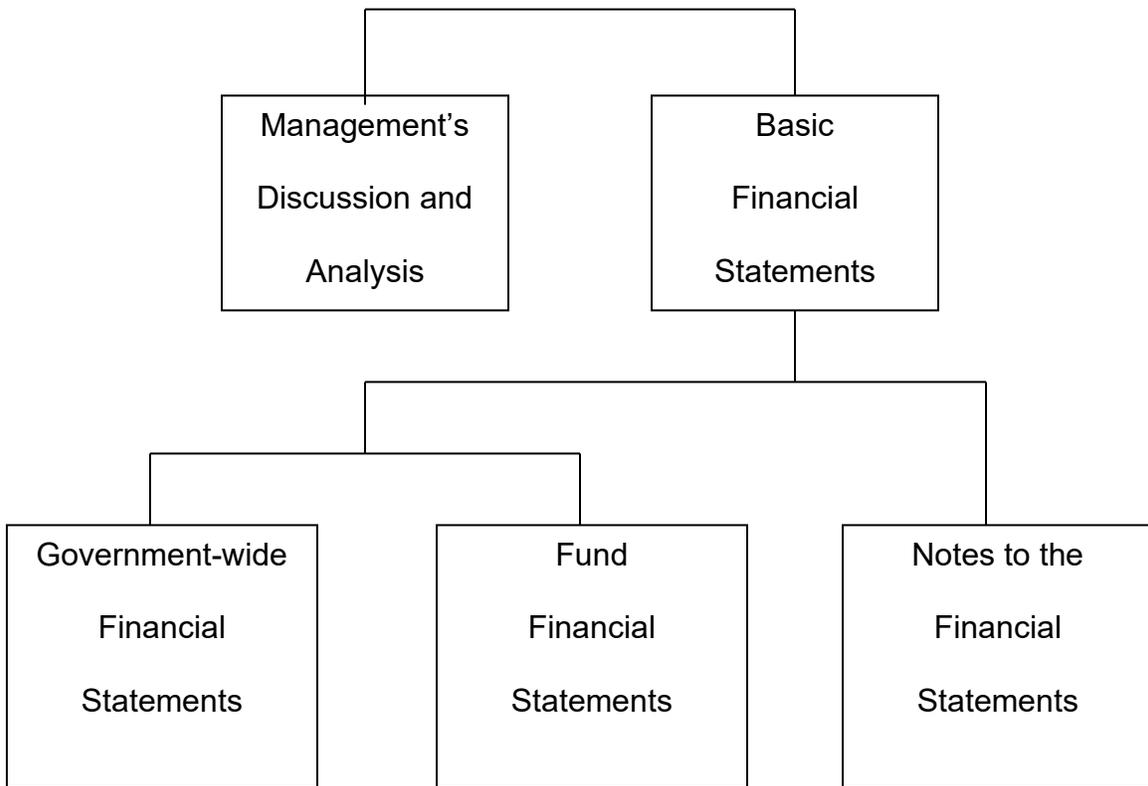
the Capital Reserve Fund, special obligation bonds, and a contribution from Dare County for a beach nourishment maintenance project. As of June 30, 2020, beach nourishment construction was complete.

- The total overall assessed property valuation, including property and registered motor vehicles, increased by \$ 26,352,722, from \$ 2,425,366,425 in fiscal year 2019 to \$ 2,451,719,147 in the current fiscal year. There was an increase in both the property valuation and motor vehicle valuation.

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 town’s basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the town through the use of government-wide statements and fund 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.

Required Components of Annual Financial Report (Figure 1)



Summary → Detail

Management Discussion and Analysis
Town of Nags Head
June 30, 2020

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the town's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the town's financial status as a whole.

The two government-wide statements report the town's net position and how they have changed. Net position is the difference between the town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the town's basic services such as public safety, general administration and street and solid waste services. Property taxes, occupancy, sales and land transfer taxes, permit fees and state and federal grant funds finance most of these activities. The business-type activities are those that the town charges customers to provide. These include the water services offered by the Town of Nags Head. The town does not have any component units.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The town, 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 or the town budget ordinance. All of the funds of the Town of Nags Head can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town of Nags Head's basic services are accounted for in governmental funds. These funds focus on how assets

Management Discussion and Analysis
Town of Nags Head
June 30, 2020

can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Nags Head adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the town, the management of the town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the town complied with the budget ordinance and whether or not the town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Nags Head has one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Nags Head uses its enterprise funds to account for its water operations. Nags Head Leasing is a blended component unit enterprise fund and is used for financing purposes. These funds are the same as those separate activities shown in the business-type activities in the Statement of Position and the Statement of Activities.

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. The notes to the financial statements are on pages 28-69 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the town's progress in funding its obligation to provide pension benefits and retiree health benefits to its employees. Required supplementary information can be found on 70-74 of this report.

Interdependence with Other Entities - The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

**Management Discussion and Analysis
Town of Nags Head
June 30, 2020**

**Government-Wide Financial Analysis
Town of Nags Head Net Position
June 30, 2020**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 23,040,297	\$ 57,706,882	\$ 4,116,799	\$ 4,136,140	\$ 27,157,096	\$ 61,843,022
Capital assets	52,049,231	43,178,856	6,522,404	6,116,094	58,571,635	49,294,950
Total assets	<u>75,089,528</u>	<u>100,885,738</u>	<u>10,639,203</u>	<u>10,252,234</u>	<u>85,728,731</u>	<u>111,137,972</u>
Deferred outflows of resources	1,711,192	1,884,274	165,568	179,418	1,876,760	2,063,692
Long-term liabilities	16,725,470	34,574,162	652,093	619,322	17,377,563	35,193,484
Other liabilities	4,647,755	15,405,172	625,582	613,408	5,723,337	16,036,580
Total liabilities	<u>49,979,334</u>	<u>49,979,334</u>	<u>1,277,675</u>	<u>1,250,730</u>	<u>22,650,900</u>	<u>51,230,064</u>
Deferred inflows of resources	750,131	415,523	246,180	171,369	996,311	586,892
Net position:						
Net investment in capital assets	40,161,631	25,110,090	6,462,459	6,084,121	46,624,090	31,194,211
Restricted	11,135,803	20,760,822	29,815	20,747	11,165,618	20,781,569
Unrestricted	3,379,930	6,504,243	2,788,642	2,904,685	6,168,572	9,408,928
Total net position	<u>\$ 54,677,364</u>	<u>\$ 52,375,155</u>	<u>\$9,280,916</u>	<u>\$9,009,553</u>	<u>\$ 63,958,280</u>	<u>\$ 61,384,708</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Nags Head exceeded liabilities and deferred inflows of resources by \$ 63,958,280 as of June 30, 2020. The largest portion of net position, \$ 46,624,090 (73%) reflects the town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less liabilities restricted from debt proceeds and any related debt still outstanding that was issued to acquire those items, net of unexpended debt proceeds. The Town of Nags Head uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Nags Head's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$ 11,165,618 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 6,168,572 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2020, the Town of Nags Head is able to report positive balances in all three categories of net position, for the government as a whole, as well as its governmental activities and net effect of its business-type activities. The same situation held true for the prior fiscal year.

Management Discussion and Analysis
Town of Nags Head
June 30, 2020

Town of Nags Head Changes in Net Position
June 30, 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 375,270	\$ 366,320	\$ 3,365,591	\$ 3,088,432	\$ 3,740,861	\$ 3,454,752
Operating grants and contributions	956,481	176,074	-	-	956,481	176,074
Capital grants and contributions	8,090,118	18,441,547	10,496	22,461	8,100,614	18,464,008
General revenues:						
Property taxes	9,208,182	8,870,772	-	-	9,208,182	8,870,772
Other taxes and licenses	6,287,733	6,357,488	-	-	6,287,733	6,357,488
Other unrestricted intergovernmental	932,135	960,846	-	-	932,135	960,846
Investment income	571,689	894,881	79,816	116,854	651,505	1,011,735
Other	213,856	188,465	2,193	1,982	216,049	190,447
Total Revenues	26,635,464	36,256,393	3,458,096	3,229,729	30,093,560	39,486,122
Expenses:						
General government	12,396,326	8,197,403	-	-	12,396,326	8,197,403
Public safety	6,340,300	5,922,340	-	-	6,340,300	5,922,340
Public Works	2,616,743	2,390,713	-	-	2,616,743	2,390,713
Environment Protection	2,017,127	1,920,037	-	-	2,017,127	1,920,037
Streets and Drainage	381,747	318,282	-	-	381,747	318,282
Interest on long-term debt	581,012	430,674	-	-	581,012	430,674
Water Utility	-	-	3,186,733	3,382,034	3,186,733	3,382,034
Total Expenses	24,333,255	19,179,449	3,186,733	3,382,034	27,519,988	22,561,483
Increase (decrease) in Net Position	2,302,209	17,076,944	271,363	(152,305)	2,573,572	16,924,639
Net position – July 1	52,375,155	35,298,211	9,009,553	9,161,858	61,384,708	44,460,069
Net position – June 30	\$ 54,677,364	\$ 52,375,155	\$9,280,916	\$9,009,553	\$ 63,958,280	\$ 61,384,708

Governmental activities. Governmental activities increased the Town’s net position by \$ 2,302,209. In capital grants and contributions, grant reimbursement towards the beach nourishment maintenance project totaled \$7,238,221, a \$10,483,071 decrease compared to \$17,721,292 for the prior fiscal year. Operating grants and contributions increased by \$780,407 compared to the prior fiscal year due to a \$600,000 beach nourishment debt service supplement contribution from Dare County. Property taxes increased by \$337,410 due to a one cent ad valorem tax increase over the prior fiscal year, as well as increased overall assessed property valuations. Investment income decreased by \$323,192 due to declining interest rates on realized income and a decrease of \$285,800 in the unrealized fair market value gain on investments. Expenses increased by \$5,153,806 due primarily to increased depreciation of \$3,909,887 on the beach nourishment maintenance project in general government.

Business-type activities. Business-type activities in the water fund increased the town’s net position by \$ 271,363. This increase in net position in the water fund compares to a decrease in the prior year of \$ 152,305. Operating revenues increased by approximately 9%, or \$277,159, due to a 15% increase in the minimum water rates and gallons used beyond the minimum for usage. The wholesale water rate decreased from \$1.989 to \$1.924 per million gallons purchased, or 3.27%. The rate is set per an interlocal agreement with Dare County and was driven by lower eligible capital costs. Gallons purchased from Dare County decreased by 29.511 million gallons, resulting in a decrease in cost of wholesale water purchased by \$59,197 or approximately 7.29%. Finally, a water tower rehabilitation maintenance project costing \$260,613 was done in the prior fiscal year.

Management Discussion and Analysis
Town of Nags Head
June 30, 2020

Financial Analysis of the Town of Nags Head's Funds

As noted earlier, the Town of Nags Head uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. 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, unassigned 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, unassigned fund balance of the general fund was \$ 8,634,215 while total fund balance reached \$19,968,387. The total fund balance decrease, compared to the prior fiscal year's total fund balance of \$28,416,589, is attributed to grant revenue recognized and included in due from other governments in the prior year from FEMA and the NCDEM for a combined amount of \$ 7,676,761 towards the completed beach nourishment maintenance project. These funds were categorized as the restricted for stabilization by state statute portion of fund balance in the prior year. The actual reimbursement of this amount did not occur until the current fiscal year and at that time was transferred into the capital reserve fund. Additional reimbursement revenue from this grant in prior fiscal years totaled \$1,318,855 and was also held in the restricted portion of fund balance, for the capital reserve fund, in the prior fiscal year. Reimbursements of \$7,238,221 in the current fiscal year, as well as accumulated interest income were used to offset debt service of \$16,662,452 in the current fiscal year on a beach nourishment special obligation bond. The additional debt interest on this loan was transferred from the beach nourishment capital reserve. An additional debt payment of \$2,591,649 was made towards the locally funded portion of the same project, which was offset by the beach nourishment portion of taxes collected and a \$600,000 debt supplement provided by Dare County and therefore, has no impact on the fund balance decrease. The Governing Body of the Town of Nags Head has determined that the Town should maintain an available fund balance of 50% of expenditures less bond debt, but not less than \$5 million as per audited financial statements at the end of each fiscal year in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 23% of total general fund expenditures for the fiscal year. Per the fund balance policy, it represents 48% of general fund expenditures for the fiscal year excluding bond debt.

At June 30, 2020, the governmental funds of the Town of Nags Head reported a combined fund balance of \$ 22,355,236, a 52% decrease from last year. Included in this change in fund balance is a decrease in the general fund, as discussed above. The Town completed its beach nourishment maintenance project in the current fiscal year, and in doing so, spent the restricted cash debt proceeds, net of liabilities payable from restricted assets, totaling \$13,891,207 from the prior year included in the beach renourishment fund.

Proprietary Fund. The Town of Nags Heads' proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$2,788,642, a 4% decrease over last year. This decrease is primarily attributed to over a 6% increase in capital assets, resulting from a \$630,749 increase in acquisitions over the prior year. The increase in total noncurrent assets resulted in an almost equal increase in net investment in capital assets, decreasing net position. Operating revenues increased by \$277,159 due to a 15% increase in the minimum water rates and gallons used beyond the minimum for usage. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Nags Head's business-type activities.

Management Discussion and Analysis
Town of Nags Head
June 30, 2020

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The primary changes to the adopted budget were in restricted intergovernmental revenues, debt service, and other financing sources (uses). These are all related to the early payoff of the Special Obligation Bond Series 2019B in June 2020, ahead of its due date. The purpose of this bond was to provide funding for the beach nourishment project completed this year to pay vendors while waiting for FEMA and NCDEM grant reimbursement. As the grant funds were received, they were placed in a sinking account which was swept down to a zero balance quarterly. Due to the nature of the grant and the project, the timing of reimbursements was unpredictable. Therefore, the balloon principal debt pay off was originally budgeted in January 2021, its due date. All the funding was received in the current fiscal year and the Town was able to payoff off the loan early and in doing so realize a savings on debt interest. The Town received \$8,995,616 in reimbursements from this grant in prior fiscal years which were placed in the capital reserve fund, as described earlier. Interest income accumulated on these funds while in the capital reserve. A budget amendment was done for the restricted intergovernmental grant reimbursements of \$7,238,221 received this year and were also moved into the capital reserve fund upon receipt. Additional budget amendments were adopted to record the debt payoff and interest totaling \$16,662,452 between the capital reserve fund and the general fund impacting other financing sources (uses) including appropriated fund balance for the prior year receipts previously held in the restricted portion of fund balance, and debt service. A budget increase in installment financing proportionately increased the various capital outlay functions to appropriate \$ 2,223,843 of direct borrowing and associated capital outlay expenditures for budgeted capital purchases, including multi-use path construction for \$1,121,068 in general government, along with various vehicle and equipment borrowings among all functions of the Town. Amendments made to recognize new funding amounts in restricted intergovernmental revenues included \$178,975 from an Assistance to Firefighters grant awarded for new portable radios in public safety and an award from the North Carolina Coastal Management Program (CAMA) for \$20,000 towards the stormwater master plan update in streets and drainage.

General fund balance appropriations totaling \$1,918,909 were made for fiscal year 2019 open encumbrances. Capital outlay items carried over included a fire pumper truck in public safety at \$700,537, \$395,461 for construction and planning as part of the stormwater master plan in streets and drainage, \$128,337 towards a residential trash truck in environmental protection, and \$143,286 for Jacob Street beach access improvements in public works. To offset the cost of the Jacob Street improvements, a budget amendment to increase restricted intergovernmental revenues and decrease fund balance appropriations was adopted for \$122,226, reflecting the grant revenue awarded from CAMA. Capital outlay encumbrances carried over in general government include financial software conversion of \$119,753 and professional engineering services towards the multi-user path construction at \$42,500.

In the general fund, total revenues were in the line with the revised budget. The occupancy and sales taxes included in other taxes and licenses drove those revenues to be under budget due to the Outer Banks closing its borders to visitors and non-resident property owners from March through May. Although building permit fees were increased in the current fiscal year, in addition to the entry restrictions in place, decreases in permit volume and the valuation of permitted work drove permits and fees to be under budget. Additionally, there was a shift in permit types, with fewer permits for new construction and more permits for repairs and remodels.

One factor of note includes ad valorem tax collection at \$ 114,929 (1.27%) over budget due to better than anticipated collections of current year's town wide taxes for property including motor

Management Discussion and Analysis
Town of Nags Head
June 30, 2020

vehicles at 99.872% and registered motor vehicles at 100% compared to the 99.75% collection rate budgeted for each. Additionally, total town wide property valuation was \$2,451,719,147 compared to \$2,424,562,193 budgeted, approximately a 1% increase, due to additional property discoveries.

General Fund expenditures were generally in line with the revised budget, with some exceptions noted. Encumbrances totaling \$1,188,722 are being carried forward to fiscal year 2021. Of these encumbrances, capital outlay includes \$648,815 for the multi-use path construction in general government, \$78,071 towards Islington Street beach access repairs in public works, \$309,328 towards a sanitation front loader in environmental protection, and \$47,823 towards continued implementation of the stormwater master plan. As entry restrictions due to COVID-19 made revenue forecasting uncertain, as well as uncertainty as to when the restrictions would be lifted, in April a conservative approach was taken in limiting expenditures. This included immediate purchase order cut offs, strictly limiting travel and training, and reducing supplies and uniforms. In order to keep our staff safe as they continued to provide essential services, traffic was limited throughout Town buildings. This delayed scheduled projects and maintenance items, including a public works \$45,652 LED lighting switch out initiative. Two full-time positions in environmental protection were frozen through retirement attrition. Entry restrictions both at the local and national level, coupled by housing shortages, made it difficult to hire seasonal lifeguards. A reduced lifeguard staff resulted in public safety expenditures coming in at \$51,858 under budget for part-time salaries and benefits. Savings occurred naturally throughout all expenditure functions including lapse salaries and benefits and fuel. Debt service interest is under budget by \$360,404 due realized savings on paying off Special Obligation Bond 2019B early, as described earlier. Environmental protection expenditures came in under budget as a result of two main factors. Solid waste tipping fees came in under budget by \$53,886 as a result of a decreased population and reduced fuel surcharges. Additionally, the Town did not renew its curb side recycling pick-up program which saved \$82,301. Instead we are looking into a subscription-based recycling program and are engaging the community through involvement with a waste reduction task force. Streets and drainage expenditures were under budget primarily due to a hold on implementation for stormwater project areas #12 at milepost 19.5 and project areas #13 at milepost 17.5, saving \$161,450. Initial bids on these projects came in higher than expected and the Town would ideally collaborate on this project with the NC Department of Transportation in the future. This savings will accumulate in the stormwater capital reserve fund to be used at a later date.

Capital Asset and Debt Administration

Capital assets. The Town of Nags Head’s investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$ 58,571,635 (net of accumulated depreciation). These assets include land, art, construction in process, buildings, other improvements, equipment, vehicles, infrastructure and intangible assets in the water fund.

Major capital asset transactions occurred during the year including:

- Beach nourishment maintenance related costs \$15,716,433, governmental activities
- KME Fire Truck \$699,620, governmental activities
- Phase 8B West Side Multi-Use Path \$1,003,935, governmental activities
- Water line improvements \$748,311, business-type activities

**Management Discussion and Analysis
Town of Nags Head
June 30, 2020**

Town of Nags Head Capital Assets (net of accumulated depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 10,811,192	\$ 10,731,874	\$ 1,702,831	\$ 1,779,717	\$ 12,514,023	\$ 12,511,591
Art	107,553	107,553	-	-	107,553	107,553
Construction in progress	1,600	3,040	-	-	1,600	3,040
Buildings	3,787,245	3,978,746	916,931	959,058	4,704,176	4,937,804
Other improvements	310,888	164,170	9,747	29,062	320,635	193,232
Improvements	27,279,153	19,874,770	310,752	290,312	27,589,905	20,165,082
Equipment	1,428,232	983,487	139,906	182,379	1,568,138	1,165,866
Vehicles	3,341,262	2,728,711	47,903	36,805	3,389,165	2,765,516
Intangibles	-	-	1,016,268	1,124,671	1,016,268	1,124,671
Infrastructure	4,982,106	4,606,504	2,378,066	1,714,090	7,360,172	6,320,594
Total	\$ 52,049,231	\$ 43,178,855	\$ 6,522,404	\$ 6,116,094	\$ 58,571,635	\$ 49,294,949

Additional information on the town's capital assets can be found on pages 44-45 in the notes to the financial statements.

Long-term Debt. The Town of Nags Head's total debt decreased by \$17,608,540 due to the repayment of direct placement special obligation bonds totaling of \$18,509,837 for the purpose of beach nourishment maintenance. The Town's proportionate share of the Local Government Employees' Retirement System (LGERS) net pension liability increased by \$190,471, or approximately 12% from the prior fiscal year. The Town entered into direct borrowing installment purchase contracts for \$891,029 to finance various vehicles and equipment. An additional direct borrowing installment purchase contract was entered into for \$1,401,396 to finance town improvements including the pedestrian path construction, Dowdy Park improvements and a fuel pump and tank conversion. As of June 30, 2020, the Town had long-term debt totaling \$21,236,992. Of this amount, \$20,540,395 is reported in the governmental activities and \$ 696,597 is reported in the business-type activities.

Town of Nags Head Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Direct borrowing installment finance purchases	\$ 3,738,869	\$ 3,028,149	\$ 59,945	\$ 34,371	\$ 3,798,814	\$ 3,062,520
Direct placement installment finance purchases	9,104,000	27,613,837	-	-	9,104,000	27,613,837
Total OPEB liability	3,870,943	3,919,774	387,916	398,904	4,258,859	4,318,678
Total pension liability (LEOSSA)	922,305	910,087	-	-	922,305	910,087
Net pension liability (LGERS)	2,279,144	2,104,768	210,364	194,269	2,489,508	2,299,037
Compensated absences	625,134	603,335	38,372	38,038	663,506	641,373
Total	\$ 20,540,395	\$ 38,179,950	\$ 696,597	\$ 665,582	\$ 21,236,992	\$ 38,845,532

Additional information in the Town's debt can be found on pages 61-63 in the notes to the financial statements.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Nags Head is \$ 183,234,718.

Management Discussion and Analysis
Town of Nags Head
June 30, 2020

Economic Factors and Next Year's Budgets and Rates

- The Town's economy is based on travel, tourism, and related service industries and is directly tied to national and local economies. The average unadjusted unemployment rate in Dare County of 10.69% is higher than the State of North Carolina's 2020 average of 8.13%. These rates have increased significantly from the prior year of 5.1% and 4.1%, respectively. Dare County does experience significant seasonality in rate, for example 8.5% in February 2020 compared to 9% for the same month in the prior year. However, unemployment claims exploded in Dare County as businesses completely shut their doors or significantly cut pay for workers that stayed on as the COVID-19 pandemic set in, spiking to 24.1% in April, compared to 12.9% for the state, a level not seen in three decades. Out of a work force of 20,221 in Dare County, 4,949 were unemployed in April. That was the highest jobless percentage of any of North Carolina's 100 counties. More certainty over tourism-based revenues has brought the lowest unemployment rate in the county for the year at 6.6% in September, still significantly higher than 3.2% compared to September 2019, but lower than the state's rate of 7.2% for September 2020.
- Compared to fiscal year 2020 for the same time period, occupancy tax revenue has come in 22% higher, sales tax revenue has come in 10% higher, and land transfer tax has come in 93% higher. As revenues return at greater levels than originally forecasted, our local economy is resilient in the face of what appears to be a national recession that has all levels of government struggling to forecast how to recover.
- Gross occupancy tax collections within Dare County decreased by 4.82% in fiscal year 2019-2020, however are currently up 16.71% compared to the same time in the prior fiscal year. The locally collected portion of sales tax increased by 5.77% over the prior fiscal year 2018-2019.
- Gross land transfer tax collections within Dare County have increased by .47% over fiscal year 2018-2019, however are currently up 91.91% compared to the same time in the prior fiscal year.
- The Town was required to follow the county-wide property revaluation in fiscal year 2021. Real and personal property valuations have increased by almost 25% for ad valorem and motor vehicle taxes and over 28% MSD taxes, compared to fiscal year 2020.

Budget Highlights for the Fiscal Year Ending June 30, 2021

- A county-wide property revaluation was done in January 2020. The adopted budget for the June 30, 2021, fiscal year includes a revenue-neutral tax rate of \$.265 per \$ 100 of assessed valuation. Of this total, \$.0225 is restricted by the Board for beach nourishment. Flat rate contributions of \$200,000 and \$400,000, respectively, are budgeted for the parks and paths and stormwater management capital reserves. The Municipal Service District (MSD) tax for the purpose of beach nourishment has also adopted a revenue-neutral tax rate of \$.143 per \$100 of assessed valuation for the fiscal year 2021.
- An additional one cent tax increase in fiscal year 2020 resulted in an increase in the Town's tax levy and a proportionate increase in shared revenues in fiscal year 2021. The Town's portion of land transfer and occupancy tax revenues increased to 27.88% compared to fiscal year 2020 at 27.66%. The Town's portion of sales tax distribution increased to 8.73% in fiscal year 2021, up from 8.54% in fiscal year 2020. The Town's proportionate share is based on its ad valorem tax levy as a percentage of the other municipalities within Dare County.

Management Discussion and Analysis
Town of Nags Head
June 30, 2020

- The General Fund adopted budget totals \$21,897,104, a decrease of \$1,615,360, or 6.87% from the fiscal year 2020 adopted budget. Initial conservative budget assumptions in reducing sales, occupancy, and land transfer taxes by \$481,703 over the prior year as well as not appropriating fund balance for the fiscal year 2020-2021 budget allowed us to be prepared for uncertainty while staying within our fund balance policy. These revenue forecasts continue to be adjusted as we have more certainty over these tourism-based revenues, which comprise a significant portion of the Town's revenue.
- Fiscal year 2021 will see the second debt payment towards beach nourishment special obligation bond Series 2019A. Series 2019A is a direct placement installment financing contract issued at \$11,380,000 and interest of 3.08%, with tourism driven occupancy tax revenue pledged as collateral. The debt payments are funded through the town-wide beach nourishment tax, the MSD tax, excess sales tax revenues derived from the MSD tax, as well as a debt supplement from Dare County at \$600,000. Fiscal year 2021 debt payments are budgeted at \$2,521,353, with annual principal and semiannual interest only payments until final maturity in fiscal year 2024.
- The stormwater master plan implementation continues using stormwater capital reserve funds. The current scope of work includes pipe replacements at West Danube Street and Wrightsville Avenue at Barnes Street totaling \$280,000 and \$44,000 for a storm drainage system at Barracuda Drive on the proximity of Kipper Court.
- The Town has been awarded grants which supplement local funding. The Assistance to Firefighters Grants program provided \$243,510, or 95% funding, to replace 35 self-contained breathing apparatuses (SCBA) units. A grant from the North Carolina Division of Coastal Management will provide funding towards construction of an improved public beach access at Islington Street. The grant award of \$47,232 requires local cash and in-kind contributions of \$35,677. The Town was a subrecipient of Federal COVID-19 grant funding of \$31,636 towards facilitating compliance with COVID-19 related public health measures in order to improve telework capabilities for employees to enable compliance with COVID-19 public health precautions.
- Implementation of an employee pay plan continues, including a cost of living adjustment, within grade increases for employees meeting performance expectations, and career progression. Proposals for a compensation study are being sought encompassing reviewing the existing classification plan, performing a salary study, comparing benefits, reviewing job descriptions and the pay plan, and providing recommendations for a Pay Policy.
- The Board was able to review revenues after the seasonal peak period in order to fund projects that were not included in the adopted budget. Items approved include:
 - The water fund owns real property which is more appropriately owned by the general fund. The water fund holds land valued at \$872,532 from an original purchase amount of \$1,623,174. The remaining \$750,642 was purchased by the general fund. The Board of Commissioners formalized for the general fund to purchase the remaining land from the water fund for \$872,532.
 - Local funding of \$75,000 was approved in addition to a \$75,000 grant award from The National Coastal Resilience Fund towards developing an estuarine shoreline management plan budgeted at \$150,000.
 - A conceptual facilities master plan for Public Works budgeted at \$50,000 would allow for improved services to the public, with a long-term goal of an integrated master plan for all infrastructure needs.
 - Unfreeze one of the two frozen positions in the Sanitation Department.

Management Discussion and Analysis
Town of Nags Head
June 30, 2020

- For beach nourishment, a beach restoration project has been tentatively approved by the State of North Carolina. The Division of Water Resources of the North Carolina Department of Environmental Quality awarded \$1,408,247 in financial assistance to be used for costs associated for projects to mitigate or remediate coastal storm damage. These funds would be combined, upon final confirmation, with the Federal Emergency Management Agency (FEMA) and North Carolina Division of Emergency Management grant funds to replace lost sand as a result of Hurricane Dorian occurring in September 2019. Construction for this tentative project would occur in the summer of 2022. We are receiving professional assistance in compiling necessary documentation and surveys to support the Town's request for this Coastal Storm Damage Mitigation funding.
- The water fund adopted budget totals \$3,459,109 which is a 17.44% decrease over the prior year. No water rate increase was adopted. No appropriation to retained earnings was made, compared to a \$595,383 appropriation made in the prior year. The wholesale water rate decrease resulted in a \$77,435 reduction in wholesale water purchases compared to the prior year. Pay as you go capital improvement projects were cut by \$612,402 compared to the prior year, or 63%. Some projects were funded in order to stay ahead of maintenance, repairs, and replacements. The Town appropriated \$300,000 towards the replacement of asbestos cement water lines in the water distribution system throughout town. This initiative is part of the water master plan recommendation, with over \$4,500,000 in pipe replacements adopted into the water CIP plan spanning over ten years on a pay-as-you-go basis. Water capital reserve funds will be used to defray these costs. The water CIP also includes approval for a 10-year tower and ground tank maintenance contract, which would extend the life of the tower and tank rehabilitations out to every seven years as opposed to every five years. An additional project of note is a water line tie in on Sea Bass Court from the Coastal Villas subdivision. Grant funds of \$43,000 awarded by a Homeland Security Grant will allow the purchase of a dry prime pump. This will be used when repairing water main breaks and to prevent sanitary sewer or pump station overflows during high water events.
- The Town's decentralized wastewater management plan is being updated in order to recommend additional necessary measures and expand and integrate the plan considering the relationship between onsite wastewater, stormwater, and groundwater. Plan elements include development, goals, policies, programs, community engagement, and overall future direction of the septic health initiative.
- A system development fee and Water Capital Reserve Fund have been adopted in accordance with North Carolina General Statutes [N.C.G.S. 162A, Article 8]. Through direct appropriation from the Water Fund, the system development capital contributions budgeted at \$10,000 will accumulate in the Water Capital Reserve Fund. Direct transfers to the Water Fund will be made from the Water Capital Reserve Fund to assist with future capital improvements and debt service for projects related to the Town's water system as part of a 10-year Capital Improvement Plan.

Requests for Information

This report is designed to provide an overview of the town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Nags Head, P.O. Box 99, Nags Head, North Carolina 27959. You can also call (252) 441-5508, visit our web site www.nagsheadnc.gov or send an email to Amy.Miller@nagsheadnc.gov for more information.

BASIC FINANCIAL STATEMENTS

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Town of Nags Head, North Carolina
Statement of Net Position
June 30, 2020

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,066,497	\$ 2,970,180	\$ 15,036,677
Taxes receivable (net)	9,336	-	9,336
Accounts receivable (net)	4,521	605,759	610,280
Accrued interest receivable	63,991	9,172	73,163
Due from other governments	2,191,469	-	2,191,469
Inventories	54,636	59,257	113,893
Prepaid items	17,989	-	17,989
Restricted cash and cash equivalents	8,631,858	472,431	9,104,289
Total current assets	23,040,297	4,116,799	27,157,096
Capital Assets:			
Land, non-depreciable improvements and construction in progress	10,920,345	1,702,831	12,623,176
Other capital assets, net of depreciation	41,128,886	4,819,573	45,948,459
Total capital assets	52,049,231	6,522,404	58,571,635
Total assets	75,089,528	10,639,203	85,728,731
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals OPEB	128,214	26,291	154,505
Changes of assumptions or other inputs OPEB	56,660	12,749	69,409
Pension deferrals LEOSSA	155,474	-	155,474
Pension deferrals LGERS	1,370,844	126,528	1,497,372
Total deferred outflows of resources	1,711,192	165,568	1,876,760
LIABILITIES			
Current liabilities:			
Accounts payable	303,214	117,647	420,861
Salaries and benefits	346,921	20,471	367,392
Accrued interest payable	161,564	268	161,832
Unearned revenue	8,712	-	8,712
Due to other governments	2,381	-	2,381
Current portion of long-term liabilities	3,814,926	44,504	3,859,430
Liabilities to be paid from restricted assets	10,037	442,692	452,729
Total current liabilities	4,647,755	625,582	5,273,337
Long-term liabilities:			
Due in more than one year	16,725,470	652,093	17,377,563
Total liabilities	21,373,225	1,277,675	22,650,900
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	2,285	-	2,285
Pension deferrals LGERS	64,390	5,943	70,333
Pension deferrals LEOSSA	62,066	-	62,066
Pension deferrals OPEB	621,390	122,237	743,627
Prepaid water impact fees	-	118,000	118,000
Total deferred inflows of resources	750,131	246,180	996,311
NET POSITION			
Net investment in capital assets	40,161,631	6,462,459	46,624,090
Restricted for:			
Stabilization by state statute	3,440,378	-	3,440,378
Streets	43,913	-	43,913
Public safety	51,093	-	51,093
Capital reserve fund	7,600,419	29,815	7,630,234
Unrestricted	3,379,930	2,788,642	6,168,572
Total net position	\$ 54,677,364	\$ 9,280,916	\$ 63,958,280

The accompanying notes are an integral part of the financial statements.

Town of Nags Head, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities				
General Government	\$ 12,396,326	\$ 241,799	\$ 649,033	\$ 7,726,152
Public Safety	6,340,300	19,946	189,960	227,579
Public Works	2,616,743	109,837	52,467	-
Environmental Protection	2,017,127	3,688	60,898	-
Streets and Drainage	381,747	-	4,123	136,387
Interest on long-term debt	581,012	-	-	-
Total governmental activities	24,333,255	375,270	956,481	8,090,118
Business-type activities:				
Water	3,186,733	3,365,591	-	10,496
Total business-type activities	3,186,733	3,365,591	-	10,496
Total primary government	\$ 27,519,988	\$ 3,740,861	\$ 956,481	\$ 8,100,614

General revenues:

Taxes:

Property taxes levied for general purpose

Municipal service district taxes

Occupancy tax

Land transfer taxes

Sales taxes

Other taxes and licenses

Other unrestricted intergovernmental revenues

Unrestricted investment earnings

Miscellaneous

Total general revenues

Total general revenues

Total change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of the financial statements.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (3,779,342)	\$ -	\$ (3,779,342)
(5,902,815)	-	(5,902,815)
(2,454,439)	-	(2,454,439)
(1,952,541)	-	(1,952,541)
(241,237)	-	(241,237)
(581,012)	-	(581,012)
<u>(14,911,386)</u>	-	<u>(14,911,386)</u>
-	189,354	189,354
-	189,354	189,354
<u>(14,911,386)</u>	189,354	<u>(14,722,032)</u>
7,785,799	-	7,785,799
1,422,383	-	1,422,383
2,741,871	-	2,741,871
719,914	-	719,914
2,761,461	-	2,761,461
64,487	-	64,487
932,135	-	932,135
571,689	79,816	651,505
213,856	2,193	216,049
<u>17,213,595</u>	<u>82,009</u>	<u>17,295,604</u>
17,213,595	82,009	17,295,604
2,302,209	271,363	2,573,572
<u>52,375,155</u>	<u>9,009,553</u>	<u>61,384,708</u>
<u>\$ 54,677,364</u>	<u>\$ 9,280,916</u>	<u>\$ 63,958,280</u>

The accompanying notes are an integral part of the financial statements.

Town of Nags Head, North Carolina
Governmental Funds
Balance Sheet
June 30, 2020

Exhibit 3

	Major Funds		
	General	Beach Renourishment	Total
ASSETS			
Cash and cash equivalents	\$ 9,677,840	\$ 2,388,657	\$ 12,066,497
Restricted cash and cash equivalents	8,631,858	-	8,631,858
Taxes receivable (net)	9,336	-	9,336
Accounts receivable (net)	4,521	-	4,521
Accrued interest receivable	57,841	6,150	63,991
Due from other governments	2,191,469	-	2,191,469
Inventories	54,636	-	54,636
Prepaid items	17,989	-	17,989
Total assets	20,645,490	2,394,807	23,040,297
LIABILITIES			
Accounts payable	295,256	7,958	303,214
Salaries and benefits	346,921	-	346,921
Due to other governments	2,381	-	2,381
Unearned revenue	8,712	-	8,712
Liabilities payable from restricted assets:			
Bonds and deposits	950	-	950
Accounts payable	9,087	-	9,087
Total liabilities	663,307	7,958	671,265
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	2,285	-	2,285
Property taxes receivable	9,336	-	9,336
Privilege licenses receivable	2,175	-	2,175
Total deferred inflows of resources	13,796	-	13,796
FUND BALANCES:			
Nonspendable:			
Inventories	54,636	-	54,636
Prepays	17,989	-	17,989
Restricted:			
Restricted for Stabilization by State Statute	3,440,378	-	3,440,378
Restricted for Streets	43,913	-	43,913
Restricted for Public Safety	51,093	-	51,093
Restricted for Capital Reserve Fund	7,600,419	-	7,600,419
Committed:			
LEO Special Separation Allowance	122,919	-	122,919
Police firing range	2,825	-	2,825
Assigned:			
Beach Nourishment capital projects	-	2,386,849	2,386,849
Unassigned	8,634,215	-	8,634,215
Total fund balances	19,968,387	2,386,849	22,355,236
Total liabilities, deferred inflows of resources and fund balances	\$ 20,645,490	\$ 2,394,807	

The accompanying notes are an integral part of the financial statements.

Town of Nags Head, North Carolina
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
To The Statement of Net Position
June 30, 2020

Exhibit 3
(Continued)

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

Total fund balances-governmental fund (previous page)	\$ 22,355,236
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	52,049,231
Deferred outflows of resources related to pensions are not reported in the funds	
Pension deferrals - LEOSSA	155,474
Pension deferrals - OPEB	128,214
Changes of assumptions or other inputs - OPEB	56,660
Pension deferrals - LGERS	1,370,844
	<u>1,711,192</u>
Deferred inflows of resources related to pensions are not reported in the funds	
Pension related deferrals-LGERS	(64,390)
Pension related deferrals-LEOSSA	(62,066)
Pension related deferrals-OPEB	(621,390)
	<u>(747,846)</u>
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Deferred taxes receivable	9,336
Deferred miscellaneous receivable	2,175
	<u>11,511</u>
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(13,468,004)
Net pension liability	(2,279,144)
Total pension liability	(922,305)
Total OPEB liability	(3,870,943)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(161,564)
Net position of governmental activities (Exhibit 1)	<u><u>\$ 54,677,364</u></u>

The accompanying notes are an integral part of the financial statements.

Town of Nags Head, North Carolina
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

Exhibit 4

	Major Funds		Total Governmental Funds
	General Fund	Beach Renourishment	
REVENUES			
Ad valorem taxes	\$ 9,199,976	\$ -	\$ 9,199,976
Other taxes and licenses	6,288,313	-	6,288,313
Unrestricted intergovernmental	932,135	-	932,135
Restricted intergovernmental	9,036,209	-	9,036,209
Permits and fees	268,293	-	268,293
Sales and services	106,977	-	106,977
Net investment earnings	457,095	114,594	571,689
Miscellaneous	191,700	-	191,700
Total revenues	26,480,698	114,594	26,595,292
EXPENDITURES			
Current:			
General Government	3,170,729	-	3,170,729
Public Safety	5,526,696	-	5,526,696
Environmental Protection	1,749,846	-	1,749,846
Public Works	1,756,630	-	1,756,630
Streets and Drainage	110,240	-	110,240
Debt service:			
Principal	20,022,960	-	20,022,960
Interest and other charges	826,491	-	826,491
Capital outlay:			
General Government	1,157,718	15,639,548	16,797,266
Public Safety	1,134,317	-	1,134,317
Environmental Protection	326,139	-	326,139
Public Works	860,515	-	860,515
Streets and Drainage	520,559	-	520,559
Total expenditures	37,162,840	15,639,548	52,802,388
Revenues over (under) expenditures	(10,682,142)	(15,524,954)	(26,207,096)
OTHER FINANCING SOURCES (USES)			
Installment financing	2,223,843	-	2,223,843
Sale of Capital Assets	10,098	22,448	32,546
Total other financing sources	2,233,941	22,448	2,256,389
Net change in fund balance	(8,448,201)	(15,502,506)	(23,950,707)
Fund balances - beginning	28,416,589	17,889,355	46,305,944
Fund balances - ending	\$ 19,968,388	\$ 2,386,849	\$ 22,355,237

The accompanying notes are an integral part of the financial statements.

Town of Nags Head, North Carolina
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds \$ (23,950,707)

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.

Capital Outlay	19,638,796	
Depreciation	<u>(10,768,421)</u>	8,870,375

LGERS pension plan deferrals in the current fiscal year are not included on the Statement of Activities		553,542
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OPEB plan deferrals in the current fiscal year are not included on the Statement of Activities		128,214
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LEOSSA plan deferrals are not included on the Statement of Activities		62,092
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues/expenditures in the funds.

Changes in tax revenues	7,626	
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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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt Issued	(2,223,843)	
Decrease in accrued interest payable	245,479	
Principal repayments	<u>20,022,960</u>	<u>18,044,596</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

LGERS pension expense	(979,587)	
LEOSSA pension expense	(77,593)	
Increase in compensated absences	(21,799)	
OPEB plan expense	<u>(334,550)</u>	(1,413,529)

Total change in net position of governmental activities		<u>\$ 2,302,209</u>
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The accompanying notes are an integral part of the financial statements.

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance Positive (Negative)
	Original Budget	Revised Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 9,085,047	\$ 9,085,047	\$ 9,199,976	\$ 114,929
Other taxes and licenses	6,399,142	6,399,142	6,288,313	(110,829)
Unrestricted intergovernmental	903,500	903,500	932,135	28,635
Restricted intergovernmental	1,352,664	9,002,856	9,036,209	33,353
Permits and fees	370,150	370,150	268,293	(101,857)
Sales and services	65,000	65,000	106,977	41,977
Net investment earnings	190,000	190,000	247,132	57,132
Miscellaneous	175,000	176,400	191,700	15,300
Total revenues	<u>18,540,503</u>	<u>26,192,095</u>	<u>26,270,735</u>	<u>78,640</u>
Expenditure:				
Current:				
General Government	3,248,447	3,443,873	3,170,729	273,144
Public Safety	5,787,564	5,836,454	5,526,696	309,758
Environmental Protection	1,982,546	2,000,580	1,749,846	250,734
Public Works	1,933,142	2,051,246	1,756,630	294,616
Streets and Drainage	326,717	294,756	110,240	184,516
Debt service:				
Principal	3,863,683	20,072,246	20,022,960	49,286
Interest and other charges	855,146	1,186,895	826,491	360,404
Capital outlay:				
General Government	490,182	1,819,918	1,157,718	662,200
Public Safety	68,881	1,139,818	1,134,317	5,501
Environmental Protection	6,000	635,750	326,139	309,611
Public Works	94,721	924,855	860,515	64,340
Streets and Drainage	90,000	597,693	520,559	77,134
Contingency	125,000	19,939	-	19,939
Total expenditures	<u>18,872,029</u>	<u>40,024,023</u>	<u>37,162,840</u>	<u>2,861,183</u>
Revenues over expenditures	<u>(331,526)</u>	<u>(13,831,928)</u>	<u>(10,892,105)</u>	<u>2,939,823</u>
Other financing sources (uses):				
Transfers from Capital Reserve Fund	3,771,027	20,383,363	19,393,185	(990,178)
Transfers to Capital Reserve Fund	(3,857,831)	(18,742,356)	(18,154,054)	588,302
Transfers to Water Fund	(76,886)	-	-	-
Installment financing	-	2,223,843	2,223,843	-
Sale of Capital Assets	15,000	15,000	10,098	(4,902)
Committed Fund Balance	68,884	68,884	-	(68,884)
Appropriated Fund Balance	411,332	9,883,194	-	(9,883,194)
Total other financing sources (uses)	<u>331,526</u>	<u>13,831,928</u>	<u>3,473,072</u>	<u>(10,358,856)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(7,419,033)</u>	<u>\$ (7,419,033)</u>
Fund balances, beginning of the year			19,787,002	
Fund balances, end of year			<u>\$ 12,367,969</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			\$ 209,963	
Transfers to General Fund			(19,393,185)	
Transfers from General Fund			18,154,054	
Fund balance, beginning of the year			8,629,587	
Fund balance, end of year			<u>\$ 19,968,388</u>	

The accompanying notes an integral part of the financial statements.

Town of Nags Head, North Carolina
Proprietary Funds
Statement of Fund Net Position
June 30, 2020

Exhibit 6

	Business-type Activities		
	Major Fund	Non-Major	Total
	Water Fund	Fund Nags Head Leasing	Enterprise Funds June 30, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,970,073	\$ 107	\$ 2,970,180
Accounts receivable trade (net)	564,097	-	564,097
Accounts receivable other (net)	50,834	-	50,834
Inventories	59,257	-	59,257
Restricted cash and cash equivalents	472,431	-	472,431
Total current assets	<u>4,116,692</u>	<u>107</u>	<u>4,116,799</u>
Capital assets:			
Land	1,702,831	-	1,702,831
Other capital assets, net of depreciation	4,819,573	-	4,819,573
Total capital assets (net)	<u>6,522,404</u>	<u>-</u>	<u>6,522,404</u>
Total noncurrent assets	<u>6,522,404</u>	<u>-</u>	<u>6,522,404</u>
Total assets	<u>10,639,096</u>	<u>- 107</u>	<u>10,639,203</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals OPEB	26,291	-	26,291
Changes of assumptions or other inputs OPEB	12,749	-	12,749
Pension deferrals LGERS	126,528	-	126,528
Total deferred outflows of resources	<u>165,568</u>	<u>-</u>	<u>165,568</u>
LIABILITIES			
Current liabilities:			
Accounts payable	117,647	-	117,647
Salaries and benefits	20,471	-	20,471
Accrued interest payable	268	-	268
Compensated absences - current	20,000	-	20,000
Direct placement installment purchases-current	24,504	-	24,504
Liabilities payable from restricted assets:			
Customer bonds and deposits	442,692	-	442,692
Total current liabilities	<u>625,582</u>	<u>-</u>	<u>625,582</u>
Noncurrent liabilities:			
Net pension liability	210,364	-	210,364
Compensated absences	18,372	-	18,372
Total OPEB liability	387,916	-	387,916
Direct placement installment purchases	35,441	-	35,441
Total noncurrent liabilities	<u>652,093</u>	<u>-</u>	<u>652,093</u>
Total liabilities	<u>1,277,675</u>	<u>-</u>	<u>1,277,675</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals LGERS	5,943	-	5,943
Pension deferrals OPEB	122,237	-	122,237
Prepaid water consumption units	118,000	-	118,000
Total deferred inflows of resources	<u>246,180</u>	<u>-</u>	<u>246,180</u>
NET POSITION			
Net investment in capital assets	6,462,459	-	6,462,459
Restricted for capital reserve fund	29,815	-	29,815
Unrestricted	2,788,535	107	2,788,642
Net Position	<u>\$ 9,280,809</u>	<u>\$ 107</u>	<u>\$ 9,280,916</u>

The accompanying notes are an integral part of the financial statements.

**Town of Nags Head, North Carolina
Proprietary Funds**

Exhibit 7

**Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2020**

	Business-type Activities		
	Major Fund Water Fund	Non-Major Fund Nags Head Leasing	Total Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 3,318,439	\$ -	\$ 3,318,439
Tap and connection fees	14,300	-	14,300
Late payment penalties	28,952	-	28,952
Water tag fees	3,900	-	3,900
Miscellaneous	2,193	-	2,193
Total operating revenues	3,367,784	-	3,367,784
OPERATING EXPENSES			
Administration	291,154	-	291,154
Septic Health	163,066	-	163,066
Operations	1,816,385	-	1,816,385
Distribution	562,659	-	562,659
Depreciation and amortization	352,818	-	352,818
Total operating expenses	3,186,082	-	3,186,082
Total operating (loss)	181,702	-	181,702
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	75,005	2	75,007
Change in fair market value of investments	4,809	-	4,809
Interest expense	(651)	-	(651)
Total nonoperating revenues	79,163	2	79,165
Income (Loss) Before Contributions and Transfers	260,865	2	260,867
Capital contributions	10,496	-	10,496
Change in net position	271,361	2	271,363
Total net position - beginning	9,009,448	105	9,009,553
Total net position - ending	\$ 9,280,809	\$ 107	\$ 9,280,916

The accompanying notes are an integral part of the financial statements.

Town of Nags Head, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2020

Exhibit 8

	Business-Type Activities		
	Major Fund Water Fund	Non-Major Fund Nags Head Leasing	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,401,250	\$ -	\$ 3,401,250
Cash paid for goods and services	(1,883,424)	-	(1,883,424)
Cash paid to or on behalf of employees for services	(869,804)	-	(869,804)
Customer deposits received	30,551	-	30,551
Customer deposits returned	(21,852)	-	(21,852)
Other operating revenues	2,194	-	2,194
Net cash provided by operating activities	658,915	-	658,915
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development fees received	8,496	-	8,496
Lease proceeds	68,582	-	68,582
Interest paid on debt financing	(676)	-	(676)
Septic Loans issued	(17,440)	-	(17,440)
Repayment of septic loans	32,754	-	32,754
Special assessments collected	166	-	166
Principal paid on debt financing	(43,008)	-	(43,008)
Sale of capital asset	76,886	-	76,886
Acquisition of capital assets	(836,014)	-	(836,014)
Net cash (used) by capital and related financing activities	(710,254)	-	(710,254)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment earnings	88,137	2	88,139
Net increase in cash and cash equivalents	36,798	2	36,800
Cash balances - beginning of the year	3,405,706	105	3,405,811
Cash balances - end of the year	\$ 3,442,504	\$ 107	\$ 3,442,611
Reconciliation of operating income to net cash provided by operating activities			
Operating (loss)	\$ 181,702	\$ -	\$ 181,702
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	352,818	-	352,818
Changes in assets, deferred outflows of resources, and liabilities:			
Decrease in accounts receivable	35,659	-	35,659
(Increase) in inventories	(3,322)	-	(3,322)
Decrease in deferred outflows of resources-pension	24,132	-	24,132
(Increase) in deferred outflows of resources-OPEB	(10,282)	-	(10,282)
Increase in net pension liability	16,095	-	16,095
(Decrease) in deferred inflows of resources-pension	(903)	-	(903)
(Decrease) in accounts payable	(21,672)	-	(21,672)
Increase in accrued liabilities	9,263	-	9,263
Increase in customer deposits	8,699	-	8,699
Increase in deferred inflows of resources-OPEB	77,714	-	77,714
(Decrease) in OPEB liability	(10,988)	-	(10,988)
Total adjustments	477,213	-	477,213
Net cash provided by operating activities	\$ 658,915	\$ -	\$ 658,915

The accompanying notes are an integral part of the financial statements.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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 and is governed by a board comprised of the Town of Nags Head's governing board. Nags Head Leasing Corporation is reported as an Enterprise fund.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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 general government services, public safety, public works, streets and drainage, and environmental protection services. Additionally, the Town has legally adopted a **Capital Reserve Fund**, a fund that is restricted for future capital projects, and is consolidated in the General Fund.

Beach Renourishment Capital Project Fund. This multi-year fund accounts for the Town's maintenance on the beach nourishment project.

The Town reports the following major enterprise fund:

Water Fund. This fund is used to account for the Town's water operations. Additionally, the Town has legally adopted a **Water Capital Reserve Fund**, a fund that is restricted for future capital projects, and is consolidated in the Water Fund.

The Town reports the following non-major enterprise fund:

Nags Head Leasing. This is a Blended Component Unit and is used for financing.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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 installment financing contracts from direct borrowings and direct placements 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and are for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Nags Head because the tax is levied by Dare County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position 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.

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. A project ordinance has been adopted for the Beach Renourishment Capital Project Fund which is a general governmental fund capital project. Capital Reserve ordinances have been adopted for the Capital Reserve Fund and the Water Capital Reserve Fund, and a revised budget is amended as reserve funds have been used.

Revenues may be amended during the year for unforeseen revenues such as grant monies. These amendments must meet board approval. Revenues from taxes levied may not be amended once the tax rate is set.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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 level and amended as necessary by the governing board. The Town Manager, by law, is the budget officer in the council-manager form of government and is authorized to transfer amounts between objects of expenditures within a department without limitation and without a report being requested; 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.

2. Encumbrances

As required by North Carolina State Statute 159-26 (d), 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.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT), a SEC-registered money market 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 Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. 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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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 is classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued. Money in the Capital Reserve Funds are also classified as restricted as their use is restricted to the Capital Reserve Fund per NC G. S. Chapter 159, Article 3, Part 2. NC G. S. Chapter 162A, Article 8 requires that all system development fee capital contributions for future capital projects and debt service payments related to the Town's water system be accounted for in a capital reserve fund. North Carolina controlled substance excise taxes are classified as restricted assets since they may only be used for law enforcement purposes. Any proceeds obtained through the sale of property acquired through the Federal Excess Property Program must be allocated to the law enforcement budget. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.1. Customer deposits in the Water Fund are held by the Town for the duration of the customer's water service until such time as water service is discontinued at which point they are returned to the customer in part or in full after satisfying any outstanding balance are reported as restricted assets. Bonds and deposits held in both the General and Water Funds are held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Nags Head Restricted Cash:

Governmental Activities:		
General Fund	Streets	\$ 43,913
	Public safety	51,093
	Capital reserve fund	7,571,546
	Bonds and deposits	950
	Unexpended debt proceeds	964,356
Total General Fund		\$ 8,631,858
Business-type Activities:		
Water Fund	Customer deposits	\$ 437,991
	Capital reserve fund	29,739
	Cash bonds	4,701
Total business-type activities		\$ 472,431
Total Restricted Cash		\$ 9,104,289

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2019.

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 costs are as follows: land \$1; artwork \$5,000; buildings \$20,000; improvements \$5,000; infrastructure \$100,000; equipment \$5,000; vehicles \$5,000; and other capital assets \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. 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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Land, construction in progress, and artwork are not depreciated. The remaining capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	5 to 40
Buildings	10 to 40
Improvements	5 to 40
Vehicles and motorized equipment	5 to 10
Equipment	5 to 20
Other capital assets	5 to 20

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has several items that meet this criterion, contributions made to the pension plan in the 2020 fiscal year for the Law Enforcement Officers’ Special Separation Allowance (LEOSSA), the OPEB plan, and the Local Government Employees’ Retirement System (LGERS), as well as other pension and OPEB deferrals and changes of assumptions for the 2020 fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources* represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, prepaid water impact fees, receivables for property taxes, business licenses, special assessments, and OPEB and pension deferrals.

9. 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 position.

10. 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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

In accordance with the Fair Labor Standards Act, the Town allows nonexempt employees to accrue compensatory time up to the specified limits of 240 hours and 480 hours for nonexempt employees who work in public safety, emergency response, or seasonal activities. The Town uses a first-in, first-out method for the use of this compensatory time.

11. Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents 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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepays - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for certain public safety expenditures.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Restricted for Capital Reserve Fund – portion of fund balance that is restricted by State Statute [N.C.G.S.159-18] for a legally adopted capital reserve fund which has been consolidated with the General Fund due to GASB 54. This amount represents capital reserve funds for use for administrative, recreation, public safety, environmental protection, drainage, and beach nourishment projects.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Nags Head's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires a majority action of the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for LEO pension obligation – portion of fund balance that will be used for the Law Enforcement Officers' Special Separation Allowance obligations.

Committed for Police Firing Range – portion of fund balance that will be used for firing range maintenance and repairs

Assigned fund balance - portion of fund balance that the Town of Nags Head intends to use for specific purposes as determined by the Town of Nags Head Board of Commissioners.

Assigned for beach nourishment capital projects – portion of fund balance that has been budgeted by the Board of Commissioners for beach nourishment maintenance that is not classified in restricted or committed. The governing body approved the budget ordinance. The budget ordinance requires Board of Commissioner approval to modify monies allocated between object levels for multi-year funds.

Unassigned fund balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

In the proprietary fund financial statements, net position is composed of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The proprietary fund types net position as follows:

Net investment in capital assets – portion of net position representing total net capital assets and unexpended bond proceeds, less long-term debt.

Restricted net position - portion of net position that is restricted by State Statute [N.C.G.S.159-18] for a legally adopted capital reserve fund which has been consolidated with the Water Fund due to GASB 54. This amount represents capital reserve funds for use for funding capital improvements and debt payments related to the Town's water system. State Statute [N.C.G.S. 162A, Article 8] requires that all system development fee capital contributions be accounted for in a capital reserve fund.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Unrestricted net position – portion of net position that has not been restricted to specific purposes.

The Town of Nags Head has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, state funds, local funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the Town or when required by grant or other contractual agreements.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Nags Head's employer contributions are recognized when due and the Town of Nags Head has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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.

G. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$32,322,128 consists of several elements as follows:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 62,817,652
Less accumulated depreciation	<u>(10,768,421)</u>
Net capital assets	52,049,231
Deferred outflows of resources related to pensions are not reported in the funds:	
Pension related deferrals-LGERS	1,370,844
Pension related deferrals-LEOSSA	155,474
Changes of assumptions or other inputs-OPEB	56,660
Pension related deferrals-OPEB	<u>128,214</u>
	1,711,192
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Deferred taxes receivable	9,336
Deferred miscellaneous receivable	<u>2,175</u>
	11,511
Deferred inflows of resources related to pensions are not reported in the funds:	
Pension related deferrals-LGERS	(64,390)
Pension related deferrals -LEOSSA	(62,066)
Pension related deferrals -OPEB	<u>(621,390)</u>
	(747,846)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Direct placement installment financings payable	(12,842,870)
Compensated absences	(625,134)
Net pension liability-LGERS	(2,279,144)
Total pension liability-LEOSSA	(922,305)
Total OPEB liability	<u>(3,870,943)</u>
	(20,540,396)
Other long-term liabilities (accrued interest) are not available to pay for current period expenditures and, are deferred in the funds.	<u>(161,564)</u>
Net adjustment	<u>\$ 32,322,128</u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$26,252,916 as follows:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Description	Amount
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlay expenditures recorded in the fund statements capitalized as assets in the statement of activities	\$ 19,638,796
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(10,768,421)
	8,870,375
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	553,542
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	128,214
Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities.	62,092
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax and misc. revenues	7,626
<p>The issuance of long-term debt (e.g., installment financing contracts from direct borrowings and direct placements) provides current financial resources premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>	
Debt issued or incurred:	
Direct borrowing and placement installment financings	(2,223,843)
Accrued interest payable	<u>245,479</u>
	(1,978,364)
Principal payments	<u>20,022,960</u>
	18,044,596
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(21,799)
Pension expense-LGERS	(979,587)
Pension expense-LEOSSA	(77,593)
Pension expense-OPEB	<u>(334,550)</u>
	(1,413,529)
Net adjustment	<u>\$ 26,252,916</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

G. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations.

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 under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$3,204,692 and a bank balance of \$3,234,262. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$1,000.

2. Investments

At June 30, 2020, the Town's investments were as follows:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Investment Type	Valuation Measurement Method	Book Value at 6/30/20	< 9 months	9 months-3 Years	3-5 Years	5-10 Years
Government Agency :FHLMC	Fair Value Level 2	753,367	-	753,367	-	-
Government Agency:FHL Bank	Fair Value Level 2	5,574,010	-	1,005,550	501,260	4,067,200
Government Agency:FFC Bank	Fair Value Level 2	7,519,008	-	502,175	-	7,016,833
Wake County GO Bonds	Fair Value Level 2	100,325	-	-	-	100,325
Commercial Paper-Collateralized Commercial Paper V Company, LLC	Amortized Cost	993,772	993,772	-	-	-
Commercial Paper-Malayan Bank	Amortized Cost	989,477	989,477	-	-	-
Commercial Paper-Banco Santander	Amortized Cost	496,475	496,475	-	-	-
NC Capital Management Trust-Term Portfolio*	Fair Value Level 1	2,421,760	2,421,760	-	-	-
NC Capital Management Trust-Government Portfolio*	Amortized Cost	2,087,080	2,087,080	-	-	-
Total		\$20,935,274	\$6,988,564	\$2,261,092	\$501,260	\$11,184,358

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted priced.

* Because the NC Capital Management Trust Term Portfolio had duration of 0.15 years, it was presented as an investment with a maturity of less than one year.

Interest Rate As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's Investment Policy limits at least 40% of the Town's investment portfolio to maturities of less than 9 months. Per Town policy, investment maturities are required to be limited to at least 40% less than 9 months, at least 50% less than 3 years, at least 70% less than 5 years, at least 90% less than 10 years, and 100% less than fifteen years. As of June 30, the NC Capital Management Trust portfolios at 18.68% and Commercial Paper at 10.27% matured in less than 9 months, 9.37% of U.S. Government Agencies matured

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

in less than 3 years, 2.08% of U.S Government Agencies matured in less than 5 years, and 46.33% of U.S. Government Agencies and general obligation bonds in less than 10 years based on the \$24,140,966 cash and investments total.

Also, the Town's Internal Management Policy requires purchases of securities to be laddered with staggered maturity dates. Investment income of \$611,817 was realized during fiscal year 2020. During the year no investments were sold for a realized gain or loss. Because of the fair market value on June 30, unrealized gain on investments held on June 30 was \$39,688. When combined, total investment income for fiscal year 2020 was a net gain of \$651,505.

Credit Risk The Town limits 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. State law and the Town's Investment Policy require that commercial paper bear the highest rating of at least one nationally recognized rating service. The Town's investments in Collateralized Commercial paper V Company, LLC, Malayan Bank, and Banco Santander commercial paper are rated A-1 by Standard and Poor's and P-1 by Moody's Investors Service. The Town's investments in US agencies, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation were rated AAA by Standard and Poor's and AAA by Moody's Investors Services. The Town's investment in Wake County general obligation bonds carried a credit rating of AAA by Moody's Investors Service and AAA by Standard and Poor's and Fitch Ratings. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US Government agencies, and in high grade money market instruments as permitted under G.S. 159-30 as amended.

Custodial Credit Risk For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's formal policy requires that the Town utilize a third-party custodial agent for book entry transactions. Agents must have a trust department authorized to do trust work in North Carolina and have an account with the Federal Reserve. Certified securities are to be in the custody of the Finance Director.

Concentration of Credit Risk The Town's investment policy limits the amount that the Town may invest in any one issuer, except for U.S. Treasury securities and the North Carolina Capital Management Trust, to 30% of total investments. Investments which are restricted further are commercial paper, limited to no more than 25% of total investments and no more than \$3,000,000 in a single issuer. More than 5% of the Town's investments are in Federal Farm Credit Bank at 31.15% and Federal Home Loan Bank at 23.09%.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

3. Receivables

The receivables shown in Exhibit 1 at June 30, 2020 were

	Accounts	Taxes	Due from other Governments	Interest Receivable	Total
Governmental Activities:					
General	\$ 4,521	\$ 16,836	\$ 2,191,469	\$ 63,991	\$ 2,276,817
Allowance for doubtful accounts	-	(7,500)	-	-	(7,500)
Total governmental activities	<u>\$ 4,521</u>	<u>\$ 9,336</u>	<u>\$ 2,191,469</u>	<u>\$ 63,991</u>	<u>\$ 2,269,317</u>
Business-type Activities:					
Water	\$ 625,281	\$ -	\$ -	\$ 9,172	\$ 634,453
Allowance for doubtful accounts	(19,522)	-	-	-	(19,522)
Total business type activities	<u>\$ 605,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,172</u>	<u>\$ 614,931</u>

Due from other governments consisted of the following:

Occupancy tax	\$ 740,001
Dare County-CARES Act	76,958
Land transfer tax	155,556
Sales taxes	374,501
Sales tax reimbursement	170,562
Outer Banks Visitors Bureau	487,932
Utilities sales tax	139,861
Cable sales tax	24,873
Telecommunications sales tax	4,402
N.C. Division of Motor Vehicles tax	10,980
Other	5,843
Total	<u>\$ 2,191,469</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,731,874	\$ 79,318	\$ -	\$ 10,811,192
Art	107,553	-	-	107,553
Construction in progress	3,040	1,600	3,040	1,600
Total capital assets not being depreciated	<u>10,842,467</u>	<u>80,918</u>	<u>3,040</u>	<u>10,920,345</u>
Capital assets being depreciated:				
Buildings	8,075,889	27,060	15	8,102,934
Other improvements	199,643	168,636	909	367,370
Improvements	26,159,399	16,317,724	-	42,477,123
Equipment	3,323,824	778,904	198,074	3,904,654
Vehicles and motorized equipment	8,561,364	1,159,551	117,205	9,603,710
Infrastructure	42,001,334	1,476,921	387,641	43,090,614
Total capital assets being depreciated	<u>88,321,453</u>	<u>19,928,796</u>	<u>703,844</u>	<u>107,546,405</u>
Less accumulated depreciation for:				
Buildings	4,097,143	218,546	-	4,315,689
Other improvements	35,473	21,048	39	56,482
Improvements	6,284,628	8,913,342	-	15,197,970
Equipment	2,340,337	332,398	196,313	2,476,422
Vehicles and motorized equipment	5,832,653	546,999	117,205	6,262,448
Infrastructure	37,394,830	773,734	60,056	38,108,508
Total accumulated depreciation	<u>55,985,065</u>	<u>\$ 10,806,067</u>	<u>\$ 373,613</u>	<u>66,417,519</u>
Total capital assets being depreciated, net	<u>32,336,388</u>			<u>41,128,886</u>
Governmental activity capital assets, net	<u>\$ 43,178,855</u>			<u>\$ 52,049,231</u>

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

General Government	\$ 9,102,247
Public Safety	363,259
Public Works	783,892
Environmental Protection	250,261
Streets and Drainage	268,760
Total Depreciation Expense	<u>\$ 10,768,419</u>

In Governmental activity, capital asset category reclassification totaled \$367,879, improvements increased from the reclassification of construction in progress of \$3,040, and capital outlay purchases were \$19,638,795, for a total increase of \$20,009,714. Decreases resulted from construction in progress being reclassified to improvements \$3,040, capital asset disposals totaled \$335,965, and capital asset category reclassification totaled \$367,879, for a total decrease of \$706,884. Accumulated depreciation on disposals totaled \$335,965, along with capital asset transfers between classes, which resulted in \$37,648 transferring within accumulated depreciation, for a total decrease of \$373,613. Accumulated depreciation increased by \$10,768,419 of depreciation and the transfer amount of \$37,648, for a total increase of \$10,806,067.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Capital asset activities for the Business-type activities for the year ended June 30, 2020 are as follows:

	Beginning Balances	Increases	Decreases (Transfers)	Ending Balances
Business-Type Activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 1,779,717	\$ -	\$ 76,886	\$ 1,702,831
Total capital assets not being depreciated	<u>1,779,717</u>	<u>-</u>	<u>76,886</u>	<u>1,702,831</u>
Capital assets being depreciated:				
Building	3,283,693	-	-	3,283,693
Other	178,232	-	-	178,232
Improvements	666,721	37,919	-	704,641
Equipment	1,020,001	7,721	-	1,027,722
Vehicles and motorized equipment	217,510	31,762	-	249,272
Intangibles	4,203,619	-	-	4,203,619
Infrastructure	2,581,885	758,611	-	3,340,496
Total capital assets being depreciated	<u>12,151,661</u>	<u>836,013</u>	<u>-</u>	<u>12,987,675</u>
Less accumulated depreciation for:				
Building	2,324,635	42,127	-	2,366,762
Other	149,170	19,315	-	168,485
Improvements	376,409	17,480	-	393,889
Equipment	837,622	50,194	-	887,816
Vehicles and motorized equipment	180,705	20,664	-	201,369
Intangibles	3,078,948	108,403	-	3,187,351
Infrastructure	867,795	94,636	-	962,431
Total accumulated depreciation	<u>7,815,284</u>	<u>\$ 352,818</u>	<u>\$ -</u>	<u>8,168,103</u>
Total capital assets being depreciated, net	<u>4,336,377</u>			<u>4,819,572</u>
Water Fund capital assets, net	<u>\$ 6,116,094</u>			<u>\$ 6,522,403</u>

Depreciation expense of \$352,818 was charged to business-type activities.

As used in this section, the term depreciation includes amortization of intangible assets. Capital asset disposals totaled \$76,886. There was no accumulated depreciation on disposals.

The government has active construction projects as of June 30, 2020. At year-end, the government's estimated commitments to projects ongoing are as follows:

Project	Spent-to-date	Remaining Commitment
Multi-Use path	\$ 1,011,435	\$560,175
Jacob Street beach access improvements	<u>1,600</u>	<u>78,071</u>
Total	<u>\$1,013,035</u>	<u>\$638,246</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

B. Liabilities

1. Pension Plan and Post-Employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description

The Town of Nags Head is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Nags Head's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Nags Head's contractually required contribution rate for the year ended June 30, 2020, was 9.7000% of compensation for law enforcement officers and 8.950% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Nags Head were \$ 604,634 for the year ended June 30, 2020.

Refunds of Contributions. Town employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 days waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$2,489,508 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was 0.09116%, which was a decrease of (0.00575%) from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,070,002. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 426,267	\$ -
Changes of assumptions	405,749	-
Net difference between projected and actual earnings on pension plan investments	60,722	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	70,333
Town contributions subsequent to the measurement date	604,634	-
Total	\$ 1,497,372	\$ 70,333

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

The \$604,634 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 409,780
2022	123,693
2023	228,098
2024	60,837
2025	-
Thereafter	-
	\$ 822,408

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 5,693,961	\$ 2,489,508	\$ (174,041)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018 (valuation date) the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	19
Total	22

2. Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73 nor does the Plan provide pay related benefits.

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate used to measure the Total Pension Liability (TPL) is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

The plan currently uses mortality tables that vary by age, and health status (i.e. healthy, beneficiary, and disabled). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

Deaths after retirement (healthy) are based on the RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Deaths before retirement are based on the RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths after retirement (beneficiary) are based on RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths after retirement (disabled) are based on the RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

4. 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 on a pay as you go basis through appropriations made in the General Fund operating budget. The Town contributed \$64,113 as benefits come due for the reporting period. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. There were no contributions made by employees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a total pension liability of \$922,305. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$77,593.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 72,757	\$ 25,573
Changes of assumptions and other inputs	50,255	36,493
Benefit payments and administrative expenses subsequent to the measurement date	32,462	-
Total	\$ 155,474	\$ 62,066

\$32,462 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources to pensions will be recognized in pension expense as follows:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Year ended June 30:

2021	\$ 12,923
2022	12,923
2023	14,247
2024	13,148
2025	7,548
Thereafter	157
	<u>\$ 60,946</u>

\$32,056 paid as benefits came due and \$406 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 1,004,105	\$ 922,305	\$ 848,376

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2020
Total Pension Liability	
Beginning balance	\$ 910,087
Service Cost at end of year	32,304
Interest on the total pension liability	31,960
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(16,921)
Changes of assumptions or other inputs	28,988
Benefit payments	(64,113)
Other changes	-
Net changes in Total Pension Liability	<u>12,218</u>
Ending balance of the total pension liability	<u>\$ 922,305</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 1,070,002	\$ 77,593	\$1,147,595
Pension Liability	2,489,508	922,305	3,411,813
Proportionate share of the net pension liability	0.09116%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	426,267	72,757	499,024
Changes of assumptions	405,749	50,255	456,004
Net difference between projected and actual earnings on plan investments	60,722	-	60,722
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	604,634	32,462	637,096
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	25,573	25,573
Changes of assumptions	-	36,493	36,493
Changes in proportion and differences between contributions and proportionate share of contributions	70,333	-	70,333

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020 were \$123,163 which consisted of \$68,233 from the Town and \$54,930 from the law enforcement officers. No amounts were forfeited.

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 a matching amount up to two 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, 2020 were \$302,912 which consisted of \$89,970 from the Town and \$212,942 from employees. No amounts were forfeited.

e. 457 Deferred Compensation

Plan Description

The Town adopted a Supplemental Retirement Income Plan, a defined contribution plan, for regular employees and law enforcement employees beginning April 7, 2010.

Funding Policy

The Town does not match contributions to the 457 deferred compensation plan. Total contributions for the year ended June 30, 2020 were \$86,123, which consisted of \$82,252 from regular employees and \$3,871 from law enforcement employees.

f. Other Post-employment Benefits

Healthcare Benefits:

Plan Description. According to a Town resolution, the Town administers a single-employer defined benefit health care plan. This plan provides health care benefits to retirees of the Town who participate in the North Carolina Local Governmental Employees' Retirement System (System). The Town pays the full cost of coverage for these benefits for retirees who began working for the Town on or before November 3, 1997. The Town pays 25% for retiree with 10 years or more of service, 50% for retirees with 15 years or more of service, 75% with 20 years or more of service, and 100% with 25 years. Coverage ends when retirees become eligible for Medicare. Also, retirees can purchase coverage for their dependents at the Town's group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Membership of the health care plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Inactive members or beneficiaries currently receiving benefits	11
Inactive members entitled to but not yet receiving benefits	-
Active members	109
Total membership	<u>120</u>

Total OPEB Liability

The Town's total OPEB liability of \$4,258,859 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 %
Real wage growth	1.00 %
Wage inflation	3.50 %
Salary increases, including wage inflation	
General Employees	3.50% – 7.75%
Firefighters	3.50% – 7.75%
Law Enforcement Officers	3.50% – 7.35%
Municipal Bond Index Rate	
Prior Measurement Date	3.89 %
Measurement Date	3.50 %
Health Care Cost Trends	
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026
Dental	4.00%
Vision	2.50%

The Town selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the Total OPEB Liability.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 4,318,678
Changes for the year	
Service cost at end of year (includes interest for the year)	340,542
Interest on total OPEB liability and Cash Flows	165,619
Changes in benefit terms	-
Differences between expected and actual experience	(522,224)
Changes of assumptions or other inputs	79,662
Benefit payments	(123,419)
Other changes	-
Net changes	<u>\$ (59,819)</u>
Balance at June 30, 2019	<u>\$ 4,258,859</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 4,677,772	\$ 4,258,859	\$ 3,882,872

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 3,785,840	\$ 4,258,859	\$ 4,819,474

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$428,651. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 479,696
Changes of assumptions or other inputs	69,409	263,931
Benefit payments and administrative costs subsequent to the measurement date	154,505	-
Total	<u>\$ 223,914</u>	<u>\$ 743,627</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

\$154,505 reported as deferred outflows of resources related to OPEB resulted from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2021. \$674,218 reported as Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Year ended June 30:

2021	\$ 88,877
2022	88,877
2023	88,877
2024	88,877
2025	88,877
Thereafter	229,833
Total	<u>\$ 674,218</u>

\$154,505 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

2. Other Employment Benefit – Death Benefits

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, 2020 the Town made contributions to the State for death benefits of \$ 5,066. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .060% and .140% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

3. Payables

Payables on Exhibit 1 at June 30, 2020 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Unearned Revenue	Customer Deposits	Total
Governmental Activities						
General	\$ 297,637	\$ 346,921	\$ 161,564	\$ 8,712	\$ 950	\$ 815,784
Beach Renourishment Fund	7,958	-	-	-	-	7,958
Total Governmental activities	\$ 305,595	\$ 346,921	\$ 161,564	\$ 8,712	\$ 950	\$ 823,742
Business-type Activities						
Water	117,647	20,471	268	-	442,692	581,078
Total Business-type activities	\$ 117,647	\$ 20,471	\$ 268	\$ -	\$ 442,692	\$ 581,078

4. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following:

	Statement of <u>Net Position</u>
Benefit payments made for LEOSSA subsequent to measurement date	\$ 32,462
Contributions to pension plan in current fiscal year-LGERS	604,634
Benefit payments made for OPEB subsequent to measurement date	154,505
Differences between expected and actual experience-LGERS	426,267
Changes of assumptions-LGERS	405,749
Net difference between projected and actual earnings on plan investments-LGERS	60,722
Changes in proportion and difference between contributions	
Differences between expected and actual experience-LEOSSA	72,757
Changes of assumptions and other inputs-OPEB	69,409
Changes of assumptions and other inputs-LEOSSA	<u>50,255</u>
Total	<u>\$1,876,760</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Deferred inflows of resources at year-end is comprised of the following:

	Statement of <u>Net Position</u>	Government Funds <u>Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 2,285	\$ 2,285
Property taxes receivable, less penalties (General Fund)	-	9,336
Privilege licenses receivable, less penalties (General Fund)	-	2,175
Prepaid water consumption units (Water Fund)	118,000	-
Differences between expected and actual experience-LEOSSA	25,573	-
Differences between expected and actual experience-OPEB	479,696	-
Changes in proportion and difference between contributions and proportionate share of contributions-LGERS	70,333	-
Changes of assumptions and other inputs-LEOSSA	36,493	-
Changes of assumptions and other inputs-OPEB	<u>263,931</u>	<u>-</u>
Total	<u>\$ 996,311</u>	<u>\$ 13,796</u>

5. Commitments

The Town leases clinic space to Outer Banks Community Care Clinic. The amount earned as of June 30, 2020 was \$12,300.

The Town leases space on the cell tower at Town Hall to AT&T. The amount earned for the year ended June 30, 2020 was \$36,963. Additional space was rented on this cell tower to Verizon in the amount of \$ 52,066, TMobile in the amount of \$2,600 and Sprint in the amount of \$ 12,377.

The Town also leases space on the water tower in South Nags Head to AT&T in the amount of \$ 35,333 for the year ended June 30, 2020.

The Town is committed under various operating leases for copiers, network servers, and personal computers. For the year ended June 30, 2020, total expense expenditures were \$30,349.

Total minimum lease payments for the remaining term of the contract at June 30, 2020, are as follows:

2021	\$41,340
2022	\$41,340
2023	\$41,045
2024	\$37,800
2025	<u>\$ 9,450</u>
Total	<u>\$170,975</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

6. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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 as an "VE, AE, A, 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 purchase excess commercial flood insurance and has in the amount of \$2,500,000 for its Town Hall structure and \$955,000 for its newest fire station.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance director 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.

7. Claims and Judgments

Pending or Threatened Litigation, Claims and Assessments: As part of the Town's 2011 Beach Nourishment Project, the Town sought to obtain easements on all oceanfront properties within the 11-mile project area. The majority of owners either provided the Town an easement without requiring payment or accepted \$50 per lot as compensation for the easement rights. However, a group of owners refused to give the Town an easement. The Town filed condemnation actions to obtain the necessary easement rights. As of June 30, 2020, the owners of 10 properties contended that they were entitled to more than \$50 per lot for the Town's condemnation of the easement rights, and the owners of one property contended that the Town owes them \$32,000 for attorney fees after their case was dismissed by the Court. These cases remain in litigation and the defendants are all represented by a single law firm. All the cases were previously assigned to the same special superior court but have recently been reassigned back to regular status. Of those 10 cases, the property owners have not provided precise discovery as to the request to compensation in 8 cases. In 2 cases, the owners have sought compensation ranging between \$135,000 and \$233,000 for the easement rights. One of these cases was tried in February 2016. Although the jury awarded a verdict for \$60,000 as just compensation for the easement rights taken, the trial court set that judgment aside and entered judgment in the amount of \$0. The trial court's decision was appealed to the NC Court of Appeals. In July of 2018, the Court of Appeals reversed the trial court's decision and remanded the case back for a new trial. Both parties appealed that decision to the NC Supreme Court. One June 14,

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

2019, the NC Supreme Court affirmed the Court of Appeals and remanded the case back for a partial new trial. The Town sought to amend its complaints and those motions were denied, and the Town has appealed. In one case, attorney fees were awarded to the defendant and the Town has appealed that as well. Subsequently, it is impossible to say whether any compensation will be due to these owners, and the potential amounts recoverable range between \$0 and \$300,000 each. Additionally, a judge has indicated he will rule in favor of allowing one case to supplement their pleading to allege additional inverse condemnation claims which may give rise to attorney fees in that case. Similar motions to supplement pleadings have been filed by the defendants in the other cases pending as well. Depending on the resolution on those motions, the risk of attorney fees could generate an unforeseeable, but potentially substantial, amount that might be recoverable by defendants beyond just compensation. The Town anticipates substantial litigation on these issues during the current fiscal year, but unlikely that a resolution will occur absent a settlement, which is not expected.

The Town is unaware of any other unasserted claims or assessments for the reporting period.

8. Long-Term Obligations

a. Installment Finance Purchase Contracts from Direct Borrowings and Direct Placements

In May 2013, the Town entered into a 10-year direct borrowing contract for \$722,158 to finance a quint apparatus fire truck, which is pledged as collateral while the debt is outstanding. The interest rate is 1.60% per annum fixed. The contract requires annual principal and interest payments beginning May 2013.

In December 2016, the Town entered into a 5-year direct borrowing contract for \$309,200 to finance a sanitation front loader truck, which is pledged as collateral while the debt is outstanding. The interest rate is 1.69% per annum fixed. The contract requires annual principal and interest payments beginning December 2016.

In December 2016, the Town entered into a 5-year direct borrowing contract for \$342,109 to finance financial software. A UCC filing lien was placed on the software as collateral in order to pledge the financing while the debt is outstanding. The interest rate is 1.6% per annum fixed. The contract requires annual principal and interest payments beginning December 2016.

In September 2017, the Town entered into a 5-year direct borrowing contract for \$460,000 to finance construction of the Bonnett Street bath house. The property is pledged as collateral while the debt is outstanding. The interest rate is 1.94% per annum fixed. The contract requires annual principal and interest payments beginning September 2017.

In February 2018, the Town entered into a 5-year direct borrowing contract for \$285,350 to finance equipment, which is pledged as collateral while the debt is outstanding. The interest rate is 2.91% per annum fixed. The contract requires annual principal and interest payments beginning February 2018.

In January 2019, the Town entered into a 3-year direct borrowing contract for \$373,731 to finance vehicles and equipment, which are pledged as collateral while the debt is outstanding. The interest rate is 3.111% per annum fixed. The contract requires annual principal and interest payments beginning January 2019. In January 2019, the Town entered into a 5-year direct borrowing contract for \$441,032 to finance vehicles and equipment, which are pledged as collateral while the debt is outstanding. The interest rate is 3.224% per annum fixed. The contract requires annual principal and interest payments beginning January 2019.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

In January 2019, the Town entered into a 10-year direct borrowing contract for \$697,620 to finance a fire pumper truck, which is pledged as collateral while the debt is outstanding. The interest rate is 3.392% per annum fixed. The contract requires annual principal and interest payments beginning January 2019.

In January 2019, the Town entered into a 4.5-year direct placement special obligation bond contract (Series 2019A) for \$11,380,000 to finance beach nourishment maintenance. The interest rate is 3.08% per annum fixed. The contract requires annual principal installments plus accrued interest installments paid semi-annually beginning July 2019. The Town's occupancy tax revenue is pledged as collateral for the debt while the debt is outstanding.

In February of 2019, the Town entered into a 5-year direct borrowing contract for \$705,000 to finance stormwater drainage improvements and an HVAC system. The interest rate is 3.11% per annum fixed. The contract requires annual principal and interest payments beginning February 2019. The Town's Fire Station 16 property located at 5314 South Croatan Highway, Nags Head, NC 27959 is pledged as collateral for the debt while the debt is outstanding.

In March of 2020, the Town entered into a 3-year direct borrowing contract for \$584,701 to finance vehicles and equipment, which are pledged as collateral while the debt is outstanding. The interest rate is 1.74% per annum fixed. The contract requires annual principal and interest payments beginning March 2020.

In March of 2020, the Town entered into a 5-year direct borrowing contract for \$306,328 to finance a residential sanitation vehicle, which is pledged as collateral while the debt is outstanding. The interest rate is 1.74% per annum fixed. The contract requires annual principal and interest payments beginning March 2020.

In May of 2020, the Town entered into a 6-year direct borrowing contract for \$1,401,396 to finance pedestrian path construction, park lighting improvements, and an above ground fuel tank/pump system. The interest rate is 2.42% per annum fixed. A deed of trust and security agreement was recorded to collateralize the property where the fuel tanks are located at 2200 South Lark Avenue, Nags Head, North Carolina. The contract requires annual principal and interest payments beginning May 2020.

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Direct borrowing installment finance purchases	\$ 3,028,149	\$ 2,223,843	\$ 1,513,123	\$ 3,738,869	\$ 1,228,926
Direct placement installment finance purchases	27,613,837	-	18,509,837	9,104,000	2,276,000
Total OPEB liability	3,919,774	-	48,831	3,870,943	-
Total pension liability (LEOSSA)	910,087	12,218	-	922,305	-
Net pension liability (LGRS)	2,104,768	174,376	-	2,279,144	-
Compensated absences	603,335	920,398	898,599	625,134	310,000
Governmental activities long-term liabilities	<u>\$ 38,179,950</u>	<u>\$ 3,330,835</u>	<u>\$ 20,970,390</u>	<u>\$ 20,540,395</u>	<u>\$ 3,814,926</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Direct borrowing					
installment finance					
purchases	\$ 34,371	\$ 68,582	\$ 43,008	\$ 59,945	\$ 24,504
Total OPEB liability	398,904	-	10,988	387,916	-
Net pension liability					
(LGERS)	194,269	16,095	-	210,364	-
Compensated absences	38,038	68,886	68,552	38,372	20,000
Business-type activities					
long-term liabilities	\$ 665,582	\$ 153,563	\$ 122,548	\$ 696,597	\$ 44,504

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

Year Ending June 30	Principal	Interest
2021	\$ 3,504,926	\$ 339,925
2022	3,331,951	240,346
2023	2,847,696	145,293
2024	2,633,880	59,533
2025	297,886	15,579
2026	73,006	7,684
2027	75,482	5,208
2028	78,042	2,647
Total	\$ 12,842,869	\$ 816,215

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

Year Ending June 30	Principal	Interest
2021	\$ 24,504	\$ 1,246
2022	16,568	788
2023	6,291	457
2024	6,291	304
2025	6,291	152
Total	\$ 59,945	\$ 2,947

b. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund and are accounted for on a FIFO basis. Pension and OPEB liabilities for governmental activities have typically been liquidated in the General Fund.

At June 30, 2020, the Town had a legal debt margin of \$183,234,718.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

9. Water Consumption Units

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 a 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, 2020, 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 724 WCU's which are guaranteed by the Town and are valued at \$1,448,000.

The Town has reimbursed Ammons-Dare Corporation for the following unused WCU's :

Fiscal Year	Number of WCU's	Amount
June 30, 1992	100	\$ 200,000
June 30, 1993	50	100,000
June 30, 1995	15	30,000
June 30, 1996	31	62,000
June 30, 2014	21	42,000

The remaining 59 WCU's in the amount of \$118,000 represent the balance due under the letter of understanding and are included in the Water Fund balance sheet as unearned revenue. Should any of the remaining WCU's be unused, the Town agrees to reimburse Ammons-Dare Corporation, its successors and assigns, at any time after September 4, 1991.

C. Interfund Balances and Activity

The Capital Reserve Fund is consolidated into the General Fund for financial statement purposes and does not reflect a liability in the General Fund of \$66,389 and a corresponding receivable in the Capital Reserve Fund. The original advance amount of \$438,481 represents reimbursement of funds collected in the Capital Reserve Fund originally intended to offset the cost of the municipal complex. Instead, these funds were used to pay off the higher interest rate Fire Station debt. This amount is to be paid back from the General Fund to the Capital Reserve Fund with fire facility fee revenues. As of June 30, 2020, the Board of Commissioners adopted a resolution declaring the intention to pay off this interfund balance using fire facility fee revenues. Any accumulated fire facility fees will be used to repay the interfund balance until paid in full. During the current year, \$18,640 in repayments were made.

Transfers and Capital Contributions to/from other funds for the year ended June 30, 2020 consisted of the following:

Transfers from General Fund to Capital Reserve Fund for the following purposes:

Beach nourishment taxes designated for future beach nourishment	\$ 661,140
Municipal Service District (MSD) taxes collected	1,421,364
Restricted sales tax from municipal service district (MSD) taxes collected	383,209
FEMA/NCDEM grant funds receivable-Hurricane Matthew	14,914,982
Facility fees	15,080
Two pennies of tax rate designated for Storm Water	490,031
Penny of tax rate designated for Parks and Paths	245,015
Stormwater grant reimbursements	23,233
	\$ 18,154,054

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Transfers from Capital Reserve Fund to General Fund for the following purposes:

Beach nourishment designated to repay beach nourishment debt	\$ 1,851,252
Restricted sales tax portion of MSD to repay beach nourishment debt	512,960
Restricted FEMA/NCDEM grant funds to repay beach nourishment debt	16,283,560
Parks and paths	207,433
Storm Water	466,606
Administration facility fees	42,061
Police facility fees	19,313
Sanitation facility fees	10,000
	\$ 19,393,185

Transfers from the Water Fund to the Water Capital Reserve Fund for funding capital improvements and debt payments related to the Town's water system

\$ 8,496

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 52,049,231	\$ 6,522,404
Less: long term debt	(12,842,869)	(59,945)
Less: liabilities from restricted debt proceeds	(9,087)	-
 Add: unexpended debt proceeds	 964,356	 -
Net investment in capital assets	\$ 40,161,631	\$ 6,462,459

E. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

Total Fund Balance - General Fund		\$ 19,968,387
Less:		
Nonspendable		(72,625)
Stabilization by State Statute		(3,440,378)
Restricted for Public Safety		(51,093)
Restricted for State Street Aid		(43,913)
Restricted for capital reserve fund		(7,600,419)
Committed for LEO separation		(122,919)
Committed for Police firing range		(2,825)
Fund Balance Policy		(8,634,215)
Fund Balance Remaining		\$ -

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

The Town of Nags Head has adopted a minimum fund balance policy for the general fund which instructs management to strive to maintain an unassigned general fund balance of 50% of expenditures less bond debt, but not less than \$ 5 million as per audited financial statements at the end of each fiscal year. The \$ 8,634,215 reported above is less than the 50% of expenditures, less bond debt of \$19,254,101, calculation of \$17,908,739 but more than the \$ 5,000,000 minimum required.

At June 30, 2020, the following amounts represent open purchase orders and contracts outstanding at June 30, 2020. These encumbrances outstanding will be re-appropriated in the subsequent year's budget.

General Fund	\$ 1,188,722
Capital Project Fund (beach renourishment)	444,439
Water Fund	175,000
Total	\$ 1,808,161

F. 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. Interest earned on facility fee monies shall be used solely for those purposes.

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, 2020, the facility fees were transferred to the Capital Reserve Fund where they will remain until funds are needed for appropriate capital expenditures.

The following schedule summarizes facility fees collected and used during the current year:

	Admin.	Fire	Police	Sanitation	Recreation	Total
Beginning of year balance	\$ 45,783	\$ 17,091	\$ 17,358	\$ 12,143	\$ 17,545	\$ 109,920
Current year additions (including interest)	25,031	1,549	1,955	3,875	3,323	35,733
Current year expenses	(42,060)	(18,640)	(19,313)	(10,000)	-	(90,013)
End of year balance	\$ 28,754	\$ -	\$ -	\$ 6,018	\$ 20,868	\$ 55,640

G. Beach Nourishment and Renourishment

The Town originally adopted a capital project ordinance on June 15, 2016, which has been amended several times resulting in a budgeted project cost of \$ 43,022,251 at June 30, 2020. The project is financed with a special obligation bond secured by the Town's occupancy tax and an up-front payment from Dare County pursuant to an inter-local agreement, as well as five additional annual debt payment supplements from Dare County. The Town's beach nourishment fund balance in the Capital Reserve fund was used to defray borrowing.

Repayment of the bond proceeds and interest are provided by both a town wide tax and additional taxes on the properties located in the municipal service districts (MSD). The MSD tax in fiscal year 2020 is 17.5 cents, with the town-wide tax at 2.7 cents. Funds received from the town wide tax and MSD tax in the

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

amounts of \$ 661,140 and \$1,421,365, respectively, were transferred from the General Fund to the Capital Reserve Fund and are restricted for future beach nourishment. Additionally, sales tax revenues derived from the MSD fiscal year 2019 levy during the year totaled \$383,208.

Federal Emergency Management Agency (FEMA) provided an additional \$16,233,837 in grant funding over the life of the project as a 75%/25% split with North Carolina Division of Emergency Management (NCDEM) for the sand lost as a result of Hurricane Matthew in October 2016. The FEMA funds provided a pledged revenue source for an additional special obligation in the grant amount. These grant funds were used to pay off set the debt of the special obligation bond. The amount in the capital reserve fund restricted for future beach nourishment at June 30, 2020, total \$ 7,274,922 as shown below:

	Beach nourishment taxes (MSD and town-wide)	Restricted sales taxes from municipal service district tax	FEMA/NCDEM funds receivable	Total
Beginning of year balance	\$ 5,387,364	\$ 1,626,086	\$ 1,330,149	\$ 8,343,599
Current year additions	2,082,505	383,208	14,914,982	17,380,695
Current year net interest	117,236	42,735	38,429	198,400
Current year uses	(1,851,252)	(512,960)	(16,283,560)	(18,647,772)
End of year balance	\$ 5,735,853	\$ 1,539,069	-	\$ 7,274,922

As of June 30, 2020, beach nourishment construction was complete.

H. Tax Funds Restricted

Beginning in the June 30, 2014, fiscal year, the Town designated one penny of its tax rate for parks and paths. Beginning in the June 30, 2017, fiscal year, the Town designated one penny of its tax rate for Storm Water in lieu of a Storm Water fee. The June 30, 2016, ending Fund Balance in the Storm Water Enterprise Fund was transferred into the Storm Water Capital Reserve on July 1, 2016. Beginning in the June 30, 2019 fiscal year, the Town designated two pennies of its tax rate for Storm Water. Any amounts not spent during the fiscal year are transferred to the capital reserve fund for use in a subsequent year. During the current fiscal year ending June 30, 2020, \$ 245,015 was the amount designated for parks and paths and \$490,031 was designated for Storm Water. Grant reimbursements totaling \$23,233 were received from FEMA, the NC Division of Emergency Management, and the U.S. Department of Commerce for Storm Water projects. The balance at June 30, 2020 included in the capital reserve fund for this purpose is:

	Parks and Paths	Storm Water
Beginning of year balance	\$ 33,832	\$ 142,235
Current year additions	245,015	490,031
Grant reimbursement	-	23,233
Current year interest	4,166	5,385
Current year uses	(207,433)	(466,606)
End of year balance	\$ 75,580	\$ 194,278

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

I. Volunteer Incentive Pay Agreement

The Board of Commissioners maintains an agreement for volunteer firefighter pay that calls for incentive pay based on an individual members qualifications, training, and call response. 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, 2020 was \$5,230 plus an additional \$400 in related FICA.

III. 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 Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firefighter'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, 2020. The Firefighter's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

On April 20, 2007, the Town acquired a 34.783% interest in property jointly owned with the Outer Banks Visitors Bureau, that acquired the remaining 65.217% interest. The total cost for the Town's share was \$1,623,174. The Town's share of the amount donated by the seller was an additional \$626,094. The funding for this purchase came from the Town's Water Fund. Transfer and payment for the purchase by the General Fund began in the year ending June 30, 2013, in the amount of \$300,000, and will continue each year as determined by the Board of Commissioners until the Water Fund has been fully reimbursed and the property fully transferred to the Towns General Fund. The General Fund transferred an additional \$300,000 in the June 30, 2014 fiscal year, \$73,756 in the June 30, 2019 fiscal year, and \$76,886 in the fiscal year ended June 30, 2020, for a total transferred of \$750,642 as of June 30, 2020. On November 14, 2008, the Town acquired a 17.949% interest in property owned jointly with the Outer Banks Visitors Bureau, that acquired 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.

On April 1, 2015, the parties entered into a memorandum of understanding which designated the site as the Outer Banks Event Site for a period of approximately ten years which began in late 2012. The parties agree that the Dare County Tourism Board shall make all decisions relating to the Site's management and will be responsible for collecting rental proceeds from users of the property and for paying expenses related to the property. The parties agreed that any transfers of their interests in the property can only be made to the other party based on a value determined in accordance with the memorandum of agreement.

IV. Summary Disclosure of Significant Contingencies

A. Federal and State Assisted Programs

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

B. Municipal Waste Management Agreement

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 became effective when signed by all parties to the agreement as of May 1, 2009. Charges are based on the Town's actual tonnage of solid waste; the rate in effect in fiscal year 2020 was \$74.59 per ton, plus an additional fuel surcharge per ton which varies each month.

C. 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, 2020, accumulated amortization totaled \$3,187,351.

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

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 Towns of Nags Head and Kill Devil Hills was not affected by the revised agreement.

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REQUIRED SUPPLEMENTAL INFORMATION

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability (Asset) for the Local Government Employees' Retirement System
- Schedule of Contributions to the Local Government Employees' Retirement System
- Schedule of Change in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability

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Town of Nags Head, North Carolina
Town of Nags Head's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years *
Local Government Employees' Retirement System

A-1

	2020	2019	2018	2017	2016	2015	2014
Town of Nags Head's proportion of the net pension liability (asset) (%)	0.09116%	0.09691%	0.10036%	0.09857%	0.11405%	0.10721%	0.10930%
Town of Nags Head's proportion of the net pension liability (asset) (\$)	\$ 2,489,508	\$ 2,299,037	\$ 1,533,223	\$ 2,091,986	\$ 511,850	\$ (632,268)	\$ 1,317,485
Town of Nags Head's covered payroll	\$ 6,382,086	\$ 6,293,652	\$ 6,008,611	\$ 5,807,371	\$ 5,376,833	\$ 5,585,383	\$ 5,159,503
Town of Nags Head's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.01%	36.53%	25.52%	36.02%	9.52%	-11.32%	25.54%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Town of Nags Head, North Carolina
Town of Nags Head's Contributions
Required Supplementary Information
Last Seven Fiscal Years
Local Government Employees' Retirement System

A-2

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 604,634	\$ 502,605	\$ 484,882	\$ 448,317	\$ 396,478	\$ 384,097	\$ 397,372
Contributions in relation to the contractually required contribution	604,634	502,605	484,882	448,317	396,478	384,097	397,372
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Nags Head's covered payroll	\$ 6,664,768	\$ 6,382,086	\$ 6,293,652	\$ 6,008,611	\$ 5,807,371	\$ 5,376,833	\$ 5,585,383
Contributions as a percentage of covered payroll	9.07%	7.88%	7.70%	7.46%	6.83%	7.14%	7.11%

Town of Nags Head, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

A-3

	2020	2019	2018	2017
Total Pension Liability				
Beginning balance	\$ 910,087	\$ 823,639	\$ 772,627	\$ 769,077
Service Cost at end of year	32,304	46,110	33,911	38,198
Interest on the total pension liability	31,960	25,267	29,059	26,713
Differences between expected and actual experience in the measurement of the total pension liability	(16,921)	104,529	(21,647)	-
Changes of assumptions or other inputs	28,988	(41,378)	49,282	(19,711)
Benefit payments	(64,113)	(48,080)	(39,593)	(41,650)
Net change in Total Pension Liability	12,218	86,448	51,012	3,550
Ending balance of the total pension liability	<u>\$ 922,305</u>	<u>\$ 910,087</u>	<u>\$ 823,639</u>	<u>\$ 772,627</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Nags Head, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

A-4

	2020	2019	2018	2017
Total pension liability	\$ 922,305	\$ 910,087	\$ 823,639	\$ 772,627
Covered-employee payroll	1,168,578	1,396,151	1,227,153	1,386,134
Total Pension Liability as a percentage of of covered-employee payroll	78.93%	65.19%	67.12%	55.74%

Notes to the schedules:

The Town of Nags Head has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of Nags Head, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

A-5

	Measurement Period Ending		
	2019	2018	2017
Total OPEB Liability			
Service Cost at end of year (includes interest for the year)	340,542	348,444	\$ 370,146
Interest on Total OPEB Liability and Cash Flows	165,619	143,590	116,800
Difference between expected and actual experience	(522,224)	(18,158)	(12,992)
Changes of assumptions or other inputs	79,662	(131,192)	(209,200)
Benefit payments	(123,419)	(113,891)	(109,742)
Net change in total OPEB liability	(59,819)	228,793	155,012
Total OPEB liability-beginning	4,318,678	4,089,885	3,934,873
Total OPEB liability-ending	<u>\$ 4,258,859</u>	<u>\$ 4,318,678</u>	<u>\$ 4,089,885</u>
Covered payroll	\$ 5,784,194	\$ 5,922,513	\$ 5,922,513
Total OPEB liability as a percentage of covered payroll	73.63%	72.92%	69.06%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal year	Rate
2020	3.50%
2019	3.89%
2018	3.56%

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MAJOR GOVERNMENTAL FUNDS

The **General Fund** is used to account for resources traditionally associated with governments that are not required legally or by sound financial management to be accounted for in another fund.

The **Capital Reserve Fund** is a legally adopted Capital Reserve Fund, which has been consolidated with the General Fund in the basic financial statements, and accounts for the accumulation of funds for recreation, street, and shoreline project uses.

The **Beach Renourishment Capital Project Fund** is used to account for the Town's activities for a beach nourishment maintenance project.

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**Town of Nags Head, North Carolina
General Fund**

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
REVENUES				
Ad Valorem Taxes:				
Current year		\$ 7,626,201		\$ 7,314,496
Municipal service district		1,421,769		1,414,523
Prior year		1,266		205
DMV current year		140,077		134,381
DMV prior year		-		1
Penalties and interest		10,663		6,332
Total	\$ 9,085,047	9,199,976	\$ 114,929	8,869,938
Other Taxes and Licenses:				
Occupancy tax		2,741,871		2,870,519
Land Transfer tax		719,914		711,883
Local governmental sales tax		1,670,272		1,646,450
1/2% sales tax revenue		1,091,189		1,075,093
Special assessments		-		1,155
Special assessment interest		-		52
Short term rental registration fees		2,600		-
Privilege licenses and Business registrations		18,625		19,365
Mixed beverage tax		41,167		39,623
Privilege license penalties		2,675		2,025
Total	6,399,142	6,288,313	(110,829)	6,366,165
Intergovernmental Revenues:				
Unrestricted:				
Utility sales tax		702,176		722,144
Telecommunications tax		27,451		33,843
Natural Gas sales tax		3,737		4,278
Solid Waste Disposal fees		2,276		2,225
Video programming tax		108,317		112,310
Cable Franchise - PEG fund fees		54,613		53,785
Beer and wine		12,938		12,937
ABC revenue		20,627		19,324
Total	903,500	932,135	28,635	960,846
Restricted:				
Federal:				
Grant - Homeland Security Investigations		12,661		10,578
Grant - Bulletproof Vest Partnership Program		3,075		1,973
Controlled substance excise tax		24,458		-
Grant - Assistance to Firefighters		178,975		-
Grant - FEMA reimbursement		5,499,910		6,492,439
Grant - Coronavirus relief fund		76,958		-
Grant - Edward Byrne Memorial Justice Assistance		48,604		-
Grant - Coastal Zone Management Administration		19,110		-
State:				
Grant - State Street Aid - Powell Bill		117,277		117,970
Grant - State Department of Public Instruction		50,228		33,333
CAMA minor permit reimbursement		2,760		6,345
Controlled substance excise tax		9,930		7,578
Grant - NC Department of Public Safety		1,833,303		2,164,146
Grant - Parks and Recreation Trust Fund		-		250,000
Reimbursement - NC Department of Transportation		-		90,000

**Town of Nags Head, North Carolina
General Fund**

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Local:				
Contributions from Dare County		648,000		-
Government Access Channel Grant		8,619		10,000
Outer Banks Visitor Bureau grant		500,432		244,311
North Carolina League of Municipalities grant		1,909		7,873
Total	9,002,856	9,036,209	33,353	9,436,546
Total Intergovernmental Revenues	9,906,356	9,968,344	61,988	10,397,392
Permits and Fees:				
Building permits		189,016		190,236
Facility fees		15,080		41,873
Inspection and review fees		12,830		10,897
Beach driving permits		29,162		29,052
Pit Fire fees		13,090		12,060
CAMA permits		3,900		5,900
Court costs and fees		2,528		3,434
Crowd gathering permit fees		1,250		3,600
Alarm fees		125		100
Civil penalties		650		2,350
Automobile town tags		662		726
Total	370,150	268,293	(101,857)	300,228
Sales and Services:				
Sale of materials		106,977		66,091
Total	65,000	106,977	41,977	66,091
Investment Earnings:				
Investment Earnings		231,862		184,761
Change in fair market value of investments		15,270		177,215
Net investment earnings	190,000	247,132	57,132	361,976
Other Revenues:				
Other rents		151,639		144,662
Miscellaneous		29,671		23,462
Contributions to Police, Fire & Rescue Benevolent Fund		10,390		17,795
Total	176,400	191,700	15,300	185,919
Total Revenues	26,192,095	26,270,735	78,640	26,547,709

**Town of Nags Head, North Carolina
General Fund**

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
EXPENDITURES				
General Government:				
Governing Body:				
Fees paid to elected officials		30,140		35,407
FICA expense		2,306		2,709
Contracted services		48,749		46,091
Department supplies and materials		2,092		16,371
Special events		150		209
Dues and subscriptions		7,764		8,437
Advertising		32		50
Printing		1,588		4,337
Travel and Training		1,957		2,652
Equipment rental		6		13
Contribution to Government Access Channel		55,613		54,786
Contributions, miscellaneous		10,850		10,250
Reimbursement from Water Fund		(16,295)		(14,671)
Total	179,099	144,952	(34,147)	166,641
Special Obligation Bonds:				
Debt service, principal		18,509,837		-
Debt service, interest		744,263		-
Total	19,602,166	19,254,100	(348,066)	-
Administration:				
Salaries and wages		670,474		642,094
FICA expense		47,731		45,700
Group insurance		126,869		128,127
Group insurance - retiree		14,379		14,379
Retirement		59,634		49,559
401(k) account		13,050		12,583
Contracted services		33,008		42,722
Travel and Training		16,953		9,101
Professional services		55,792		-
Advertising		7,603		7,332
Printing		720		265
Departmental supplies		13,971		11,227
Dues and subscriptions		12,002		11,868
Equipment rental		4,711		4,752
Telephone		1,148		2,729
Postage		317		224
Repairs and maintenance, vehicles		472		528
Repairs and maintenance, equipment		102		-
Automotive Supplies		1,210		1,295
Capital outlay, other		3,200		2,463
Reimbursement from Water Fund		(147,192)		(132,779)
Debt service, principal		10,971		10,677
Debt service, interest		302		595
Total	979,456	947,427	(32,029)	865,441

**Town of Nags Head, North Carolina
General Fund**

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Administrative Services:				
Salaries and wages		340,925		338,766
FICA expense		24,818		24,580
Group insurance expense		55,468		61,818
Retirement		29,527		25,385
401(k) account		6,531		6,478
Unemployment expense		2,857		2,924
Insurance		330,434		337,095
Contracted services		25,179		26,129
Professional services		28,151		41,046
Fines and forfeitures		9,164		6,205
Departmental supplies and materials		12,677		7,933
Postage		6,052		4,988
Telephone		-		1,485
Travel and Training		1,427		7,383
Equipment rental		6,711		4,738
Repairs and maintenance, equipment		150		144
Wellness program		3,574		16,035
Special contracted services		5,527		5,026
Dues and subscriptions		1,220		1,174
Purchases for resale		1,561		337
Advertising		100		221
Repairs and maintenance, vehicles		530		211
Automotive supplies		289		443
Capital outlay, equipment		89,991		88,116
Reimbursement from Water Fund		(87,587)		(81,207)
Debt service, principal		84,861		84,077
Debt service, interest		2,947		3,731
Total	1,083,477	983,084	(100,393)	1,015,261
Information Technology:				
Salaries and wages		71,566		75,129
FICA expense		5,121		5,697
Group insurance		13,293		7,476
Group insurance - retiree		9,814		1,636
Retirement		6,402		5,860
401(k) account		1,417		1,403
Contracted services		104,400		96,812
Contracted services, website		11,284		11,473
Contracted services, annual contracts		81,519		70,298
Travel and Training		-		2,985
Professional services		180		-
Departmental supplies		25,050		263
Telephone		-		495
Repairs and maintenance, equipment		1,300		7,342
Other supplies		5,880		8,460
Internet costs		8,167		7,620
Equipment rental		35,828		9,375

**Town of Nags Head, North Carolina
General Fund**

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Information Technology (continued):				
Capital outlay, equipment		29,544		-
Reimbursement from Water Fund		(38,792)		(35,593)
Total	415,690	371,973	(43,717)	276,731
Planning and Development:				
Salaries and wages		669,768		585,215
FICA expense		48,059		42,083
Group insurance		135,526		122,708
Group insurance - retiree		-		1,798
Retirement		58,742		43,842
401(k) account		11,098		10,292
Planning board, board of adjustment		7,780		7,510
Professional services		5,090		945
Departmental supplies		3,743		6,322
Special events		9,963		10,525
Uniforms		268		471
Travel and Training		3,233		8,787
Advertising		-		1,234
Telephone		4,516		4,620
Postage		1,775		1,001
Repairs and maintenance, vehicles		439		622
Printing		2,726		1,082
Contracted services		-		24,960
Other supplies		250		5,662
Automotive supplies		2,350		3,145
Equipment rental		3,373		4,422
Dues and subscriptions		1,979		3,959
Capital outlay, other		1,500		1,835
Capital outlay, equipment		3,395		17,389
Capital outlay, vehicles		26,152		-
Capital outlay, infrastructure		1,003,935		7,500
Debt service, principal		222,144		25,724
Debt service, interest		1,321		1,434
Reimbursement from Water Fund		(136,009)		(120,233)
Total	2,813,830	2,093,116	(720,714)	824,854
Legal Services:				
Professional services		128,165		109,136
Reimbursement from Water Fund		(17,723)		(18,193)
Total	116,757	110,442	(6,315)	90,943
Total General Government	25,190,475	23,905,094	(1,285,381)	3,239,871

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

For the Year Ended June 30, 2020

With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Public Safety:				
Police Department:				
Salaries and wages		1,442,725		1,436,283
FICA expense		104,010		103,858
Group insurance		325,647		312,995
Group insurance - retiree		49,149		46,733
Retirement		138,572		120,608
401(k) account		70,624		67,776
Separation Allowance		69,017		64,956
Automotive supplies		48,304		52,025
Departmental supplies		43,683		56,698
Repairs and maintenance, vehicles		23,729		17,311
Repairs and maintenance, equipment		31,351		35,011
Telephone		10,910		12,961
Other supplies		5,068		8,770
Uniforms		20,406		14,857
Equipment rental		8,955		9,107
Travel and Training		17,434		18,934
Professional services		2,557		4,498
Postage		488		726
Dues and subscriptions		1,142		727
Advertising		295		357
Printing		394		398
Contracted services		6,430		3,068
Special investigations		4,000		4,480
Capital outlay, vehicles		165,018		143,477
Capital outlay, equipment		52,801		-
Debt service, principal		189,030		143,134
Debt service, interest		4,842		4,366
Total	3,027,970	2,836,581	(191,389)	2,684,114
Drug Forfeiture:				
Department supplies		8,451		3,186
Repairs and maintenance, equipment		1,567		-
Professional services		3,770		-
Total	13,789	13,788	(1)	3,186
Fire Department:				
Salaries and wages		1,593,489		1,546,905
FICA expense		114,978		111,195
Group insurance		374,321		371,978
Group insurance, retiree		43,505		30,116
Retirement expense		143,151		120,590
401(k) account		29,514		29,155
Incentive pay		5,230		3,630
Supplemental pension fund		2,660		2,540
Departmental supplies		57,180		61,434
Repairs and maintenance, buildings		28,784		19,900

**Town of Nags Head, North Carolina
General Fund**

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Fire Department (continued):				
Repairs and maintenance, vehicles		32,808		42,261
Uniforms		14,030		16,299
Repairs and maintenance, equipment		13,011		5,859
Automotive supplies		13,544		15,418
Telephone		2,281		4,375
OSHA Compliance		4,374		2,922
Travel and Training		13,240		16,924
Safety training		3,253		5,829
Other supplies		3,497		4,334
Equipment rental		3,970		3,876
Dues and subscriptions		2,204		2,273
Professional services		2,555		5,828
Advertising		-		125
Postage		135		362
Contracted Services		17,519		18,412
Printing		46		-
Capital outlay, equipment		207,379		13,798
Capital outlay, vehicle		699,620		49,682
Debt service, principal		156,103		273,425
Debt service, interest		25,623		7,143
Total	3,652,809	3,608,004	(44,805)	2,786,588
Ocean Rescue:				
Salaries and wages		467,984		469,592
FICA expense		29,359		27,510
Group insurance		6,885		9,745
Retirement expense		3,731		3,270
401(k) account		823		833
Departmental supplies		25,850		22,357
Uniforms		7,631		13,802
Automotive supplies		7,831		9,935
Repairs and maintenance, equipment		2,146		4,441
Travel and Training		7,071		6,991
Repairs and maintenance, vehicles		2,946		2,216
Professional fees		430		2,115
Contracted Services		550		1,381
Telephone		1,800		1,994
Printing		1,692		1,213
Dues and subscriptions		1,170		1,510
Postage		34		117
Advertising		805		634
Capital outlay, vehicle		-		43,314
Capital outlay, equipment		9,500		17,408
Debt service, principal		23,248		23,968
Debt service, interest		1,006		286
Total	684,032	602,492	(81,540)	664,632
Total Public Safety	7,378,600	7,060,865	(317,735)	6,138,520

**Town of Nags Head, North Carolina
General Fund**

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Environmental Protection:				
Sanitation:				
Salaries and wages		488,810		428,323
FICA expense		35,239		30,444
Group insurance		118,239		119,309
Retirement		41,683		30,879
401(k) account		2,726		2,609
Repairs and maintenance, vehicles		128,108		130,658
Automotive supplies		83,355		90,503
Department supplies		12,658		29,011
Uniforms		6,062		3,754
Professional fees		357		-
Contracted services		15,388		12,069
Recycling		163,309		139,534
Repairs and maintenance, equipment		1,307		742
Advertising		-		489
Capital outlay, equipment		83,860		7,837
Capital outlay, vehicles		242,279		167,881
Debt service, principal		337,634		360,299
Debt service, interest		13,781		11,847
Total	2,285,654	1,774,795	(510,859)	1,566,188
Solid Waste:				
Tipping fees		652,606		634,974
Total	706,492	652,606	(53,886)	634,974
Total Environmental Protection	2,992,146	2,427,401	(564,745)	2,201,162
Public Works:				
Administration:				
Salaries and wages		175,711		176,073
FICA expense		12,124		12,639
Group insurance		46,734		44,923
Retirement		15,706		13,814
401(k) account		3,292		3,526
Repairs and maintenance, equipment		13,750		13,750
Contracted services		3,924		1,708
Purchase for resale		62,898		113,635
Telephone		982		1,529
Departmental supplies		3,652		4,320
Equipment rental		2,302		2,566
Automotive supplies		1,919		2,147
Travel and Training		650		498

**Town of Nags Head, North Carolina
General Fund**

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Public Works:				
Administration (continued):				
Dues and subscriptions		875		875
Postage		7		452
Repairs and maintenance, vehicles		1,068		243
Uniforms		197		445
Capital outlay, improvements		164,905		-
Capital outlay, other		-		46,402
Capital outlay, equipment		-		2,234
Debt service, principal		35,341		7,855
Debt service, interest		207		237
Reimbursement from Water Fund		(45,626)		(43,127)
Total	527,999	500,618	(27,381)	406,744
Public Facilities Maintenance:				
Salaries and wages		526,667		471,003
FICA expense		39,062		34,877
Group insurance		117,912		114,171
Retirement		47,065		36,496
401(k) account		7,639		7,059
Repairs and maintenance, facilities		124,759		94,208
Utilities		218,920		194,820
Contracted services		24,253		30,218
Department supplies		29,610		28,887
Repairs and maintenance, equipment		18,003		23,319
Signs		25,521		16,597
Automotive supplies		24,683		22,218
Repairs and maintenance, other		62,063		48,258
Other supplies		17,707		20,573
Professional services		850		175
Uniforms		2,993		4,475
Repairs and maintenance, vehicles		13,551		12,001
Travel and Training		1,292		2,143
Special Projects, sand fencing		48,000		-
Reimbursement from Water Fund		(169,594)		(155,274)
Capital outlay, Dowdy Park		89,758		882,798
Capital outlay, improvements		25,844		-
Capital outlay, equipment		255,023		328,174
Capital outlay, land		79,318		184,853
Capital outlay, building		26,151		102,130
Capital outlay, other		185,788		3,040
Capital outlay, vehicles		33,728		-
Debt service, principal		284,242		209,814
Debt service, interest		16,440		10,877
Total	2,500,648	2,177,248	(323,400)	2,727,910

**Town of Nags Head, North Carolina
General Fund**

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Maintenance Garage:				
Salaries and wages		208,758		201,722
FICA account		15,431		14,813
Group insurance		46,043		51,414
Retirement		18,847		15,769
401(k) account		4,116		3,721
Other supplies		9,604		9,665
Departmental supplies		15,267		12,134
Uniforms		590		1,588
Contracted services		1,920		1,603
Automotive supplies		852		762
Repairs and maintenance, buildings		320		-
Repairs and maintenance, vehicles		318		798
Repairs and maintenance, equipment		342		125
Reimbursement from Water Fund		(46,900)		(44,345)
Debt service, principal		17,977		17,711
Debt service, interest		270		535
Total	315,922	293,755	(22,167)	288,015
Total Public Works	3,344,569	2,971,621	(372,948)	3,422,669
Streets and Drainage:				
State Street Aid:				
Street supplies, Powell Bill		19,766		5,104
Capital outlay, other		165,360		112,805
Total	195,582	185,126	(10,456)	117,909
Storm Water Maintenance:				
Utilities		1,338		1,409
Fuel costs		2,228		1,537
Department Supplies		10,078		3,605
Maintenance and repairs equipment		5,924		612
Professional services		-		5,400
Professional fees/Water quality testing		1,440		360
Contracted services		69,467		32,849
Capital outlay, equipment		36,650		37,221
Capital outlay, infrastructure		318,548		711,822
Debt service, principal		151,572		136,545
Debt Service, interest		15,488		379
Total	902,712	612,733	(289,979)	931,739
Total Streets and Drainage	1,098,294	797,859	(300,435)	1,049,648
Contingency	19,939	-	(19,939)	-
Total Expenditures	40,024,023	37,162,840	(2,861,183)	16,051,870
Revenues Over Expenditures	(13,831,928)	(10,892,105)	2,939,823	10,495,840

**Town of Nags Head, North Carolina
General Fund**

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Other Financing Sources (Uses):				
Installment financing	2,223,843	2,223,843	-	2,217,383
Transfers to Capital Reserve Fund	(18,742,356)	(18,154,054)	588,302	(4,282,100)
Transfers from Capital Reserve Fund	20,383,363	19,393,185	(990,178)	811,429
Sale of capital assets	15,000	10,098	(4,902)	20,345
Committed Fund Balance	68,884	-	(68,884)	-
Appropriated Fund Balance	9,883,194	-	(9,883,194)	-
Other financing sources (uses), net	13,831,928	3,473,072	(10,358,856)	(1,232,943)
Net change in fund balance	<u>\$ -</u>	<u>(7,419,033)</u>	<u>\$ (7,419,033)</u>	9,262,897
Fund balance, beginning as previously reported		19,787,002		10,439,077
Prior period adjustment		-		85,029
Fund balance, beginning as restated		<u>19,787,002</u>		<u>10,524,106</u>
Fund balance, ending		<u>\$ 12,367,969</u>		<u>\$ 19,787,002</u>

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**Town of Nags Head, North Carolina
Capital Reserve Fund**

Schedule 2

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 194,576	194,576	\$ 137,684
Change in fair market value of investments		15,387	15,387	116,522
Total revenues	-	209,963	209,963	254,206
Other financing sources (uses):				
Transfers from:				
General Fund	18,742,356	18,154,054	(588,302)	4,282,100
Transfers to:				
Beach Renourishment Capital Project Fund	(2,838,847)	-	2,838,847	(1,750,000)
General Fund	(20,383,363)	(19,393,185)	990,178	(811,429)
Appropriated Fund Balance	4,479,854	-	(4,479,854)	-
Total other financing sources (uses)	-	(1,239,131)	(1,239,131)	1,720,671
Net change in fund balance	\$ -	(1,029,168)	\$ (1,029,168)	1,974,877
Fund balances, beginning as previously reported		8,629,587		6,739,739
Prior period adjustment		-		(85,029)
Fund balances, beginning as restated		8,629,587		6,654,710
Fund balances, end of year		\$ 7,600,419		\$ 8,629,587

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Town of Nags Head, North Carolina
Beach Renourishment Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

Schedule 3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ 110,000	\$ 304,272	\$ 110,372	\$ 414,644	\$ 304,644
Change in fair market value of investments	-	-	4,222	4,222	4,222
Restricted intergovernmental	9,773,356	9,773,356	-	9,773,356	-
Total revenues	9,883,356	10,077,628	114,594	10,192,222	308,866
Expenditures					
Professional Fees	686,000	387,173	82,066	469,239	(216,761)
Capital Construction Oversight	1,862,523	1,401,133	296,335	1,697,468	(165,055)
Pumping Costs	32,644,500	19,702,712	12,941,788	32,644,500	-
Mobilization	4,000,000	2,280,000	1,720,000	4,000,000	-
Contingency	964,779	-	-	-	(964,779)
Monitoring	782,949	15,803	-	15,803	(767,146)
Thirty Year Beach Study	750,000	-	-	-	(750,000)
Sprigging	450,000	-	300,656	300,656	(149,344)
Turtle Monitoring	81,500	37,555	29,124	66,679	(14,821)
Ocean Outfall	375,000	375,000	-	375,000	-
Other Costs	425,000	38,945	269,579	308,524	(116,476)
Total Expenditures	43,022,251	24,238,321	15,639,548	39,877,869	(3,144,382)
Revenues over (under) expenditures	(33,138,895)	(14,160,693)	(15,524,954)	(29,685,647)	3,453,248
Other financing sources:					
Installment purchase obligations issued	27,613,837	27,613,837	-	27,613,837	-
Transfers from Capital Reserve Fund	5,525,058	4,436,211	-	4,436,211	(1,088,847)
Sale of capital assets	-	-	22,448	22,448	22,448
Total other financing sources	33,138,895	32,050,048	22,448	32,072,496	(1,066,399)
Net change in fund balance	\$ -	\$ 17,889,355	(15,502,506)	\$ 2,386,849	\$ 2,386,849
Fund balance, beginning of year			17,889,355		
Fund balance, end of year			\$ 2,386,849		

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PROPRIETARY FUND ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the government’s council is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government’s council has decided that periodic determination of net income is appropriate for accountability purposes.

Major Enterprise Fund

Water Fund. This fund is used to account for activities of the Water Department.

The **Water Capital Reserve Fund** is a legally adopted Capital Reserve Fund, which has been consolidated with the Water Fund in the basic financial statements, and accounts for the accumulation of funds for capital improvements and debt payments related to the Town’s water system. State Statute [N.C.G.S. 162A, Article 8] requires that all system development fee capital contributions be accounted for in a capital reserve fund.

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Town of Nags Head, North Carolina
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

Schedule 4

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
REVENUES				
Operating Revenues:				
Water sales		\$ 3,318,439		\$ 3,028,910
Tap and connection fees		14,300		25,895
Late payment penalties and interest		28,952		29,527
Water cutoff tag fees		3,900		4,100
Miscellaneous		2,193		1,990
Total Operating Revenues	3,368,052	3,367,784	(268)	3,090,422
Non-operating Revenues:				
Interest earned on investments		74,477		52,574
Change in fair market value of investments		4,765		63,991
Total Non-operating Revenues	46,300	79,242	32,942	116,565
Total Revenues	3,414,352	3,447,026	32,674	3,206,987
EXPENDITURES				
Administration:				
Salaries and wages		130,514		132,383
FICA expense		8,859		9,183
Group insurance		38,586		35,786
Retirement expense		11,725		10,301
401(k) account		2,593		1,944
Reimburse General Fund administrative expenses		66,733		61,031
Contracted services		2,073		6,593
Postage		12,621		10,071
Travel and Training		125		725
Supplies and materials		3,913		3,673
Professional fees		11,020		10,620
Repairs and maintenance, equipment		2,340		2,040
Total Administration	299,925	291,102	(8,823)	284,350
Septic Health:				
Salaries and wages		18,462		30,708
FICA expense		1,383		2,202
Group insurance		2,445		7,272
Retirement		1,660		2,381
401(k) account		367		568
Reimburse General Fund administrative expenses		93,475		85,489
Inspection rebates		1,913		10,000
Pumping credits		2,085		2,010
Postage		3,514		-

Town of Nags Head, North Carolina
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

Schedule 4

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Septic Health (continued):				
Travel and Training		-		546
Water quality testing		43,224		43,224
Contracted services		800		7,320
Telephone		-		137
Printing		2,332		-
Advertising		999		-
Automotive supplies		94		507
Repairs and maintenance, vehicles		120		4
Departmental supplies		255		596
Total Septic Health	219,554	173,128	(46,426)	192,964
Operations:				
Salaries and wages		257,142		213,744
FICA expense		18,931		15,462
Group insurance		53,047		53,460
Retirement		23,089		16,727
401(k) account		3,654		4,269
Purchases for resale		752,856		812,053
Reimburse General Fund administrative expenses		408,674		373,758
Insurance		57,542		53,479
Utilities		51,152		47,606
Contracted services		11,913		15,665
Departmental supplies		34,295		34,977
Professional fees		1,090		890
Other supplies		2,168		3,131
Repairs and maintenance, equipment		17,659		285,057
Repairs and maintenance, buildings		1,853		-
Postage		1,538		1,551
Telephone		529		3,388
Uniforms		2,424		2,497
Dues and subscriptions		2,442		2,656
Equipment rental		707		808
Printing		3,023		2,808
Advertising		277		-
Automotive supplies		5,852		6,120
Travel and Training		2,924		1,031
Repairs and maintenance, vehicles		924		1,109
Total Operations	1,910,029	1,715,705	(194,324)	1,952,246
Operations Distribution:				
Salaries and wages		196,332		177,585
FICA expense		14,419		12,994
Group insurance		49,580		48,287
Group insurance, retiree		26,291		28,758
Retirement		17,541		13,835

Town of Nags Head, North Carolina
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

Schedule 4

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Operations Distribution (continued):				
401(k) account		2,111		2,257
Reimburse General Fund administrative expenses		136,836		125,144
Contracted services		23,345		16,889
Other supplies		13,359		28,272
Repairs and maintenance, other		31,857		22,542
Automobile supplies		6,301		6,630
Departmental supplies		9,816		22,443
Professional fees		855		1,545
Uniforms		2,610		2,488
Repairs and maintenance, vehicles		2,468		1,542
Telephone		1,054		1,550
Dues and subscriptions		1,379		1,304
Printing		-		310
Advertising		560		1,045
Repairs and maintenance, equipment		16,440		270
Travel and Training		4,073		2,051
Total Operations Distribution	600,402	557,227	(43,175)	517,741
Contingency	50,000	-	(50,000)	-
Capital Outlay:				
Machinery and equipment	42,397	7,721		46,455
Infrastructure	912,303	758,611		158,810
Vehicles	31,837	31,762		-
Improvements	37,745	37,920		-
Other	150,000	-		-
Total Capital Outlay	1,174,282	836,014	(338,268)	205,265
TOTAL EXPENDITURES	4,254,192	3,573,176	(681,016)	3,152,566
REVENUES OVER (UNDER) EXPENDITURES	(839,840)	(126,150)	713,690	54,421
Other Financing Sources and (Uses):				
Appropriated Net Position	780,083	-		-
Capital lease issued	68,582	68,582		-
Sale of capital assets	76,886	76,886		73,756
Transfer to Water Capital Reserve Fund	(50,000)	(8,496)		(20,461)
Debt interest	(657)	(676)		(3,120)
Debt principal	(45,054)	(43,008)		(112,412)
Septic Health Loans provided to customers	(50,000)	(17,440)		(25,035)
Principal repayments Septic Health Loans	60,000	32,754		40,368
Total Other Financing Sources and (Uses)	839,840	108,602	(731,238)	(46,904)

Town of Nags Head, North Carolina
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

Schedule 4

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	\$ (17,548)	\$ (17,548)	\$ 7,517

RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS

Revenues over (under) expenditures	\$ (17,548)	\$ 7,517
Reconciling items:		
Septic Health Loans	17,440	25,035
Principal repayments Septic Health Loans	(32,754)	(40,368)
Payment of debt principal	43,008	112,412
Decrease in accrued interest payable	25	458
(Increase) decrease in accrued vacation payable	(334)	7,855
(Decrease) increase in deferred outflows of resources-pensions	(24,132)	52,673
Increase in deferred outflows of resources-OPEB	10,282	1,823
(Increase) in net pension liability	(16,095)	(64,711)
Decrease in deferred inflows of resources-pensions	903	4,027
Decrease (increase) in OPEB liability	10,988	(53,309)
(Increase) in deferred inflows of resources-OPEB	(77,714)	(27,361)
Capital lease issued	(68,582)	-
Capital contributions	10,496	22,461
Capital outlay	836,014	205,265
Loss on disposal of capital asset	(76,886)	(73,756)
Depreciation and amortization	(352,818)	(353,073)
Change in net position	\$ 262,293	\$ (173,052)

Town of Nags Head, North Carolina
Enterprise Fund - Water Capital Reserve Fund
Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

Schedule 5

	2020		Variance Over (Under)	2019
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 529	529	\$ 277
Change in fair market value of investments		43	43	9
Total revenues	-	572	572	286
Other financing sources (uses):				
Transfers from:				
Water Fund	50,000	8,496	(41,504)	20,461
Appropriated net position	(50,000)	-	50,000	
Total other financing sources	-	8,496	8,496	20,461
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ -	9,068	\$ 9,068	20,747
Change in net position		\$ 9,068		\$ 20,747

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SUPPLEMENTARY SCHEDULES

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Schedule 6

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Adjustments	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 7,560,957	\$ 7,766,525	\$ 215,348	9,780
2019-2020 MSD	-	1,417,273	1,421,769	5,110	614
2018-2019	1,749	-	1,180	-	569
2018-2019 MSD	1	-	-	-	1
2017-2018	234	-	43	-	191
2017-2018 MSD	1	-	-	-	1
2016-2017	175	-	15	-	160
2015-2016	72	-	14	-	58
2015-2016 MSD	2	-	-	-	2
2014-2015	104	-	14	-	90
2014-2015 MSD	-	-	-	-	-
2013-2014	1,182	-	-	-	1,182
2013-2014 MSD	37	-	-	-	37
2012-2013	1,883	-	-	-	1,883
2012-2013 MSD	2	-	-	-	2
2011-2012	1,092	-	-	-	1,092
2011-2012 MSD	19	-	-	-	19
2010-2011	1,155	-	-	-	1,155
2009-2010	922	-	922	-	-
Total	\$ 8,630	\$ 8,978,230	\$ 9,190,482	\$ 220,458	16,836

Less allowance for uncollectible
ad valorem taxes receivable

\$ 7,500

Ad Valorem Taxes Receivable, net

\$ 9,336

Reconciliation with revenues:

Taxes, ad valorem , General Fund	\$ 7,778,207
Taxes, ad valorem , General Fund, MSD	1,421,769
Reconciling items:	
Amounts written off for tax year 2009-2010	220
DMV written off for tax year 2009-2010	702
Amounts written off <\$1	-
Prior year taxes released from Dare County	247
Penalties and interest	(10,663)
Subtotal	<u>(9,494)</u>
Total collections and credits	<u>\$ 9,190,482</u>

Town of Nags Head, North Carolina
Analysis of Current Tax Levy
June 30, 2020

Schedule 7

	Town - Wide			Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 2,383,436,490	\$ 0.3170	\$ 7,555,496	\$ 7,555,496	\$ -
Registered Motor Vehicles taxed at current year rates	35,228,556	0.3170	110,612	-	110,612
Registered Motor Vehicles taxed at 2018 year's rate	9,531,489	0.3070	29,262	-	29,262
Registered Motor Vehicles taxed at 2017 year's rate	69,970	0.2970	208	-	208
Registered Motor Vehicles taxed at 2015 year's rate	(2,011)	0.2670	(5)	-	(5)
Penalties	-	-	5,461	5,461	-
Total	2,428,264,494		7,701,034	7,560,957	140,077
Discoveries and Adjustments:					
Current year discoveries and adjustments	23,764,347	0.3170	74,753	74,753	
Penalty Discoveries	-	-	2,075	2,075	
Total	23,764,347		76,828	76,828	
Releases and Adjustments:					
Current year releases and adjustments	(309,694)	0.3170	(982)	(982)	
Penalty Releases and Adjustments	-	-	(575)	(575)	
Total	(309,694)		(1,557)	(1,557)	
Write-offs or Adjustments:					
Total property valuation	<u>\$ 2,451,719,147</u>				
Net levy			7,776,306	7,636,229	140,077
Uncollected taxes at June 30, 2020			(9,781)	(9,781)	-
Current year taxes collected			<u>\$ 7,766,525</u>	<u>\$ 7,626,448</u>	<u>\$ 140,077</u>
Current levy collection percentage			<u>99.874%</u>	<u>99.872%</u>	<u>100.00%</u>

STATISTICAL SECTION

This part of the Town of Nags Head's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Contents	Page
Financial Trends	95
These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
Revenue Capacity	105
These tables contain information to help the reader assess the Town's most significant local revenue source: property tax.	
Debt Capacity	110
These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	115
These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	
Operating Information	117
These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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TOWN OF NAGS HEAD, NORTH CAROLINA
NET POSITION BY COMPONENT,
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities				
Net investment in capital assets	\$ 16,675,551	\$ 39,461,419	\$ 36,870,772	\$ 33,903,387
Restricted	43,920,188	2,841,491	4,215,704	5,228,502
Unrestricted	(17,756,013)	7,010,760	6,290,213	5,800,045
Total governmental activities net position	<u>\$ 42,839,726</u>	<u>\$ 49,313,670</u>	<u>\$ 47,376,689</u>	<u>\$ 44,931,934</u>
Business-type activities				
Net investment in capital assets	\$ 6,998,911	\$ 7,290,657	\$ 6,956,945	\$ 6,615,501
Restricted	-	-	-	-
Unrestricted	3,612,184	3,435,118	3,503,486	3,714,971
Total business-type activities net position	<u>\$ 10,611,095</u>	<u>\$ 10,725,775</u>	<u>\$ 10,460,431</u>	<u>\$ 10,330,472</u>
Primary government				
Net investment in capital assets	\$ 23,674,462	\$ 46,752,076	\$ 43,827,717	\$ 40,518,888
Restricted	43,920,188	2,841,491	4,215,704	5,228,502
Unrestricted	(14,143,829)	10,445,878	9,793,699	9,515,016
Total primary government activities net position	<u>\$ 53,450,821</u>	<u>\$ 60,039,445</u>	<u>\$ 57,837,120</u>	<u>\$ 55,262,406</u>

Note:

The Town adopted GASB Statement No. 68 for fiscal year 2015; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2016; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2017; prior years are not restated.
The Town adopted GASB Statement No. 75 for fiscal year 2018; prior years are not restated.

TABLE 1

	2015	2016	2017	2018	2019	2020
\$	31,135,962	\$ 27,708,368	\$ 20,966,687	\$ 21,952,386	\$ 25,110,090	\$ 40,161,631
	6,624,621	9,021,585	8,329,744	11,467,485	20,760,822	11,135,803
	3,898,698	3,755,364	4,890,365	1,878,340	6,504,243	3,379,930
\$	<u>41,659,281</u>	<u>40,485,317</u>	<u>34,186,796</u>	<u>35,298,211</u>	<u>52,375,155</u>	<u>54,677,364</u>
\$	6,893,822	\$ 7,151,840	\$ 6,294,923	\$ 6,220,850	\$ 6,084,121	\$ 6,462,459
	-	-	-	-	20,747	29,815
	3,552,268	3,666,132	3,314,466	2,914,008	2,904,685	2,788,642
\$	<u>10,446,090</u>	<u>10,817,972</u>	<u>9,609,389</u>	<u>9,134,858</u>	<u>9,009,553</u>	<u>9,280,916</u>
\$	38,029,784	\$ 34,860,208	\$ 27,261,610	\$ 28,173,236	\$ 31,194,211	\$ 46,624,090
	6,624,621	9,021,585	8,329,744	11,467,485	20,781,569	11,165,618
	7,450,966	7,421,496	8,204,831	4,819,348	9,408,928	6,168,572
\$	<u>52,105,371</u>	<u>51,303,289</u>	<u>43,796,185</u>	<u>44,460,069</u>	<u>61,384,708</u>	<u>63,958,280</u>

TOWN OF NAGS HEAD, NORTH CAROLINA
CHANGES IN NET POSITION,
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2011	2012	2013	2014
Expenses				
Governmental activities:				
General government	\$ 2,312,288	\$ 2,522,896	\$ 9,253,686	\$ 9,408,905
Public safety	4,414,594	4,779,911	4,894,679	5,251,148
Public Works	1,692,863	2,041,283	1,972,369	2,158,516
Environmental protection	1,595,804	1,725,879	1,721,611	1,744,024
Streets and Drainage	-	-	-	-
Interest on long-term debt	79,966	520,237	409,005	319,462
Total Governmental activities expenses	<u>10,095,515</u>	<u>11,590,206</u>	<u>18,251,350</u>	<u>18,882,055</u>
Business-type activities:				
Water Fund	2,708,563	2,470,495	2,771,846	2,634,525
Storm Water Fund	48,191	45,573	29,519	41,395
Total Business-type activities expenses	<u>2,756,754</u>	<u>2,516,068</u>	<u>2,801,365</u>	<u>2,675,920</u>
Total primary government activities expenses	<u>\$ 12,852,269</u>	<u>\$ 14,106,274</u>	<u>\$ 21,052,715</u>	<u>\$ 21,557,975</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 229,014	\$ 261,452	\$ 380,445	\$ 426,391
Public safety	5,123	3,713	3,099	2,018
Public Works	-	-	-	-
Environmental Protection	-	-	-	-
Operating grants and contributions:				
General government	8,020	8,275	6,915	27,570
Public safety	23,660	36,007	34,277	111,572
Public Works	23,176	404,290	43,934	24,000
Environmental protection	-	-	-	-
Streets and Drainage	-	-	-	-
Capital grants and contributions:				
General Government	18,002,904	2,016,879	2,020,000	1,525,325
Public safety	126,402	-	-	83,843
Public Works	117,984	225,246	309,639	209,432
Streets and Drainage	-	-	-	-
Total Governmental activities program revenues	<u>18,536,283</u>	<u>2,955,862</u>	<u>2,798,309</u>	<u>2,410,151</u>
Business-type activities:				
Charges for services:				
Water Fund	2,366,874	2,406,526	2,319,482	2,308,365
Storm Water Fund	113,252	113,988	114,572	115,364
Operating grants and contributions:				
Water Fund	-	14,696	-	-
Capital grants and contributions:				
Water Fund	85,000	79,500	91,500	95,500
Total Business-type activities program revenues	<u>2,565,126</u>	<u>2,614,710</u>	<u>2,525,554</u>	<u>2,519,229</u>
Total primary government activities program revenues	<u>\$ 21,101,409</u>	<u>\$ 5,570,572</u>	<u>\$ 5,323,863</u>	<u>\$ 4,929,380</u>

Note:

The Town adopted GASB Statement No. 68 for fiscal year 2015; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2016; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2017; prior years are not restated.
The Town adopted GASB Statement No. 75 for fiscal year 2018; prior years are not restated.

TABLE 2
Page 1 of 2

	2015	2016	2017	2018	2019	2020
\$	10,812,062	\$ 9,974,716	\$ 10,328,168	\$ 3,548,805	\$ 8,197,403	\$ 12,396,326
	5,274,035	5,402,779	5,501,986	5,791,918	5,922,340	6,340,300
	2,137,237	2,174,552	4,728,501	2,146,924	2,390,713	2,616,743
	1,726,901	1,886,219	1,730,249	1,857,765	1,920,037	2,017,127
	-	-	545,888	310,542	318,282	381,747
	226,348	143,298	40,122	41,470	430,674	581,012
	<u>20,176,583</u>	<u>19,581,564</u>	<u>22,874,914</u>	<u>13,697,424</u>	<u>19,179,449</u>	<u>24,333,255</u>
	2,721,655	2,616,111	2,926,519	3,082,644	3,382,034	3,186,733
	70,127	102,667	875,662	-	-	-
	<u>2,791,782</u>	<u>2,718,778</u>	<u>3,802,181</u>	<u>3,082,644</u>	<u>3,382,034</u>	<u>3,186,733</u>
\$	<u>22,968,365</u>	<u>22,300,342</u>	<u>26,677,095</u>	<u>16,780,068</u>	<u>22,561,483</u>	<u>27,519,988</u>
\$	470,792	\$ 407,776	\$ 429,748	\$ 556,438	\$ 251,901	\$ 241,799
	3,278	3,913	5,661	4,343	33,147	19,946
	-	-	-	-	73,813	109,837
	-	-	-	-	7,459	3,688
	32,057	185,181	396,069	24,275	37,696	649,033
	73,833	70,628	84,511	58,844	100,179	189,960
	24,000	24,000	38,720	24,000	15,812	52,467
	-	30,000	92,574	-	17,222	60,898
	-	-	42,691	93,831	5,165	4,123
	2,000,000	2,000,000	6,000	1,047,680	17,726,292	7,726,152
	-	7,000	22,676	23,131	-	227,579
	253,784	136,076	999,257	185,000	512,450	-
	-	-	952,487	25,432	202,805	136,387
	<u>2,857,744</u>	<u>2,864,574</u>	<u>3,070,394</u>	<u>2,042,974</u>	<u>18,983,941</u>	<u>9,421,869</u>
	2,662,592	2,720,922	2,533,007	2,696,650	3,088,432	3,365,591
	116,184	233,540	-	-	-	-
	-	-	-	-	-	-
	162,500	102,500	104,500	145,000	22,461	10,496
	<u>2,941,276</u>	<u>3,056,962</u>	<u>2,637,507</u>	<u>2,841,650</u>	<u>3,110,893</u>	<u>3,376,087</u>
\$	<u>5,799,020</u>	<u>5,921,536</u>	<u>5,707,901</u>	<u>4,884,624</u>	<u>22,094,834</u>	<u>12,797,956</u>

TOWN OF NAGS HEAD, NORTH CAROLINA
CHANGES IN NET POSITION,
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2011	2012	2013	2014
Net (Expense)/Revenue				
Governmental activities	\$ 8,440,768	\$ (8,634,344)	\$ (15,453,041)	\$ (16,471,904)
Business-type activities	(191,628)	98,642	(275,811)	(156,691)
Total primary government net expense	<u>\$ 8,249,140</u>	<u>\$ (8,535,702)</u>	<u>\$ (15,728,852)</u>	<u>\$ (16,628,595)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes levied for general purpose	\$ 4,859,827	\$ 5,493,052	\$ 5,532,574	\$ 6,007,054
Municipal service district taxes	-	1,784,860	1,800,722	1,793,280
Occupancy tax	1,852,917	1,947,935	2,549,080	2,492,045
Land transfer taxes	384,657	409,087	525,314	532,837
Sales taxes	1,412,178	1,530,336	2,197,553	2,233,617
Other taxes and licenses	38,163	38,324	59,393	45,939
Intergovernmental revenues not restricted	638,200	642,976	658,137	699,313
Net unrestricted investment earnings	152,000	116,372	35,785	80,246
Miscellaneous	225,851	231,266	157,502	137,618
Capital Contributions	-	2,914,080	-	5,200
Transfers	-	-	-	-
Total Governmental activities	<u>9,563,793</u>	<u>15,108,288</u>	<u>13,516,060</u>	<u>14,027,149</u>
Business-type activities				
Unrestricted investment earnings	5,298	2,805	7,378	24,968
Miscellaneous	2,890	13,233	3,089	1,764
Transfers	-	-	-	-
Total Business-type activities	<u>8,188</u>	<u>16,038</u>	<u>10,467</u>	<u>26,732</u>
Total primary government	<u>\$ 9,571,981</u>	<u>\$ 15,124,326</u>	<u>\$ 13,526,527</u>	<u>\$ 14,053,881</u>
Change in Net Position				
Governmental activities	18,004,561	6,473,944	(1,936,981)	(2,444,755)
Restatement - Governmental activities	-	-	-	-
Business-type activities	(183,440)	114,680	(265,344)	(129,959)
Restatement - Business-type activities	-	-	-	-
Total primary government change in net position	<u>\$ 17,821,121</u>	<u>\$ 6,588,624</u>	<u>\$ (2,202,325)</u>	<u>\$ (2,574,714)</u>

Note:

The Town adopted GASB Statement No. 68 for fiscal year 2015; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2016; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2017; prior years are not restated.
The Town adopted GASB Statement No. 75 for fiscal year 2018; prior years are not restated.

TABLE 2
Page 2 of 2

	2015	2016	2017	2018	2019	2020
\$	(17,318,839)	\$ (16,716,990)	\$ (19,804,520)	\$ (11,654,450)	\$ (195,508)	\$ (14,911,386)
	149,494	338,184	(1,164,674)	(240,994)	(271,141)	189,354
\$	<u>(17,169,345)</u>	<u>(16,378,806)</u>	<u>(20,969,194)</u>	<u>(11,895,444)</u>	<u>(466,649)</u>	<u>(14,722,032)</u>
\$	6,245,990	\$ 6,302,099	\$ 7,067,172	\$ 7,147,201	\$ 7,456,247	\$ 7,785,799
	1,826,183	1,823,812	-	1,412,472	1,414,525	1,422,383
	2,637,450	2,637,733	2,572,622	2,419,390	2,870,519	2,741,871
	664,756	658,595	617,313	592,775	711,883	719,914
	2,343,993	2,486,409	2,533,000	2,339,634	2,721,543	2,761,461
	68,143	60,313	65,435	60,239	53,543	64,487
	841,649	1,080,122	1,018,345	880,000	960,846	932,135
	75,122	113,379	86,867	98,515	894,881	571,689
	188,115	187,746	187,262	59,916	188,465	213,856
	-	-	-	-	-	-
	-	-	69,670	-	-	-
	<u>14,891,401</u>	<u>15,350,208</u>	<u>14,217,686</u>	<u>15,010,142</u>	<u>17,272,452</u>	<u>17,213,595</u>
	21,810	31,578	21,271	22,186	116,854	79,816
	19,211	2,120	4,490	2,951	1,982	2,193
	-	-	(69,670)	-	-	-
	<u>41,021</u>	<u>33,698</u>	<u>(43,909)</u>	<u>25,137</u>	<u>118,836</u>	<u>82,009</u>
\$	<u>14,932,422</u>	<u>15,383,906</u>	<u>14,173,777</u>	<u>15,035,279</u>	<u>17,391,288</u>	<u>17,295,604</u>
	(2,427,438)	(1,366,782)	(5,586,834)	3,355,692	17,076,944	2,302,209
	(845,215)	192,818	(711,687)	(2,244,277)	-	-
	190,515	371,882	(1,208,583)	(215,857)	(152,305)	271,363
	(74,897)	-	-	(231,674)	-	-
\$	<u>(3,157,035)</u>	<u>(802,082)</u>	<u>(7,507,104)</u>	<u>663,884</u>	<u>16,924,639</u>	<u>2,573,572</u>

TOWN OF NAGS HEAD, NORTH CAROLINA
FUND BALANCES - GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	2011	2012	2013	2014
General Fund				
Non-Spendable	\$ 100,296	\$ 63,066	\$ 80,712	\$ 73,383
Restricted	2,527,128	2,106,112	3,860,363	5,040,137
Committed	-	-	-	-
Assigned	725,000	370,939	477,850	399,000
Unassigned	6,059,788	8,043,077	7,906,928	6,653,787
Total General Fund	<u>\$ 9,412,212</u>	<u>\$ 10,583,194</u>	<u>\$ 12,325,853</u>	<u>\$ 12,166,307</u>
All Other Governmental Funds				
Restricted	\$ 41,393,060	\$ 735,379	\$ 355,341	\$ 188,365
Committed	280,669	1,272,338	1,376,076	343,663
Assigned	-	-	-	-
Unassigned	(13,190,150)	-	-	-
Total all other governmental funds	<u>\$ 28,483,579</u>	<u>\$ 2,007,717</u>	<u>\$ 1,731,417</u>	<u>\$ 532,028</u>

Note:

The Town adopted GASB Statement No. 54 for fiscal year 2011; prior years are not restated.
The Town adopted GASB Statement No. 68 for fiscal year 2015; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2016; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2017; prior years are not restated.
The Town adopted GASB Statement No. 75 for fiscal year 2018; prior years are not restated.

TABLE 3

2015	2016	2017	2018	2019	2020
\$ 71,433	\$ 78,175	\$ 55,000	\$ 66,336	\$ 73,868	\$ 72,625
6,496,072	9,228,864	6,984,415	10,060,421	20,760,822	11,135,803
-	263,271	262,520	223,371	189,105	125,744
317,500	74,169	275,503	450,000	411,332	-
5,738,240	5,398,644	6,579,895	6,378,688	6,981,462	8,634,215
<u>\$ 12,623,245</u>	<u>\$ 15,043,123</u>	<u>\$ 14,157,333</u>	<u>\$ 17,178,816</u>	<u>\$ 28,416,589</u>	<u>\$ 19,968,387</u>
\$ 301,156	\$ 38,146	\$ 1,511,112	\$ 1,407,064	\$ -	\$ -
11,914	-	787,241	700,810	-	-
-	-	-	-	17,889,355	2,386,849
-	-	-	-	-	-
<u>\$ 313,070</u>	<u>\$ 38,146</u>	<u>\$ 2,298,353</u>	<u>\$ 2,107,874</u>	<u>\$ 17,889,355</u>	<u>\$ 2,386,849</u>

TOWN OF NAGS HEAD, NORTH CAROLINA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2011	2012	2013	2014
Revenues				
Ad valorem taxes	\$ 4,857,519	\$ 7,259,885	\$ 7,327,126	\$ 7,804,535
Other taxes and licenses	3,722,052	3,964,479	5,365,819	5,360,806
Unrestricted intergovernmental revenues	604,063	604,179	623,658	642,945
Restricted intergovernmental revenues	18,291,709	2,682,367	2,406,193	1,971,466
Permits and fees	184,354	210,166	226,348	258,038
Sales and services	5,123	3,713	3,099	2,018
Net investment earnings	152,000	116,372	35,760	80,246
Other revenues	471,948	1,104,882	320,196	316,247
Total revenues	<u>28,288,768</u>	<u>15,946,043</u>	<u>16,308,199</u>	<u>16,436,301</u>
Expenditures				
General government	2,233,993	2,420,367	2,403,961	2,479,757
Public safety	4,019,379	4,252,516	4,462,517	4,749,036
Environmental protection	1,370,704	1,452,230	1,425,084	1,465,995
Public works	1,309,988	1,643,559	1,533,263	1,637,644
Streets and Drainage	-	-	-	-
Debt service				
Principal	909,871	5,010,660	4,267,602	4,320,700
Interest	79,966	520,237	409,005	319,462
Capital Outlay	8,829,262	26,220,836	1,396,226	3,761,181
Total expenditures	<u>18,753,163</u>	<u>41,520,405</u>	<u>15,897,658</u>	<u>18,733,775</u>
Excess (deficiency) of revenues over expenditures	9,535,605	(25,574,362)	410,541	(2,297,474)
Other financing sources (uses)				
Installment financing	18,896,205	269,482	1,055,818	938,539
Transfers from other funds	348,607	1,027,251	-	1,000,000
Transfers to other funds	(348,607)	(1,027,251)	-	(1,000,000)
Sale of Capital Assets	-	-	-	-
Total other financing sources	<u>18,896,205</u>	<u>269,482</u>	<u>1,055,818</u>	<u>938,539</u>
Net change in fund balances	<u>\$ 28,431,810</u>	<u>\$ (25,304,880)</u>	<u>\$ 1,466,359</u>	<u>\$ (1,358,935)</u>
Debt service as a percentage of non-capital expenditures	9.97%	36.15%	32.25%	30.99%

TABLE 4

	2015	2016	2017	2018	2019	2020
\$	8,073,532	\$ 8,138,686	\$ 7,067,296	\$ 8,559,752	\$ 8,869,938	\$ 9,199,976
	5,723,727	5,866,657	5,799,168	5,411,329	6,366,165	6,288,313
	841,649	1,080,122	1,018,345	880,000	960,846	932,135
	2,366,589	2,428,829	1,742,369	1,283,785	18,564,123	9,036,209
	307,544	281,000	325,505	367,214	300,228	268,293
	3,278	3,913	92,226	69,837	66,091	106,977
	75,122	113,380	86,867	98,515	894,881	571,689
	368,451	281,436	214,459	186,555	185,920	191,700
	<u>17,759,892</u>	<u>18,194,023</u>	<u>16,346,235</u>	<u>16,856,987</u>	<u>36,208,192</u>	<u>26,595,292</u>
	3,835,487	2,732,414	3,042,364	2,798,124	2,996,329	3,170,729
	4,951,779	4,978,495	5,076,316	5,355,905	5,418,519	5,526,696
	1,463,177	1,637,808	1,527,864	1,589,536	1,653,298	1,749,846
	1,605,570	1,644,467	1,594,503	1,548,039	1,626,009	1,756,630
	-	-	141,859	69,318	50,875	110,240
	4,454,715	4,581,963	1,053,956	1,216,638	1,293,230	20,022,960
	226,348	131,632	38,150	37,307	41,431	826,491
	<u>1,737,968</u>	<u>1,601,067</u>	<u>3,577,748</u>	<u>2,523,113</u>	<u>25,960,813</u>	<u>19,638,796</u>
	<u>18,275,044</u>	<u>17,307,846</u>	<u>16,052,760</u>	<u>15,137,980</u>	<u>39,040,504</u>	<u>52,802,388</u>
	(515,152)	886,177	293,475	1,719,007	(2,832,312)	(26,207,096)
	753,132	1,015,819	988,525	1,090,403	29,831,220	2,223,843
	-	139,373	2,743,952	12,000	1,750,000	-
	-	(139,373)	(2,674,282)	(12,000)	(1,750,000)	-
	-	50,140	22,747	21,594	20,345	32,546
	<u>753,132</u>	<u>1,065,959</u>	<u>1,080,942</u>	<u>1,111,997</u>	<u>29,851,565</u>	<u>2,256,389</u>
\$	<u>237,980</u>	<u>\$ 1,952,136</u>	<u>\$ 1,374,417</u>	<u>\$ 2,831,004</u>	<u>\$ 27,019,254</u>	<u>\$ (23,950,707)</u>
	28.31%	30.01%	8.75%	9.94%	10.20%	62.87%

TABLE 5

TOWN OF NAGS HEAD , NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		
		Amount	Percentage of Levy		Amount	Percentage of Levy	
2011	Town Tax	4,824,029	4,813,955	99.791%	8,919	4,822,874	99.976%
2012	Town Tax	5,468,533	5,447,622	99.618%	19,819	5,467,441	99.980%
	MSD	1,784,860	1,783,914	99.947%	927	1,784,841	99.999%
2013	Town Tax	5,486,041	5,478,436	99.861%	5,723	5,484,159	99.966%
	MSD	1,801,064	1,796,955	99.772%	4,107	1,801,062	100.000%
2014 [1]	Town Tax	5,871,417	5,867,233	99.929%	3,001	5,870,234	99.980%
	MSD	1,796,970	1,795,913	99.941%	1,020	1,796,933	99.998%
2015	Town Tax	6,144,915	6,139,249	99.908%	5,576	6,144,825	99.999%
	MSD	1,826,688	1,826,094	99.970%	594	1,826,688	100.000%
2016	Town Tax	6,183,302	6,182,422	99.986%	822	6,183,244	99.999%
	MSD	1,826,763	1,826,761	100.000%	-	1,826,761	100.000%
2017	Town Tax	6,940,569	6,940,373	99.997%	36	6,940,409	99.998%
	MSD	-	-	-	-	-	-
2018	Town Tax	7,013,398	7,012,961	99.994%	246	7,013,207	99.997%
	MSD	1,408,776	1,408,775	100.000%	-	1,408,775	100.000%
2019	Town Tax	7,316,246	7,314,496	99.976%	1,180	7,315,676	99.992%
	MSD	1,410,251	1,410,249	100.000%	-	1,410,249	100.000%
2020	Town Tax	7,636,229	7,626,449	99.872%	[2]	7,626,449	99.872%
	MSD	1,417,273	1,416,659	99.957%	[2]	1,416,659	99.957%

[1] Revaluation of taxable property occurred on January 1, 2005 and January 1, 2014.

Each year's tax levy is revised every year to reflect pick-ups and releases applicable to that year.

Subsequent year's tax collections include subsequent collections of the original levy and collections of pick-ups and releases applicable to each particular year.

[2] Not applicable.

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TOWN OF NAGS HEAD, NORTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property Values [1]	Personal Property Values		Public Service Companies [2]
		Personal Property	Motor Vehicles	
2011	2,983,561,150	61,126,796	30,427,302	18,285,774
2012	3,002,692,746	61,354,997	30,396,620	18,182,834
2013	3,012,871,394	58,506,560	43,091,357	18,740,452
2014	2,210,678,642	54,462,235	44,412,419	18,965,401
2015	2,228,360,489	52,343,680	33,300,237	18,701,795
2016	2,239,840,450	54,088,189	37,067,856	20,901,166
2017	2,257,250,050	57,495,138	40,324,874	21,283,233
2018	2,278,240,948	60,597,638	43,120,308	21,148,487
2019	2,295,555,798	63,861,050	44,180,248	21,769,329
2020	2,315,518,798	69,294,281	44,828,004	22,078,064

Notes: The levy of property taxes each year is based on the assessed value of taxable property as of January 1, before the beginning of the fiscal year on July 1. Revaluation of real property in Dare Co was completed on January 1, 2020 (previous revaluation was January 1, 2013). The assessed values reported are those adjusted amounts reported as of June 30 for each particular year. Subsequent year changes to the levy are not reflected in this table.

[1] Residential and commercial real property breakdowns are not available.

[2] Public service companies valuations are provided to the Town by the NC Department of Revenue.

[3] Tax rates are expressed in dollars of tax per \$100 of assessed value.

[4] The estimated market value is calculated by dividing the assessed value by a sales-to-assessment ratio determined annually by the NC Department of Revenue. The ratio is based on samples of actual property sales which took place during the fiscal year.

TABLE 6

<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate [3]</u>	<u>Sales to Assessment Ratio [4]</u>	<u>Estimated Actual Taxable Value</u>
3,093,401,022	0.1575	118.73%	2,605,408,087
3,112,627,197	0.1775	123.12%	2,528,124,754
3,133,209,763	0.1775	94.15%	3,327,891,411
2,328,518,697	0.2570	93.80%	2,482,429,314
2,332,706,201	0.2670	95.17%	2,451,094,043
2,351,897,661	0.2670	92.42%	2,544,792,968
2,376,353,295	0.2970	90.27%	2,632,495,065
2,403,107,381	0.2970	88.93%	2,702,246,015
2,425,366,425	0.3070	83.49%	2,904,978,351
2,451,719,147	0.3170	102.57%	2,390,288,727

TABLE 7

**TOWN OF NAGS HEAD, NORTH CAROLINA
PROPERTY TAX RATES OF DIRECT AND OVERLAPPING
GOVERNMENTAL JURISDICTIONS [1]
Last Ten Fiscal Years**

Year Ended June 30,	Town of Nags Head [2]	County of Dare [3]
2011	0.1575 Town Wide Rate	0.28
2012	0.1775 Town Wide Rate 0.1600 MSD Rate	0.28
2013	0.1775 Town Wide Rate 0.1600 MSD Rate	0.28
2014	0.2570 Town Wide Rate 0.2300 MSD Rate	0.43
2015	0.2670 Town Wide Rate 0.2300 MSD Rate	0.43
2016	0.2670 Town Wide Rate 0.2300 MSD Rate	0.43
2017	0.2970 Town Wide Rate 0.0000 MSD Rate	0.43
2018	0.2970 Town Wide Rate 0.1750 MSD Rate	0.47
2019	0.3070 Town Wide Rate 0.1750 MSD Rate	0.47
2020	0.3170 Town Wide Rate 0.1750 MSD Rate	0.47

[1] All tax rates are expressed in dollars of tax per \$100 of assessed valuation.

[2] Town of Nags Head Tax and Finance Department.

[3] Dare County Tax Assessment Office.

TABLE 8

TOWN OF NAGS HEAD, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS (by Assessed Value)
Current Year and Nine Years Ago

Taxpayer	June 30, 2020			June 30, 2011		
	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation
Dominion NC Power	\$ 17,945,672	1	0.75%	\$ 16,104,857	2	0.52%
Ocean Carolina, LLC	11,389,270	2	0.47%			
Nags Head Company, LLC	10,497,012	3	0.44%	14,031,517	4	0.45%
Stanford M. White	10,387,362	4	0.43%	14,855,892	3	0.48%
SRE Mustang	9,659,699	5	0.40%	12,213,003	7	0.39%
Clubcorp Golf of North Carolina	8,592,325	6	0.36%	12,702,292	5	0.41%
The Outer Banks Hospital, Inc.	8,512,500	7	0.35%	17,525,505	1	0.57%
Mildred Roughton	8,132,070	8	0.34%	12,254,565	6	0.40%
Brian K. Newman	8,074,251	9	0.34%	11,866,038	8	0.38%
The Lacour Group, LLC	7,652,670	10	0.32%			
Kenneth Simpler				11,207,911	9	0.36%
Andy Anderson				9,775,752	10	0.32%
	<u>\$ 100,842,831</u>		<u>4.19%</u>	<u>\$ 132,537,332</u>		<u>4.28%</u>

Assessed values provided by Dare County Tax Department

TOWN OF NAGS HEAD, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Outstanding Debt			Total Primary Government
	Governmental Activities		Business-type	
	Direct	Direct	Direct	
	Borrowing Installment Finance Purchases	Placement Installment Finance Purchases	Borrowing Installment Finance Purchases	
2011	2,898,513	18,000,000	675,168	21,573,681
2012	1,757,335	14,400,000	587,574	16,744,909
2013	2,145,551	10,800,000	498,059	13,443,610
2014	2,363,390	7,200,000	531,467	10,094,857
2015	2,261,807	3,600,000	411,700	6,273,507
2016	2,295,663	-	322,838	2,618,501
2017	2,230,231	-	261,234	2,491,465
2018	2,103,996	-	146,783	2,250,779
2019	3,028,149	27,613,837	34,371	30,676,357
2020	3,738,869	9,104,000	59,945	12,902,814

Notes: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

[1] See Table 6 - Assessed value and estimated actual value of taxable property for estimated actual taxable property value.

[2] See Table 12 - Demographic and Economic Statistics for personal income and population data.

* Information Unavailable

TABLE 9

<u>Percent of Estimated Actual Taxable Property</u>			
<u>Governmental Activities</u>	<u>Total</u>	<u>Per Capita [2]</u>	<u>Percent of Personal Income [2]</u>
0.80%	0.83%	7,825	18.76%
0.64%	0.66%	6,023	13.77%
0.39%	0.40%	4,817	11.18%
0.39%	0.41%	3,480	7.85%
0.24%	0.26%	2,151	4.43%
0.09%	0.10%	886	1.80%
0.08%	0.09%	837	1.57%
0.08%	0.08%	752	1.33%
1.05%	1.06%	10,198	*
0.54%	0.54%	4,204	*

TOWN OF NAGS HEAD, NORTH CAROLINA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Assessed Value of Property	\$ 3,093,401,022	\$ 3,112,627,197	\$ 3,133,209,763	\$ 2,328,518,697
Debt Limit, 8% of Assessed Value (Statutory Limitation)	\$ 247,472,082	\$ 249,010,176	\$ 250,656,781	\$ 186,281,496
Amount of debt applicable to limit				
Gross debt	\$ 21,573,681	\$ 16,744,909	\$ 13,443,610	\$ 10,094,857
Total net debt applicable to limit	\$ 21,573,681	\$ 16,744,909	\$ 13,443,610	\$ 10,094,857
Legal Debt Margin	<u>\$ 225,898,401</u>	<u>\$ 232,265,267</u>	<u>\$ 237,213,171</u>	<u>\$ 176,186,639</u>
Total net debt applicable to the limit as a percentage of debt limit	8.72%	6.72%	5.36%	5.42%
Total net debt applicable to the limit as a percentage of assessed value	0.70%	0.54%	0.43%	0.43%

Note: NC General Statute 159-55 limits the Town's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to limit:
Money held for payment of principal; debt incurred for water, sewer, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds.

The legal debt margin is the difference between the debt limit and the Town's net debt outstanding applicable to the limit, and represents the Town's legal borrowing authority.
NC General Statute 159-55 requires the use of par values of debt, therefore related amounts of original issue discounts and premiums and deferred amounts on refunding are excluded from this schedule.

TABLE 10

2015	2016	2017	2018	2019	2020
\$ 2,332,706,201	\$ 2,351,897,661	\$ 2,376,353,295	\$ 2,403,107,381	\$ 2,425,366,425	\$ 2,451,719,147
\$ 186,616,496	\$ 188,151,813	\$ 190,108,264	\$ 192,248,590	\$ 194,029,314	\$ 196,137,532
\$ 6,273,507	\$ 2,618,501	\$ 2,491,465	\$ 2,250,779	\$ 30,676,357	\$ 12,902,814
\$ 6,273,507	\$ 2,618,501	\$ 2,491,465	\$ 2,250,779	\$ 30,676,357	\$ 12,902,814
\$ 180,342,989	\$ 185,533,312	\$ 187,616,799	\$ 189,997,811	\$ 163,352,957	\$ 183,234,718
3.36%	1.39%	1.31%	1.17%	15.81%	6.58%
0.27%	0.11%	0.10%	0.09%	1.26%	0.53%

TABLE 11

TOWN OF NAGS HEAD, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2020

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable [1]</u>	<u>Estimated Share of Overlapping Debt</u>
Dare County	\$ 86,173,440	18.05%	\$ 15,551,938
Town of Nags Head direct debt			12,842,869
Total direct and overlapping debt			<u>28,394,807</u>

Sources: Assessed value data used to estimate applicable percentages and debt out standing data provided by Dare County.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the Town of Nags Head. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken in to account. However, this does not imply that every taxpayer is a resident, and therefore responsible for, repaying the debt of each overlapping government.

[1] The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Town's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

TABLE 12

TOWN OF NAGS HEAD, NORTH CAROLINA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	TOWN OF NAGS HEAD		DARE COUNTY		
	Population [1]	Personal Income [5]	Per Capita Personal Income [4]	School Enrollment [3]	Unemployment Percentage Rate [2]
2011	2,757	115,763,673	41,989	4,823	12.7%
2012	2,780	124,224,300	44,685	4,829	13.2%
2013	2,791	126,066,679	45,169	4,883	12.5%
2014	2,901	136,442,733	47,033	4,960	9.6%
2015	2,916	141,723,432	48,602	4,921	8.1%
2016	2,954	145,478,592	49,248	4,944	6.8%
2017	2,977	159,016,455	53,415	5,117	6.8%
2018	2,994	168,604,116	56,314	5,151	5.9%
2019	3,008	*	*	5,233	5.1%
2020	3,069	*	*	5,367	8.2%

[1] North Carolina Demographer's Office.

[2] Employment Security Commission. Unadjusted

[3] Dare County Board of Education, as of the end of the school term. 2017 starts the inclusion of Pre-K

[4] Bureau of Economic Analysis. Updated 11/14/2019

[5] Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

* - Information unavailable

TABLE 13

**TOWN OF NAGS HEAD, NORTH CAROLINA
PRINCIPAL EMPLOYERS,
Current Year and Nine Years Ago**

Employers	June 30, 2020			June 30, 2011		
	Employees [1]	Rank	Percent of Total Town Employment	Employees [1]	Rank [2]	Percent of Total Town Employment
Dare County Schools	500 - 999	1	*	500 - 999	1	*
Vidant Medical Center	250 - 499	2	*	-	-	*
Food Lion	250 - 499	3	*	250 - 499	4	-
Village Realty	100 - 249	4	*	250 - 499	2	*
State of NC Dept of Cultural Resource	100 - 249	5	*	-	-	-
Town of Nags Head	100 - 249	6	*	100 - 249	6	*
YMCA	50 - 99	7	*	-	-	*
*	*	8	*	*	8	*
*	*	9	*	*	9	*
*	*	10	*	*	10	*
Kitty Hawk Kites Inc				100 - 249	7	*
East Carolina Health Inc				250 - 499	3	*
State of NC Dept of Environment and Natural Resources				100 - 249	5	*

[1] Employment data is only available in ranges from the North Carolina Employment Security Commission.

[2] Employment data is only available in rank 1-6 from the North Carolina Employment Security Commission.

* Information unavailable for the Town of Nags Head

This information was obtained by AccessNC@NCCommerce.com. The list reflects county-wide information for businesses in Dare County, that have locations in Nags Head, NC.

TABLE 14

TOWN OF NAGS HEAD, NORTH CAROLINA
FULL-TIME-EQUIVALENT TOWN GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM,
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function/Program										
General government										
Administration	6	6	6	6	6	6	6 3/4	7 1/2	7 1/2	6 3/4
Administrative Services	6	6	6	6	6	6	6	6	6	6
Information Technology	2	2	2	2	2	2	2	2	1	1
Planning and Development	9	9	8	8	8	8 1/2	8 1/2	9	9 1/2	10 3/4
Public Safety										
Police	24	24	24	24	24	25	25	25	25	25
Fire	27	27	27	27	27	27	27	27	27	27 1/3
Ocean Rescue	21	22	23	24	24	24	26	26	26	25 2/3
Year-round	1	1	1	1	1	1	1	1	1	2/3
Seasonal Lifeguards	20	21	22	23	23	23	25	25	25	25
Environmental Protection										
Solid Waste	12	12	10	10	10	10	10	11	11	11 1/2
Public Works										
Administration	4	4	4	4	4	4	3	2 3/4	2 3/4	2 3/4
Facilities Maintenance	9 1/2	9 1/2	10	9 1/2	9 1/2	10 1/2	10 1/2	11	12	12 1/2
Garage	4	4	4	4	4	4	4	4	4	4
Water										
Water Administration	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	2 1/2	2 1/2	2 1/4
Septic Health	1	1	1	1	1	1/2	1/2	1/2	1/2	1/2
Water Operations	4	4	4	4	4	4	4	4	5	5
Water Distribution	5	5	5	5	5	5	5	5	5	5

Source: Town of Nags Head Administrative Services Department

Note: This schedule represents number of positions authorized per the budget ordinance as of July 1 of each year. Vacant positions are included in the above numbers.

**TOWN OF NAGS HEAD, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM,
Last Ten Fiscal Years**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Population	2,757	2,780	2,791	2,901
Police:				
Crime Activity: Reported				
Rape (includes attempts):	4	7	7	9
Robbery (includes attempts):	1	2	2	3
Assaults (felonious & misdemeanor):	76	80	65	90
Burglary(breaking/entering-structures):	115	92	76	65
Larceny:	356	466	258	231
Auto Larceny:	4	7	6	2
Arson/unlawful burnings:	5	-	-	-
All other crimes (unspecified above):	397	424	383	404
Total Crime:	958	1,078	797	804
Traffic Activity:				
Traffic Accidents	230	275	230	248
Driving while impaired arrests	71	118	62	57
General traffic violations-citation	1,279	1,093	663	1,010
General traffic violations-warning	1,462	1,711	872	1,307
Parking violations-citation issued	1	1	2	-
All other traffic-related, non-violation	151	162	95	61
Total Traffic	3,194	3,360	1,924	2,683
General Calls for Service:				
Police calls-emergency status, non-emergency, traffic control	11,179	10,197	11,775	9,863
Animal control calls	408	848	422	-
Total General Calls for Service	11,587	11,045	12,197	9,863
Total all Police/Animal Control Activity	15,739	15,483	14,918	13,350

Source: Budget documents and individual Town departments.

TABLE 15

Page 1 of 3

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
2,916	2,954	2,977	2,994	3,008	3,069
11	3	3	1	4	2
-	1	1	2	-	1
65	85	98	77	74	73
150	98	112	111	46	17
191	201	106	116	94	96
7	6	8	5	2	3
2	4	-	1	-	1
493	395	532	375	249	198
919	793	860	688	469	391
269	251	266	258	258	229
56	53	50	68	47	37
1,150	1,406	1,746	1,714	1,067	2,148
1,291	1,938	2,190	2,408	1,891	1,384
1	1	2	7	2	19
43	46	108	45	61	208
2,810	3,695	4,362	4,500	3,326	4,025
10,584	11,760	11,244	17,156	14,590	11,711
304	355	265	667	661	635
10,888	12,115	11,509	17,823	15,251	12,346
14,617	16,603	16,731	23,011	19,046	16,762

TOWN OF NAGS HEAD, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM,
Last Ten Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Fire:				
Number of volunteer firemen	13	14	15	13
Number of calls answered	850	943	902	877
Total dollar loss	\$ 243,950	\$ 49,240	\$ 1,188,900	\$ 14,300
Planning:				
Building permits:				
One and Two Family Dwellings	23	28	32	24
Residential multi-family	-	-	-	-
Commercial/Government/Other	1	1	-	2
Miscellaneous:	312	314	275	333
Accessory Structure	59	38	46	56
Addition	24	22	16	12
Demolition	10	7	6	6
Move	3	-	-	1
Remodel	110	78	62	62
Repair	106	169	145	196
Trade Permits:				
Electrical	452	477	483	497
Gas	11	23	28	17
Mechanical	378	369	385	407
Plumbing	114	121	102	100
Sprinkler	5	5	3	9
Number of CAMA permits issued	68	37	43	42
Number of land disturbance permits issued	*	*	*	13
Number of certificates of occupancy issued	25	22	34	27
Site plan reviews:				
Commercial	4	8	2	4
Residential	*	*	*	*
Number of zoning amendments	22	21	16	12
Number of variance applications	5	3	4	2
Number of exempt plats issued	2	2	-	-
Number of code compliance inspections	425	379	306	231

* Information Unavailable

Source: Budget documents and individual Town departments.

TABLE 15
Page 2 of 3

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	16	12	9	10	8	4
	918	882	1,116	1,092	1,057	958
\$	716,650	\$ 457,150	\$ 1,273,400	\$ 142,700	\$ 1,391,700	\$ 266,050
	48	33	31	45	25	13
	-	1	-	-	-	-
	1	-	3	4	4	2
	351	416	348	339	425	437
	59	42	38	40	46	46
	22	14	35	17	21	17
	16	6	6	7	6	2
	6	6	-	-	-	-
	58	47	66	67	92	98
	190	301	203	208	260	274
	447	533	538	571	492	424
	27	31	41	31	23	21
	446	454	468	485	434	373
	123	112	129	135	100	92
	7	7	6	13	4	3
	45	71	54	65	59	30
	23	34	19	35	21	38
	42	30	38	34	40	23
	4	5	3	12	8	6
	*	*	*	*	*	*
	12	11	10	9	5	10
	2	2	6	2	1	5
	-	1	2	2	2	2
	198	193	1,430	1,315	1,064	774

TOWN OF NAGS HEAD, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM,
Last Ten Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Planning continued:				
Total building permit fees	\$ 130,980	\$ 134,166	\$ 156,813	\$ 177,594
Total site plan review fees	\$ 9,205	\$ 16,212	\$ 19,761	\$ 21,970
Total CAMA permit fees	\$ 6,800	\$ 3,800	\$ 4,500	\$ 5,100
Total construction valuation	\$ 14,352,769	\$ 15,343,320	\$ 20,838,802	\$ 22,017,479
Septic Health:				
Tank Inspections	309	241	212	301
Tanks Pumped	73	30	43	56
Water Quality Sites Tested	267	196	163	273
Refuse collection:				
Refuse collection (tons)	8,534.92	8,580.07	8,325.82	8,239.19
Bulk (tons)	855.22	457.78	529.93	512.64
Water:				
Number of new services	33.0	29.0	41.0	34.0
Number of new customers	*	155.0	172.0	171.0
Daily consumption (million gallons)	1.2	1.2	1.2	1.3
Maximum daily capacity of plant(million gallons)	7.9	7.9	7.9	7.9
Maximum contracted per day(million gallons)	3.5	3.5	3.5	3.5

* Information Unavailable

Source: Budget documents and individual Town departments.

TABLE 15
Page 3 of 3

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$	221,100	\$ 201,576	\$ 199,232	\$ 229,929	\$ 190,236	\$ 189,016
\$	12,538	\$ 10,290	\$ 35,727	\$ 36,193	\$ 8,442	\$ 10,930
\$	5,300	\$ 8,600	\$ 5,300	\$ 7,400	\$ 5,900	\$ 3,900
\$	36,682,703	\$ 29,925,081	\$ 30,640,450	\$ 36,335,579	\$ 25,775,548	\$ 20,393,237
	324	298	281	283	376	40
	43	54	59	101	78	132
	253	322	299	285	299	259
	8,225.68	8,253.29	8,593.27	8,568.64	8,209.21	7,873.47
	703.52	423.83	628.82	485.52	522.26	567.16
	60.0	31.0	36.0	38.0	41.0	19.0
	248.0	236.0	250.0	248.0	279.0	351.0
	1.2	1.1	1.2	1.2	1.3	1.0
	7.9	7.9	7.9	7.9	7.9	7.9
	3.5	3.5	3.5	3.5	3.5	3.5

TOWN OF NAGS HEAD, NORTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police stations	1	1	1	1
Fire stations	2	2	2	2
Ocean rescue facilities	1	1	1	1
Refuse collection				
Collection trucks	13	13	14	15
Other public works				
Paved streets (miles)	34.62	34.62	24.7	34.82
Unpaved streets (miles)	2.81	2.25	2.25	2.36
Street lights	427	427	427	427
Parks and recreation				
Number of parks	1	2	2	2
Number of soccer fields	1	1	1	1
Number of bath houses	4	4	4	4
Number of piers				
Ocean (private)	2	2	2	2
Ocean (State)	1	1	1	1
Number of ocean beach accesses				
Local (public)	44	44	44	44
Number of sound accesses (public)	5	5	5	5
Bike path mileage	11.0	11.0	11.0	11.0
Water				
Plants	1	1	1	1
Water mains (miles)	101.07	101.14	101.14	101.30
Fire hydrants	550	550	550	550
Water storage capacity:				
Ground (million gallons)	1.0	1.0	1.0	1.0
Elevated (million gallons)	1.0	1.0	1.0	1.0

Source: Budget documents and individual Town departments.

TABLE 16

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
15	16	16	18	20	17
34.82	34.82	34.77	34.77	34.77	34.77
2.36	2.36	2.36	2.36	2.36	2.37
427	427	427	427	427	427
2	2	2	2	3	3
1	1	1	1	1	1
4	4	4	4	4	4
2	2	2	2	2	2
1	1	1	1	1	1
44	44	44	44	44	44
5	5	5	5	5	5
11.0	11.0	11.0	11.0	11.0	15.3
1	1	1	1	1	1
101.64	102.02	102.15	102.2	102.2	102.5
550	550	550	557	559	553
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0

The **Compliance Section** has been prepared in accordance with the Federal Single Audit Act of 1984, the Federal Single Audit Act Amendments of 1996, U.S. Office of Management and Budget Circular A-133, the Audit Manual for Governmental Auditors in North Carolina and North Carolina General Statute 159-34 which established audit requirements for local government units that receive Federal and State financial assistance.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2020 and the related notes to the financial statements, which collectively comprise the Town of Nags Head's basic financial statements, and have issued our report thereon dated November 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Nags Head's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Nags Head's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Nags Head's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

MEMBERS OF AICPA AND NCACPA

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JOHNSON, MIZELLE, STRAUB & MURPHY, LLP
Certified Public Accountants

Johnson, Mizelle, Straub & Murphy, LLP

Kitty Hawk, North Carolina
November 25, 2020

**Report on Compliance for Each Major Federal Program; Report on Internal Control
Over Compliance; With OMB Uniform Guidance and the State Single Audit
Implementation Act**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Nags Head, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Nags Head's major federal programs for the year ended June 30, 2020. The Town of Nags Head's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Nags Head's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Nags Head's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Nags Head's compliance.

MEMBERS OF AICPA AND NCACPA

Opinion on Each Major Federal Program

In our opinion, the Town of Nags Head complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Town of Nags Head is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Nags Head's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency *in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

JOHNSON, MIZELLE, STRAUB & MURPHY, LLP
Certified Public Accountants

Johnson, Mizelle, Straub & Murphy, LLP

Kitty Hawk, North Carolina
November 25, 2020

Town of Nags Head, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2020

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X no
- Significant Deficiency(s) ___yes X none reported

Noncompliance material to financial statements noted? ___yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes X no
- Significant Deficiency(s) identified ___yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___yes X no

Identification of major federal programs:

CFDA No(s). Names of Federal Program or Cluster

97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? X yes ___no

State Awards

The only major State program for the Town of Nags Head is the Disaster Grants - Public Assistance, which is a State match on a federal program. Therefore, this program has been included in the list of major federal programs above.

Town of Nags Head, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Town of Nags Head, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020

None reported.

Town of Nags Head, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Commerce</u>					
Passed through N.C. Department of Environmental Quality: Coastal Zone Management Administration Awards	11.419		\$ 19,110	\$ -	\$ 11,500
Total U.S. Department of Commerce			<u>19,110</u>	<u>-</u>	<u>11,500</u>
<u>U.S. Department of Homeland Security</u>					
Direct Programs:					
Assistance to Firefighters Grant	97.044		178,975	-	19,409
Homeland Security Grant Program (HSGP)	97.067		12,661	-	-
Passed through N.C. Department of Public Safety:					
Disaster Grants-Public Assistance	97.036	FEMA-4285-DR-NC	5,428,665	1,809,555	8,401,327
Disaster Grants-Public Assistance	97.036	FEMA-4465-DR-NC	45,674	15,225	-
Disaster Grants-Public Assistance	97.036	FEMA-4465-DR-NC	25,571	8,524	-
Total U.S. Department of Homeland Security			<u>5,691,546</u>	<u>1,833,304</u>	<u>8,420,736</u>
<u>U.S. Department of Treasury</u>					
Passed through Dare County: Coronavirus Relief Fund	21.019		76,958	-	-
Total U.S. Department of Treasury			<u>76,958</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Justice</u>					
Direct Program:					
Bulletproof Vest Partnership Program	16.607		3,075	-	3,075
Passed-through N.C. Department of Public Safety: Edward Byrne Memorial Justice Assistance Grant Program	16.738		48,604	-	-
Total U.S. Department of Justice			<u>51,679</u>	<u>-</u>	<u>3,075</u>
State Awards:					
<u>N.C. Department of Environment Quality</u>					
Public Beach and Coastal Waterfront Access Program		DEQ-22		122,226	61,962
Total N.C. Department of Environmental Quality				<u>122,226</u>	<u>61,962</u>
<u>N.C. Department of Environment Quality</u>					
Public Beach and Coastal Waterfront Access Program		DEQ-22		1,600	-
Total N.C. Department of Environmental Quality				<u>1,600</u>	<u>-</u>
<u>N.C. Department of Transportation</u>					
Powell Bill Program		DOT-4		185,126	-
Total N.C. Department of Transportation				<u>185,126</u>	<u>-</u>
<u>N.C. Department of Public Instruction</u>					
School Resource Officer Grant		N/A		50,228	65,093
Total N.C. Department of Public Instruction				<u>50,228</u>	<u>65,093</u>
Total Federal and State awards			<u>\$ 5,839,293</u>	<u>\$ 2,192,484</u>	<u>\$ 8,562,366</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

(1) Basis of presentation: The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of The Town of Nags Head under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of The Town of Nags Head, it is not intended to and does not present the financial position, changes in net position or cash flows of The Town of Nags Head.

Note 2: Summary of Significant Accounting Policies

(2) Summary of significant accounting policies: Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Nags Head has elected not to use the 10-percent de minimis indirect cost rate