
TOWN OF NAGS HEAD, NORTH CAROLINA

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

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

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Town of Nags Head Annual Comprehensive Financial Report For the Fiscal Year Ended June 30 2021

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INTRODUCTORY SECTION

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Benjamin Cahoon
Mayor

Michael Siers
Mayor Pro Tem

Andy Garman
Town Manager



Town of Nags Head
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Nags Head, NC 27959
Telephone 252-441-5508
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M. Renée Cahoon
Commissioner

J. Webb Fuller
Commissioner

Kevin Brinkley
Commissioner

November 22, 2021

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 principles (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 annual comprehensive financial report of the Town of Nags Head for the fiscal year ended June 30, 2021.

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, 2021, 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, 2021, 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 restricted for future capital projects. The capital reserve fund has been consolidated with the general fund. Funding includes appropriations for parks and paths and streets 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 Town adopted three legally budgeted capital project funds – the beach renourishment capital project fund accounting for the Town's maintenance on a 2019 beach nourishment project, the beach nourishment maintenance capital project fund accounting for the Town's maintenance on a 2022 beach nourishment restoration

project, and the beach nourishment master plan capital project fund accounting for long-term beach nourishment planning.

Minimum fixed base and volumetric water rate charges 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. Engagement from government administrators, employees, citizens, and business leaders is important in forming the basis for providing community services and guiding Town priorities. Community goals have been developed by the Board of Commissioners, influenced by stakeholder input, needs, and concerns. A defined strategic direction is the driving force behind decisions that enhance the overall quality of life in our town. This long-term vision has been adjusted to what is possible within the next five years. Resources have been aligned with accomplishing identified goals.

Travel and tourism are the economic engines for the Town of Nags Head. Actions have been taken to protect our critical natural resources to ensure the long-term viability and health of the coastal eco-system and economic vitality of the Town. Focused plans are being developed to manage shorelines that protect the natural environment. A beach restoration project in the summer of 2022 will replace 611,000 cubic yards of sand which was lost during 2019's Hurricane Dorian. The project, spanning 4.45 miles and located in the southern part of Nags Head, is engineered to provide enough healthy, protective beach to allow the Town to align its regularly scheduled beach nourishment maintenance with those of the other Dare County beaches, tentatively planned for 2027. The estimated \$14 million project cost will be primarily grant funded through the Federal Emergency Management Agency (FEMA), the North Carolina Division of Emergency Management, and the North Carolina Division of Water Resources.

Nags Head's scheduled beach nourishment maintenance projects are likely the largest locally-funded projects of their kind in the United States. Project financing on beach nourishment maintenance and planning projects are typically done through town-wide property taxes, including revenues from municipal service districts (MSD's). MSD's are defined areas where additional property tax is levied to provide project costs or services that benefit the properties in that district. The funding plan recognizes that the benefits on nourishment extend not only to the immediate oceanfront, but to the adjacent property owners as well. These are all properties that benefit from reduced flooding and impacts to infrastructure, as well as increased property values due to their proximity to a well-maintained recreational beach. Our beach is a key piece of infrastructure from which the entire town benefits. In order to support future maintenance and planning projects and provide more stability for future tax rates, the Board of Commissioners put 4 additional MSD's into place to give the Town more flexibility for future beach nourishment activities.

The Town of Nags Head has always supported collaborative research efforts between its many partnerships with academia, non-profit organizations, and state and federal agencies to obtain a greater understanding of the factors related to coastal management challenges. These efforts provide insight into the advancement of management strategies and techniques for the development of a comprehensive and sustainable resiliency plan. A current partnership with the Virginia Institute of Marine Science, Virginia Commonwealth University, and the U.S. Army Research & Development Center focuses on dune resilience. The study will explore trade-offs between constructed and natural dunes across the Outer Banks to make better informed decisions in effectively planning and developing coastal management strategies by leveraging resources in working towards the advancement of becoming a more resilient community.

Adaptive resilience strategies are being built in the face of environmental changes. The Town of Nags Head was one of 11 communities across the nation selected to participate in an effort to address its unique energy resilience challenges and goals through the Department of Energy's Energy Transitions Initiative Partnership Project (ETIPP). Specifically, this project will increase the incorporation of energy efficient, renewable measures into the design of emergency infrastructure which will allow the community to better withstand, respond to, and recover rapidly from disruptions without long-term damage to our economy or environment.

Nags Head's citizens expect, and deserve, the delivery of consistent and exemplary public service. Aligning priorities across departments through integration and coordination of interdepartmental processes provide a framework to accomplish this. A newly combined streets and stormwater capital reserve addresses maintenance and improvements to the town's streets and drainage system on a life cycle basis. A pavement condition survey developed a pavement maintenance plan that addresses maintenance to all Town-owned streets (37 miles) over a period of 20 years. These projects will be coordinated with drainage and waterline projects that will be planned in conjunction with, or in advance of, street work. Additionally, the proposed Town paving plan accounts for paving beach accesses to coincide with street work. As North Carolina's leader in providing public beach access, Nags Head is committed to the maintenance and accessibility of these improvements.

In order to promote sustainable tourism, improvements continue to provide enhanced amenities and integrate connectivity throughout town. Funding has been allocated towards planning and design of a sound side boardwalk in the vicinity of the Soundside Event site and sidewalk extensions at Seachase, Bonnett and Barnes Streets. The Town was awarded \$450,000 in grant funds toward replacing the Epstein Street bathhouse. An integrated master plan for Public Works facilities is currently being developed which will serve as a capital planning tool for future budgeting purposes. Design for Phase I of the facilities is being bid out as part of the master plan, which will consider physical improvements to better serve existing and future staff needs, allow for improved services to the public, and provide acceptable facilities for the storage and maintenance of equipment and assets.

American Rescue Plan grant funds of \$948,125 will supplement an asbestos water line replacement project taking place in the southern portion of Old Nags Head Cove, in coordination with scheduled drainage and paving work. A 5% water rate increase to both the minimum base rate and volumetric charges have been adopted to meet current and future capital and operating needs. This increase will be looked at in concert with a System Development Fee (SDF) professional supporting analysis, in accordance with N.C. General Statutes. SDF's are up-front fees charged to new developments connecting to the water system for the first time and are designed to recover the Town's cost of previously incurred infrastructure investments that allow for sufficient capacity to serve the new development.

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 annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020. 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 annual comprehensive financial report, whose contents conform to program standards. Such ACFR 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 five 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,



Andy Garman
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, 2020

Christopher P. Morill

Executive Director/CEO

Town of Nags Head, North Carolina
List of Elected and Appointed Officials
For the Fiscal Year Ended June 30, 2021

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

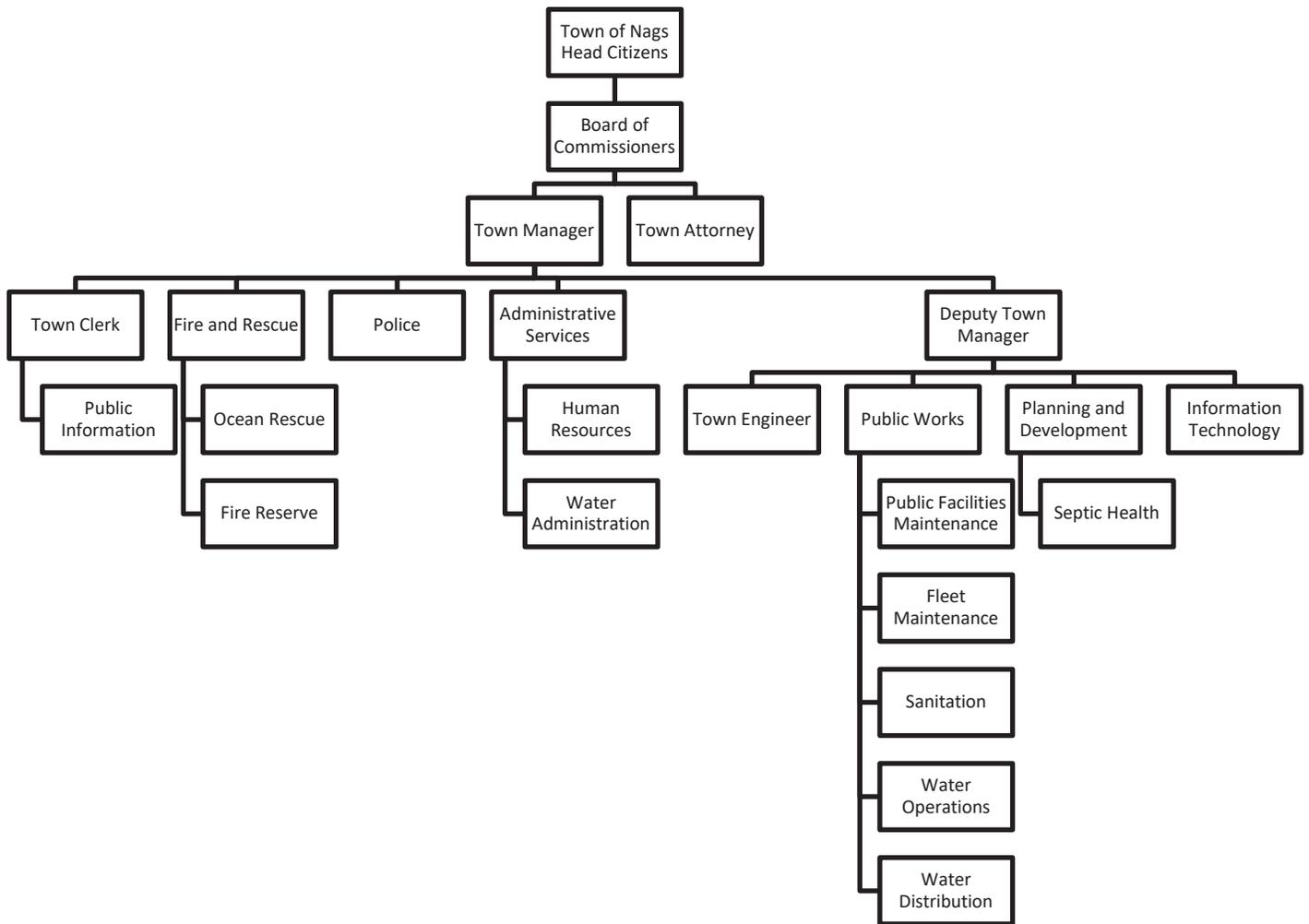
John Leidy
Andy Garman

Town Administration

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

Carolyn Morris
Amy Miller
Michael Zehner
Eric Claussen
Randy Wells
J. Phillip Webster

Town of Nags Head, North Carolina Organizational Chart June 30, 2021



FINANCIAL SECTION

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, 2021, 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, 2021, 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 - 18, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Contributions, on pages 72 - 73, 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 74 - 75 and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 76 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, and statistical section 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, and supplemental ad valorem tax schedules 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 22, 2021 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 22, 2021

Management Discussion and Analysis
Town of Nags Head
June 30, 2021

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, 2021. 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 \$ 61,287,593 (*net position*).
- The Town's total net position decreased by \$ 2,670,687. This includes a decrease in the governmental activities of \$ 2,483,816 and a decrease in the business-type activities of \$ 186,871.
- As of the close of the current fiscal year, the Town of Nags Head's governmental funds reported combined ending fund balances of \$ 24,292,737, an increase of \$ 1,937,500 over the prior year. Approximately 46% of this total amount, or \$ 11,258,758, is non-spendable or restricted. The fund balance increase is attributed to an increase in assets in the combined non-major governmental funds, which are multi-year capital project funds. In fiscal year 2021, funds were transferred from the capital reserve fund to establish two new capital project funds for the purpose of beach nourishment construction and planning, in addition to the previously established beach renourishment capital project fund. The beach renourishment capital project fund was reported as a major fund in fiscal year 2020. The capital reserve fund transferred a total of \$3,058,390 to fund the two new beach nourishment capital project funds, which contributes to the \$1,718,382 decrease in the restricted portion of fund balance for the capital reserve fund. Combined capital outlay expenditures for fiscal year 2021 in these beach nourishment capital project funds totaled \$952,242. The current year capital reserve funding combined with prior year fund balance of \$2,386,849 reported in the beach renourishment capital project resulted in a fund balance increase of \$2,090,732 reported in these non-major governmental funds. Currently, town wide taxes and additional taxes on the properties located in the municipal service districts (MSD) are funneled through the capital reserve fund to locally fund beach nourishment projects and debt service repayments. Per state statute, sales tax revenues derived from the MSD are also restricted for beach nourishment.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 8,185,984, or 35% of total general fund expenditures for the fiscal year, or 39% of general fund expenditures excluding bond debt, which is referenced in the Town's fund balance policy. This is a \$448,231 decrease over the prior year of \$ 8,634,215. The decrease primarily results from the fund balance appropriation of \$316,712 for the fiscal year 2022 adopted budget which accounts for the assigned portion of fund balance in fiscal year 2021. There were no subsequent year's expenditures assigned in the fiscal year 2020 general fund balance.
- Although the restricted portion of the general fund balance in total marginally decreased from the prior fiscal year, there was a shift in the components in what made up restricted fund balance. As previously discussed, a reduction in the restricted portion of fund balance for the capital reserve fund contributed to that decrease. The capital reserve fund is a legally adopted fund that is restricted for future capital projects, including beach nourishment, parks and paths, and streets and stormwater, and is consolidated in the general fund. Conversely, the restricted portion of fund balance that is stabilization by state statute (RSS) increased. This restriction of annually budgeted funds by N.C. G.S. 159-

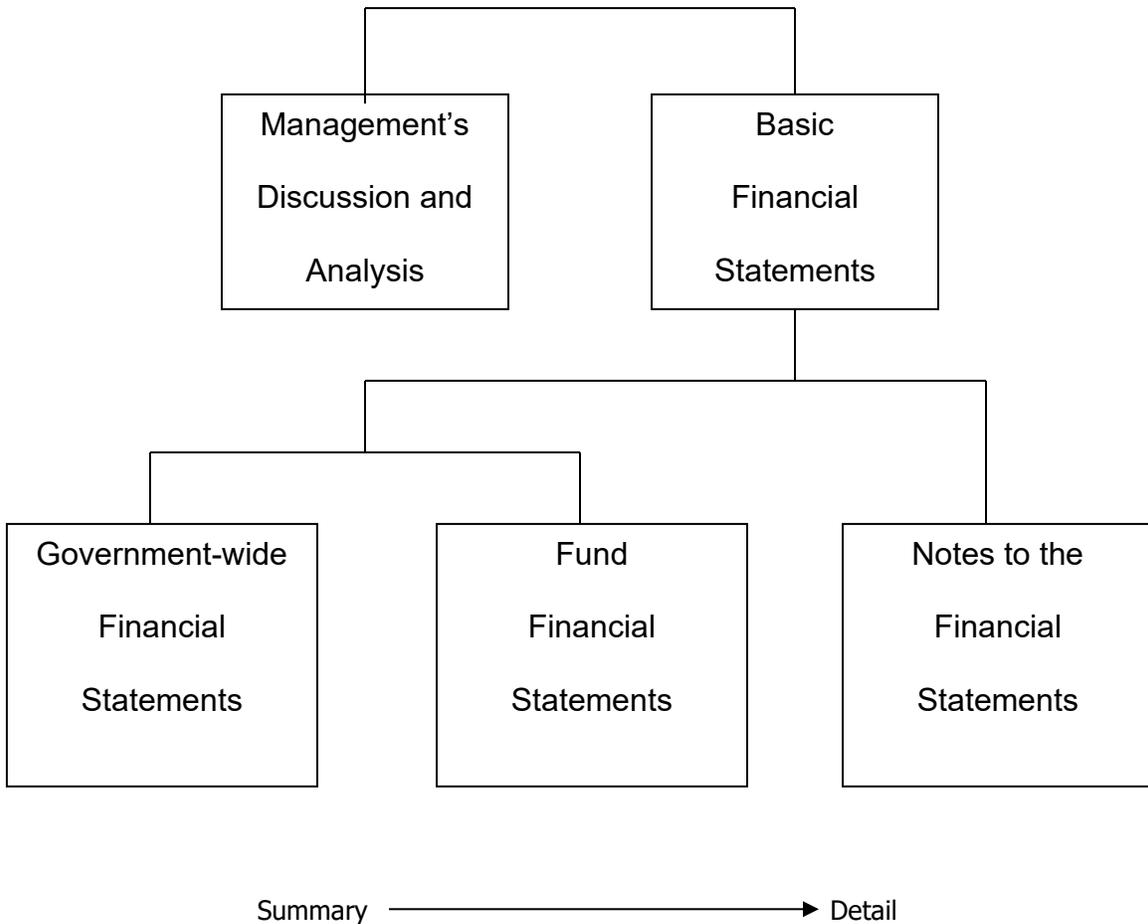
Management Discussion and Analysis
Town of Nags Head
June 30, 2021

- 8 is designed to improve and maintain the fiscal health of local governments by prohibiting them from budgeting or spending a portion of their fund balance. Outstanding encumbrances are included within RSS. General fund encumbrances for fiscal year 2021 increased by \$1,161,116 over the prior fiscal year. Upon thorough revenue and expenditure monitoring and evaluation, fund balance was appropriated for encumbrances to pay for deferred vehicles and maintenance/repairs and design work totaling \$1,192,237. Fund balance was leveraged to make these purchases and stay within our fund balance policy due to occupancy, land transfer, and sales taxes, represented as other taxes and licenses in governmental general revenues, coming in at \$2,110,417, or 129.20% over budget. Initial conservative budgeting resulted from the unknown impact COVID 19 would have on our tourism driven economy, which proved to be resilient. These restrictions are both elements of restricted net position and restricted fund balance on the face of the balance sheet.
- The Town's total governmental debt for installment financing purchase contracts decreased by \$ 2,443,911, attributable to the debt payment of \$2,276,000 made towards direct placement financing for a beach nourishment special obligation bond. This bond has fixed principal annual payments and will be paid off in fiscal year 2024.
 - The Town was required to follow the county-wide property revaluation in fiscal year 2021. Real and personal property valuations have increased by over 26% for ad valorem and motor vehicle taxes, compared to fiscal year 2020. Due to the revaluation, the total overall assessed property valuation, including property and registered motor vehicles, increased by \$ 645,443,481, from \$ 2,451,719,147 in fiscal year 2020 to \$ 3,097,162,628 in the current fiscal year.
 - The general fund budget for the fiscal year June 30, 2021, includes a revenue-neutral tax rate of \$.265 per \$100 of assessed valuation. Of this total, \$.0255 is restricted by the Board for beach nourishment. Flat rate contributions of \$200,000 and \$1,050,000, respectively, are restricted by the Board for the parks for parks and paths and streets and stormwater management capital reserves.
 - The Municipal Service District (MSD) tax restricted for the purpose of beach nourishment has also adopted a revenue-neutral tax rate of \$14.3 per \$100 of valuation for the fiscal year 2021. Due to the revaluation, real and personal property valuations have increased by over 28% for MSD taxes, compared to fiscal year 2020.
 - In spite of an increase in the water fund unrestricted net position, the total water fund net position decreased by \$186,871, or 2%. The water fund owned land that was more appropriately owned by the general fund. The Board of Commissioners formalized for the general fund to purchase the land from the water fund for \$872,532 in fiscal year 2021. The land carried an additional donated value of \$626,09. This led to a \$1,453,552 decrease in the water fund net investment in capital assets as land is not a depreciable asset. The water fund also realized a (\$626,094) non-operating loss on the disposal of capital assets, which was the donated value of the land.

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)



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.

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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 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

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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 30-71 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 72-76 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.

Government-Wide Financial Analysis
Town of Nags Head Net Position
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	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 25,037,810	\$23,040,297	5,416,309	\$ 4,116,799	\$ 30,454,119	\$ 27,157,096
Capital assets	45,896,084	52,049,231	5,088,202	6,522,404	50,984,286	58,571,635
Total assets	70,933,894	75,089,528	10,504,511	10,639,203	81,438,405	85,728,731
Deferred outflows of resources	2,904,536	1,711,192	221,648	165,568	3,126,184	1,876,760
Long-term liabilities	16,145,357	16,725,470	744,374	652,093	16,889,731	17,377,563
Other liabilities	4,804,372	4,647,755	720,831	625,582	5,525,203	5,723,337
Total liabilities	20,949,729	49,979,334	1,465,205	1,277,675	22,414,934	22,650,900
Deferred inflows of resources	695,153	750,131	166,909	246,180	862,062	996,311
Net position:						
Net investment in capital assets	36,284,111	40,161,631	5,008,907	6,462,459	41,293,018	46,624,090
Restricted	11,184,939	11,135,803	45,506	29,815	11,230,445	11,165,618
Unrestricted	4,724,498	3,379,930	4,039,632	2,788,642	8,764,130	6,168,572
Total net position	\$ 52,193,548	\$ 54,677,364	\$9,094,045	\$9,280,916	\$ 61,287,593	\$ 63,958,280

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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 \$ 61,287,593 as of June 30, 2021. The largest portion of net position, \$ 41,293,018 (67%) 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.

The net investment in capital assets portion of net position for both governmental and business-type activities decreased. For business-type activities this relates to the sale and transfer of a piece of land between the water fund and the general fund as previously discussed in the financial highlights. For governmental activities, depreciation of \$7,509,291 was taken on the Town's 2019 beach nourishment project, depreciated over five years. Additionally, the Town's liability restricted from outstanding debt related to the acquisition of capital assets decreased by \$2,443,911 due to the debt payment made towards direct placement financing on that project.

An additional portion of the Town's net position, \$ 11,230,445 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 8,764,130 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2021, 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.

Town of Nags Head Changes in Net Position
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	Governmental Activities		Business-Type Activities		Totals	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 457,203	\$ 375,270	\$ 3,713,838	\$ 3,365,591	\$ 4,171,041	\$ 3,740,861
Operating grants and contributions	852,638	956,481	2,100	-	854,738	956,481
Capital grants and contributions	511,050	8,090,118	64,930	10,496	575,980	8,100,614
General revenues:						
Property taxes	9,718,872	9,208,182	-	-	9,718,872	9,208,182
Other taxes and licenses	9,398,028	6,287,733	-	-	9,398,028	6,287,733
Other unrestricted intergovernmental	918,654	932,135	-	-	918,654	932,135
Investment income	(124,386)	571,689	(19,280)	79,816	(143,666)	651,505
Other	229,691	213,856	2,120	2,193	231,811	216,049
Total Revenues	<u>21,961,750</u>	<u>26,635,464</u>	<u>3,763,708</u>	<u>3,458,096</u>	<u>25,725,458</u>	<u>30,093,560</u>
Expenses:						
General government	12,504,708	12,396,326	-	-	12,504,708	12,396,326
Public safety	7,036,704	6,340,300	-	-	7,036,704	6,340,300
Public Works	2,158,949	2,616,743	-	-	2,158,949	2,616,743
Environment Protection	2,183,166	2,017,127	-	-	2,183,166	2,017,127
Streets and Drainage	267,697	381,747	-	-	267,697	381,747
Interest on long-term debt	294,342	581,012	-	-	294,342	581,012
Water Utility	-	-	3,950,579	3,186,733	3,950,579	3,186,733
Total Expenses	<u>24,445,566</u>	<u>24,333,255</u>	<u>3,950,579</u>	<u>3,186,733</u>	<u>28,396,145</u>	<u>27,519,988</u>
Increase (decrease) in Net Position	<u>(2,483,816)</u>	<u>2,302,209</u>	<u>(186,871)</u>	<u>271,363</u>	<u>(2,670,687)</u>	<u>2,573,572</u>
Net position – July 1	<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>
Net position – June 30	<u>\$ 52,193,548</u>	<u>\$ 54,677,364</u>	<u>\$9,094,045</u>	<u>\$9,280,916</u>	<u>\$ 61,287,593</u>	<u>\$ 63,958,280</u>

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Governmental activities. Governmental activities decreased the Town's net position by \$ 2,483,816. In capital grants and contributions, grant reimbursement towards the summer of 2019 beach nourishment maintenance project totaled \$7,238,221 in fiscal year 2020, which account for the fiscal year 2021 decrease. The property tax increase is correlated to the revaluation described previously. Per state statute, the revaluation includes a growth factor in the calculation of the revenue neutral rate. In calculating the revenue neutral rate, Dare County advised a 5% decrease in their estimated valuations due to property appeals. After appeals, the real property valuation (excluding motor vehicles) for fiscal year 2021 was \$3,042,750,377 compared to the \$2,920,155,126 estimated by Dare County. Additionally, the tax collection rate was budgeted at a relatively modest 98.5% to account for COVID 19 unknowns. The total town wide levy collection percentage for fiscal year 2021 was 99.954%, due to continued diligence in the collection of property taxes. As a point of reference, the statewide average in fiscal year 2021 was 98.96%. Tourism driven revenues including sales, occupancy, and land transfer taxes are included in other taxes and licenses and came in at 28%, 51%, and 128%, respectively, over the prior fiscal year. Combined, these revenues came in at 47% higher, or \$3,003,014, compared to the prior fiscal year. Investment income decreased by \$696,075 due to declining interest rates resulting in over a 60% decrease in realized interest income. This also reflected an unrealized fair market value loss of \$319,863 on investments compared to the prior year's gain of \$34,880.

Business-type activities. Business-type activities in the water fund decreased the town's net position by \$ 186,871, or 2%. Water fund unrestricted net position increased by \$1,250,990 or 44%. In spite of no water rate increase in FY 2020/2021, utility sales increased 10%, or \$345,859 which contributed to operating income of \$394,776, a \$213,074 or 117% increase over the prior year. This also allowed for a positive net cash flow of \$694,175 in water fund operating activities. The North Carolina Local Government Commission closely monitors this specific metric in order to ensure sustainable and reliable water operations. In spite of an increase in the water fund unrestricted net position, the total water fund net position decreased by \$186,871. This relates to the sale of the Soundside event site to the general fund as referenced above. There was a donated piece of land with a value of \$626,094 that was transferred to the general fund, since the Soundside Event land has now been completely purchased by the general fund. The total sale price of the land at \$872,532, net of the book value of the land, resulted in a loss of (\$626,094) on the disposal of water fund capital assets, which was the value of the donated land (general fund purchase price was the book value of the land, or original purchase price). This led to a \$1,453,552 decrease in water fund net investment in capital assets as land is not a depreciable asset. The wholesale water rate increased from \$1.924 to \$2.152 per million gallons purchased, or 11.85%. The rate is set per an interlocal agreement with Dare County and was driven by a total decrease in gallons in fiscal year 2019-2020 and an increase in eligible capital costs, including funding for membrane replacements. Gallons purchased from Dare County increased by 50.74 million gallons, or 13%. Due to both a wholesale water rate increase and an increase in usage (gallons purchased), the cost of wholesale water purchased increased by \$203,703 or approximately 27%. The usage increase reflects the increase in tourism as described above in governmental activities.

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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 \$ 8,185,984 while total fund balance reached \$19,815,156. While the total fund balance change is less than 1%, the Board of Commissioners accomplished funding strategic initiatives as well as deferred vehicles and maintenance/repairs and design work outside of the adopted budget. Upon diligent budget monitoring fund balance was able to be appropriated for \$2,714,769 to pay for these items. This included restricting an additional \$650,000 to pump funds into the newly created streets and stormwater capital reserve in order to address maintenance and improvements to the Town's streets and drainage infrastructure. The deferred maintenance/repair items and design work totaled \$1,192,237 and were discussed in the financial highlights. The general fund purchase of non-depreciable land for \$872,532, owned previously by the water fund, also was discussed in the financial highlights. Fund balance was able to be leveraged to make these purchases and stay within fund balance policy. The unassigned fund balance of \$8,185,984 is less than 50% of expenditures less bond debt (39%), but not less than the \$5,000,000 minimum required. In summary, this was due to shared revenues (occupancy, land transfer, and sales taxes) coming in at \$2,110,417 over budget, or 129.20%, due to conservative budgeting resulting from the unknown impact COVID 19 would have on our economy. Additionally, the revaluation and again conservatively budgeted tax collection rate resulted in town-wide ad valorem tax revenues coming in approximately \$400,000 over budget. 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 35% of total general fund expenditures for the fiscal year compared to 23% for the prior year. This calculation includes bond debt of which \$19,254,101 was paid in the prior fiscal, compared to \$2,521,353 paid in the current fiscal year. Debt service of \$16,662,452 toward the grant funded portion of a beach nourishment special obligation bond was paid in full in the prior fiscal year. However according to the Town's fund balance policy, unassigned fund balance represents 39% of general fund expenditures for the current fiscal year, excluding bond debt, compared to 48% for the prior year. This can be explained by the \$3,058,390 transfer to fund the two new beach nourishment capital project funds described in the financial highlights.

On June 30, 2021, the governmental funds of the Town of Nags Head reported a combined fund balance of \$ 24,292,737 a 9% increase from last year. The \$3,058,390 general fund transfer to the beach nourishment multi-year capital project funds is the primary change in fund balance. This funding combined with the prior year fund balance of \$2,386,849 reported in the beach renourishment capital project resulted in a fund balance increase of \$2,090,732 reported in these non-major governmental funds. Currently, funds derived from town wide taxes, additional taxes on the properties located in the municipal service districts (MSD), and sales tax revenues derived accumulate from the MSD accumulate year to year as they are restricted towards funding these beach nourishment projects and debt service repayments.

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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 \$4,039,525, a \$1,250,990 or 44% increase over last year. The water fund had an increase of \$1,186,984, or 39%, in unrestricted cash and cash equivalents compared to the prior fiscal year. This is comprised of \$694,175 and \$530,909 from net cash provided by operating and capital and related financing activities, respectively. In spite of no water rate increase in FY 2020/2021, due to increased tourism utility sales increased 10%, or \$345,859 which is included in net cash provided by operating activities. This also resulted in the \$350,274, or 10% increase in operating revenues over the prior fiscal year. The \$872,532 sale of land is included in net cash provided by capital and related financing activities. 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.

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 other taxes and licenses, capital outlay expenditures, and other financing sources. Initial conservative budget assumptions in reducing sales, occupancy, and land transfer taxes, included in other taxes and licenses, over the prior fiscal year as well as not appropriating fund balance for the fiscal year 2020-2021 adopted budget allowed us to be prepared for uncertainty while staying within our fund balance policy. The Board of Commissioners was able to review the tourism driven revenues after the seasonal summer peak period in order to fund projects that were not included in the adopted budget. The budget for these taxes were increased in order to fund items that sustain and support our tourism-driven economy including increases for sanitation and recycling, unfreezing vacant positions in environmental protection, providing a minimum wage of \$15 for seasonal employees in public safety, a new beach walkover, master planning for a new public works facility and an estuarine shoreline, provide building repairs, expand and refurbish our fleet, and accelerate vehicle replacements. Fund balance was appropriated for the general fund purchase of the water fund land for \$872,532, provide additional funding of \$650,000 towards the streets and stormwater capital reserve, and funding deferred maintenance/repair/replacement and design items totaling \$1,192,237, consisting primarily of eight replacement vehicles purchased on a pay-go basis. A budget increase in installment financing proportionately increased the various capital outlay functions to appropriate \$ 1,373,008 of direct borrowing and associated capital outlay expenditures for budgeted capital purchases, including four sanitation vehicles in environmental protection, upgraded portable radios for public safety, and various vehicle replacements among other functions of the Town. Amendments made to recognize new funding amounts in restricted intergovernmental revenues included a \$75,0000 National Fish and Wildlife Foundation coastal resiliency grant and awards from the North Carolina Coastal Management Program (CAMA) towards two ADA compliant beach walkovers.

General fund balance appropriations totaling \$1,188,722 were made for fiscal year 2020 open encumbrances. Capital outlay items carried over primarily include \$647,195 in general government towards multi-use path completion, \$309,328 in environmental protection for a sanitation front loader, and \$78,071 for beach access improvements in public works. To offset the cost of the beach access improvements, a budget amendment to increase restricted intergovernmental revenues and decrease fund balance appropriation was adopted for \$47,232, reflecting the grant revenue awarded from CAMA.

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In the general fund, actual revenues were 13% higher than the final revised budget. The ad valorem tax coming in 6% over budget is correlated to the county-wide revaluation described previously. As previously discussed under governmental activities, The revenue neutral growth rate, lower than anticipated property appeal adjustments, and a tax collection rate budgeted at 1.5% less than what was actually collected account for the difference. Tourism driven revenues including sales, occupancy, and land transfer taxes are included in other taxes and licenses and came in at 127.02%, 127.37%, and 139.42%, respectively, over budget. Combined, these revenues came in at 129.20%, or \$2,110,417 over budget. This is attributed to the unpredicted resiliency of travel and tourism in Dare County during the COVID 19 pandemic. Negative investment income was recorded due to an unrealized fair market loss of \$170,012, which was less than realized interest income due to declining interest rates.

General Fund expenditures not in alignment with the final revised budget are notably from encumbrances totaling \$2,319,838 being carried forward to fiscal year 2022's appropriated fund balance. Of these encumbrances, current expenditures include \$139,500 carried over towards the coastal resiliency estuarine shoreline management plan and \$191,375 for garage doors and HVAC systems in public works. Capital outlay encumbrances include \$234,506 for six pay-go vehicles in public safety and \$1,452,866 for six sanitation vehicles in environmental protection, three of which are pay-go and 3 of which are installment financed. Savings occurred naturally throughout all expenditure functions including lapse salaries and benefits and fuel.

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, 2021, totals \$ 50,984,286 (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 \$952,241, governmental activities
- Peterbilt Front Load Trash Truck \$301,727, governmental activities
- Multi-use path and sidewalk capital projects totaling \$601,152 (infrastructure), governmental activities
- Radio upgrades \$606,532, governmental activities
- SCBA Air Packs \$255,685, governmental activities
- Water line improvements \$240,908, business-type activities
- Governmental activities decrease due to \$7,509,291 depreciation on the Town's 2019 beach nourishment project (improvements)
- Purchase of water fund owned land for \$872,532 in governmental activities. The donated value of the land was \$626,09, transferred from business-type to governmental activities. This drove the decrease in business-type activities.

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

	<u>Governmental</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 12,309,818	\$ 10,811,192	\$ 204,205	\$ 1,702,831	\$ 12,514,023	\$ 12,514,023
Art	107,553	107,553	-	-	107,553	107,553
Construction in progress	44,991	1,600	73,721	-	118,712	1,600
Buildings	3,568,739	3,787,245	874,876	916,931	4,443,615	4,704,176
Other improvements	354,573	310,888	9,007	9,747	363,580	320,635
Improvements	19,228,741	27,279,153	292,135	310,752	19,520,876	27,589,905
Equipment	1,648,495	1,428,232	134,474	139,906	1,782,969	1,568,138
Vehicles	3,368,390	3,341,262	94,585	47,903	3,462,975	3,389,165
Intangibles	-	-	907,865	1,016,268	907,865	1,016,268
Infrastructure	5,264,784	4,982,106	2,497,334	2,378,066	7,762,118	7,360,172
Total	\$ 45,896,084	\$ 52,049,231	\$ 5,088,202	\$ 6,522,404	\$ 50,984,286	\$ 58,571,635

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 \$335,402. The Town's total governmental debt for installment financing purchase contracts decreased by \$ 2,443,911, attributable to the debt payment of \$2,276,000 made towards direct placement financing for a beach nourishment special obligation bond. The Town's proportionate share of the Local Government Employees' Retirement System (LGERS) net pension liability and its total Other Post-Employment Benefits (OPEB) liability increased by approximately 38% and 17%, respectively, from the prior fiscal year. As of June 30, 2021, the Town had long-term debt totaling \$20,901,590. Of this amount, \$20,098,720 is reported in the governmental activities and \$ 802,870 is reported in the business-type activities.

Town of Nags Head Outstanding Debt

	<u>Governmental</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Direct borrowing installment finance purchases	\$ 3,570,958	\$ 3,738,869	\$ 79,295	\$ 59,945	\$ 3,650,253	\$ 3,798,814
Direct placement installment finance purchases	6,828,000	9,104,000	-	-	6,828,000	9,104,000
Total OPEB liability	4,631,344	3,870,943	392,938	387,916	5,024,282	4,258,859
Total pension liability (LEOSSA)	1,303,038	922,305	-	-	1,303,038	922,305
Net pension liability (LGERS)	3,141,267	2,279,144	289,937	210,364	3,431,204	2,489,508
Compensated absences	624,113	625,134	40,700	38,372	664,813	663,506
Total	\$ 20,098,720	\$ 20,540,395	\$ 802,870	\$ 696,597	\$ 20,901,590	\$ 21,236,992

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 \$ 237,294,757.

Management Discussion and Analysis
Town of Nags Head
June 30, 2021

Economic Factors and Next Year’s Budgets and Rates

- The Town’s economy is reliant on travel, tourism, and related service industries. The 2020 average annual unemployment rate in Dare County of 9.8% is higher than the State of North Carolina’s 2020 average of 7.3%. Dare County experiences significant seasonality in rates as visitor spending has a direct impact on employment. For example, the seasonally unadjusted unemployment rate was 10.3% in January 2021 compared to 6% for the State of North Carolina. Dare County’s seasonally unadjusted unemployment rate hit a low of 4.6% in June 2021 compared to 4.9% for the State of North Carolina.
- Calculating and understanding the holistic economic impact of travel and tourism shapes strategic decisions about the long-term health and sustainability of tourism in assessing capital investment funding and prioritization in order to support future needs. Visitor spending supports businesses across the economic spectrum and generates substantial tax receipts. By aligning tourism expenditures with related sectors, the inter-relationships of visitor spending and economic impact measurements were quantified through “The Economic Impact of Travel on North Carolina’s Counties prepared for Visit North Carolina by Tourism Economics” (October 2021) in terms of visitor spending, employment, personal income, employment, and taxes:

Visitor Spending, 2020 (millions)	Lodging	Food & Beverage	Recreation	Retail	Transportation	Total Spending (Millions)	Share of State	Spending Growth Rate (2020-2019)	Employment	Share of State	Labor Income (Millions)	State taxes (Millions)	Local Taxes (Millions)	State/Local Tax Savings per resident
Dare County	\$358	\$467	\$183	\$144	\$258	\$1,410	7%	-2%	11,803	7%	\$409	\$56	\$68	\$3,244

For the State of North Carolina in 2020, Dare County ranks 4th for visitor spending. Dare County’s visitor spending growth rate decreased by a modest 2% compared to the State’s decrease of 32%. The economic impact analysis provides valuable insight into the powerful benefit of visitor spending as it flows to households in Dare County being #1 in the state for state and local tax savings per resident, \$3,244 compared to the State at \$171.

- Compared to fiscal year 2021 for the same time period (July through September), occupancy tax revenue has come in 10% higher, sales tax revenue has come in 17% higher, and land transfer tax has come in 6% higher for the Town of Nags Head. As a point of reference, compared to fiscal year 2020, fiscal year 2021 occupancy tax revenues came in 51% higher, sales tax revenues came in 28% higher, and land transfer tax came in 128% higher. With Dare County’s rich variety of unique and distinctive experiences, visitor demand continues to drive our growing economy.

Management Discussion and Analysis
Town of Nags Head
June 30, 2021

Budget Highlights for the Fiscal Year Ending June 30, 2022

- The adopted budget for the June 30, 2022, fiscal year includes a \$.0225 tax increase for a \$.2875 per \$100 valuation ad valorem tax rate. With a tax base of \$3,091,919,733 and a 99.75% tax collection rate, this results in a levy of \$8,867,399. A one cent tax is equal to \$308,431. Of the ad valorem rate, \$.025 (a \$.0025 increase) is restricted by the Board for beach nourishment. Flat rate contributions of \$200,000 and \$625,000, respectively, are budgeted for the parks and paths and streets and stormwater management capital reserves.
- The Municipal Service Districts (MSD's) 1 and 2 tax for the purpose of beach nourishment remained unchanged at tax rate of \$.143 per \$100 of assessed valuation for the fiscal year 2022. In order to support future beach nourishment maintenance and planning projects and provide more stability for future tax rates, four additional MSDs were adopted. One half cent (\$.005) was added to MSD's 3 and 6 and one cent (\$.01) was added to MSD 4 for beach nourishment (no tax rate was adopted for MSD 5). MSD's 1, 2, and 5 are in two districts. To include a property in an MSD, the project must be within the MSD boundaries. With a total tax base of \$3,095,012,388 and a 99.75% tax collection rate, this results in a total levy of \$1,626,766 for MSD's 1-6.
- The General Fund adopted budget totals \$25,748,164, an increase of \$3,581,042, or 17.59% from the fiscal year 2021 adopted budget. Initial responsible, conservative budget assumptions in fiscal year 2021 allowed the Town to be prepared for uncertainty during the COVID-19 pandemic. Throughout fiscal year 2021, the Board reviewed revenues to fund projects not included in the adopted budget to maintain high levels of service and to proactively address maintenance, repairs, and equipment replacements while staying within fund balance policy. In light of our local economy proving to be resilient as evidenced through our tourism-based revenue distributions, conservative revenue projections for fiscal year 2022 have considered potential decreases due to in-person learning resuming and non-resident homeowners moving to the Outer Banks on a more permanent basis as the workforce continues to work remotely. A 22% decrease, or (\$898,558), to the fiscal year 2021 occupancy tax revenue was budgeted. A slightly lower decrease of 10%, or (\$351,684), to the fiscal year 2021 sales tax revenue was budgeted, specifically seen as reductions in Articles 39 and 42 or the point-of-sale distributions. Land transfer tax was budgeted at a 45% decrease, or (\$733,178), to the fiscal year 2021 land transfer tax revenue. Land transfer gross collections in Dare County increased by 126.43%, or \$9,501,699, in fiscal year 2021 compared to fiscal year 2020. Since the quarter ended June 30, 2021, land transfer revenue is not received until July, budget forecasting considered a more conservative estimated revenue would be received for fiscal year 2021.
- It is Nags Head's goal to be a high performing organization through retaining and empowering a highly qualified workforce. As a result, an action implemented as part of our strategic plan was a funding a pay plan as part of a comprehensive pay and benefits policy. Adopted recommendations included a 2.6% Cost of Living Adjustment, a 3% Town 401(k) contribution (for non-sworn law enforcement officers) with no required match, within grade increases for employees meeting performance expectations, and career progression. The pay and classification study encompassed a new classification plan, a salary study, a benefits comparison, and new job descriptions.
- Fiscal year 2022 will see the third 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

Management Discussion and Analysis
Town of Nags Head
June 30, 2021

- 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 2022 debt payments are budgeted at \$2,451,252 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 drainage infrastructure at South Memorial Avenue and Soundside Road at \$360,000.
 - Grants totaling \$450,000 from the North Carolina Division of Coastal Management and the Outer Banks Visitors Bureau will supplement local funding towards replacing the Epstein Street bathhouse.
 - Connectivity enhancements include planning and design of a sound side boardwalk in the vicinity of the Soundside Event site and sidewalk extensions at Bonnett, Seachase, and Barnes Streets.
 - The Town of Nags Head received one of 46 coastal resilience grants through the National Coastal Resilience Fund (NCRF). The NCRF grants focus on restoring, increasing, and strengthening natural infrastructure to protect coastal communities. The Town of Nags Head will use these funds to ensure the long-term viability and health of our ecosystem and economic vitality of the Town. Developing an estuarine shoreline management plan will balance land use, public health, and recreational opportunities.
 - A custom fire truck that better fits the needs of the fire department is currently being built. The total budget, including equipment, will not exceed \$1,400,000.
 - Integration and coordination of interdepartmental processes align priorities across departments. Powell Bill State Street Aid revenue and the streets and stormwater capital reserve will fund overlay paving projects at the southern end of Old Nags Head Cove, Nags Head Acres, and a portion of East Barnes and Admiral Streets on a neighborhood-by-neighborhood methodical approach based on a five-year paving plan. An economy of scale and a more streamlined approach will be realized in combining multiple paving projects along with associated drainage improvements and water line upgrades. American Rescue Plan Act funds of \$948,125 will supplement \$1,759,930 pay-go funding towards replacing asbestos cement water lines in coordination with this scheduled drainage and paving work.
 - As North Carolina's leader in providing public beach access, the Town is committed to the maintenance and accessibility of these improvements. A multi-year beach access walkover replacement plan is funded beginning with Huron and Bainbridge Streets in fiscal year 2021-2022. The proposed paving plan accounts for paving of accesses to coincide with street work.
 - A beach restoration construction project occurring in the summer of 2022 will replace 611,000 cubic yards of sand lost during 2019's Hurricane Dorian. The estimated \$14 million project cost will be primarily grant funded through the Federal Emergency Management Agency (FEMA), the North Carolina Division of Emergency Management, and the North Carolina Division of Water Resources. The project, spanning 4.45 miles and located in the southern part of Nags Head, is engineered to align the Town's regularly scheduled beach nourishment maintenance with those of the other Dare County beaches, tentatively

Management Discussion and Analysis
Town of Nags Head
June 30, 2021

- planned for 2027. The Town is completing its work towards obtaining beach nourishment easements, which will solidify future beach nourishment projects.
- An integrated master plan for Public Works facilities is currently being developed which will serve as a capital planning tool for future budgeting purposes. Funding of \$275,000 was adopted to conduct design for Phase I of the facilities as part of the master plan, primarily involving the sites where the existing Public Works and Water facilities are located as well as the bulk item/brush collection yard.
 - As maintaining a safe work environment is a continued priority, best practices and physical improvements were evaluated to implement phasing in building security retrofits. Projects include design, cameras, key-card access control devices, and phased-in structural improvements at the Board of Commissioners building, Fire Station #16, and the second floor of Town Hall.
 - The water fund adopted budget totals \$5,218,657 which is a 50% increase over the prior year. This increase is attributed to the asbestos water line replacements in conjunction with the streets and drainage plan. A net position balance appropriation of \$561,459 was made towards the locally funded portion of this project, as compared to no fund balance appropriation made in the fiscal year 2020-2021 adopted budget. The cost of wholesale water purchased from Dare County has increased as well, up 11% over the prior year's adopted budget. This reflects both an increase in price per million gallons purchased and purchasing volume related to use, as evidenced through utility sales revenue increasing by 10% over the prior fiscal year. A 5% water rate increase to both the minimum base rate and volumetric charges have been adopted to meet current and future capital and operating needs. This increase will be looked at in conjunction with a System Development Fee (SDF) professional supporting analysis, in accordance with N.C. General Statutes.
 - Funding is recommended for the second year of a 10-year water tank and tower maintenance contract. This comprehensive, proactive, full-service program includes annual visual inspection evaluations and biennial washouts to keep the tanks serviceable, sound, corrosion free, watertight, and looking nice. This maintenance will extend the useful life of our tanks and towers before a complete rehabilitation is needed.
 - The Town's long-term strategy for protecting water quality through its decentralized wastewater management plan is currently being evaluated for its overall effectiveness, and a study is currently being conducted which will recommend additional necessary measures and expand and integrate the plan considering the relationship between onsite wastewater, stormwater, and groundwater. Water quality testing and monitoring continue to be funded and performed throughout town to measure the effectiveness of the Town's Septic Health Initiative and provide a general measure of water quality in Nags Head.

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 Director, 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

Town of Nags Head, North Carolina
Statement of Net Position
June 30, 2021

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 15,290,909	\$ 4,157,164	\$ 19,448,073
Taxes receivable (net)	3,281	-	3,281
Accounts receivable (net)	2,857	694,954	697,811
Accrued interest receivable	37,602	7,789	45,391
Due from other governments	2,765,585	-	2,765,585
Inventories	51,976	63,768	115,744
Prepaid items	21,843	-	21,843
Restricted cash and cash equivalents	6,863,757	492,634	7,356,391
Total current assets	25,037,810	5,416,309	30,454,119
Capital Assets:			
Land, non-depreciable			
improvements and construction in progress	12,462,362	277,926	12,740,288
Other capital assets, net of depreciation	33,433,722	4,810,276	38,243,998
Total capital assets	45,896,084	5,088,202	50,984,286
Total assets	70,933,894	10,504,511	81,438,405
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals OPEB	174,974	14,358	189,332
Changes of assumptions or other inputs OPEB	511,538	43,400	554,938
Pension deferrals LEOSSA	442,391	-	442,391
Pension deferrals LGERS	1,775,633	163,890	1,939,523
Total deferred outflows of resources	2,904,536	221,648	3,126,184
LIABILITIES			
Current liabilities:			
Accounts payable	407,018	190,234	597,252
Salaries and benefits	309,936	24,678	334,614
Accrued interest payable	115,129	222	115,351
Unearned revenue	13,402	-	13,402
Due to other governments	1,224	-	1,224
Current portion of long-term liabilities	3,953,363	58,495	4,011,858
Liabilities to be paid from restricted assets	4,300	447,202	451,502
Total current liabilities	4,804,372	720,831	5,525,203
Long-term liabilities:			
Net pension liability	3,141,267	289,937	3,431,204
Total pension liability	1,303,038	-	1,303,038
Total OPEB liability	4,631,344	392,938	5,024,282
Due in more than one year	7,069,708	61,499	7,131,207
Due in more than one year	16,145,357	744,374	16,889,731
Total liabilities	20,949,729	1,465,205	22,414,934
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	4,222	-	4,222
Pension deferrals LGERS	32,265	2,978	35,243
Pension deferrals LEOSSA	46,586	-	46,586
Pension deferrals OPEB	612,080	51,931	664,011
Prepaid water impact fees	-	112,000	112,000
Total deferred inflows of resources	695,153	166,909	862,062
NET POSITION			
Net investment in capital assets	36,284,111	5,008,907	41,293,018
Restricted for:			
Stabilization by state statute	5,102,787	-	5,102,787
Streets	144,188	-	144,188
Public safety	55,927	-	55,927
Capital reserve fund	5,882,037	45,506	5,927,543
Unrestricted	4,724,498	4,039,632	8,764,130
Total net position	\$ 52,193,548	\$ 9,094,045	\$ 61,287,593

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, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities				
General Government	\$ 12,504,708	\$ 321,514	\$ 646,167	\$ 58,943
Public Safety	7,036,704	34,925	71,984	282,649
Public Works	2,158,949	99,103	24,000	169,458
Environmental Protection	2,183,166	1,661	-	-
Streets and Drainage	267,697	-	110,487	-
Interest on long-term debt	294,342	-	-	-
Total governmental activities	24,445,566	457,203	852,638	511,050
Business-type activities:				
Water	3,950,579	3,713,838	-	64,930
Total business-type activities	3,950,579	3,713,838	-	64,930
Total primary government	\$ 28,396,145	\$ 4,171,041	\$ 852,638	\$ 575,980

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
\$ (11,478,084)	\$ -	\$ (11,478,084)
(6,647,146)	-	(6,647,146)
(1,866,388)	-	(1,866,388)
(2,181,505)	-	(2,181,505)
(157,210)	-	(157,210)
(294,342)	-	(294,342)
<u>(22,624,675)</u>	<u>-</u>	<u>(22,624,675)</u>
-	(171,811)	(171,811)
-	(171,811)	(171,811)
<u>(22,624,675)</u>	<u>(171,811)</u>	<u>(22,796,486)</u>
8,222,813	-	8,222,813
1,496,059	-	1,496,059
4,152,935	-	4,152,935
1,639,383	-	1,639,383
3,546,353	-	3,546,353
59,357	-	59,357
918,654	-	918,654
(124,386)	(19,280)	(143,666)
229,691	2,120	231,811
<u>20,140,859</u>	<u>(17,160)</u>	<u>20,123,699</u>
20,140,859	(17,160)	20,123,699
(2,483,816)	(186,871)	(2,670,687)
<u>54,677,364</u>	<u>9,280,916</u>	<u>63,958,280</u>
<u>\$ 52,193,548</u>	<u>\$ 9,094,045</u>	<u>\$ 61,287,593</u>

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

**Town of Nags Head, North Carolina
Governmental Funds
Balance Sheet
June 30, 2021**

Exhibit 3

	General	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 10,785,293	\$ 4,505,616	\$ 15,290,909
Restricted cash and cash equivalents	6,863,757	-	6,863,757
Taxes receivable (net)	3,281	-	3,281
Accounts receivable (net)	2,857	-	2,857
Accrued interest receivable	30,139	7,463	37,602
Due from other governments	2,751,642	13,943	2,765,585
Inventories	51,976	-	51,976
Prepaid items	21,843	-	21,843
Total assets	<u>20,510,788</u>	<u>4,527,022</u>	<u>25,037,810</u>
LIABILITIES			
Accounts payable	357,577	49,441	407,018
Salaries and benefits	309,936	-	309,936
Due to other governments	1,224	-	1,224
Unearned revenue	13,402	-	13,402
Liabilities payable from restricted assets:			
Bonds and deposits	4,300	-	4,300
Accounts payable	-	-	-
Total liabilities	<u>686,439</u>	<u>49,441</u>	<u>735,880</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	4,222	-	4,222
Property taxes receivable	3,281	-	3,281
Privilege licenses receivable	1,690	-	1,690
Total deferred inflows of resources	<u>9,193</u>	<u>-</u>	<u>9,193</u>
FUND BALANCES:			
Nonspendable:			
Inventories	51,976	-	51,976
Prepays	21,843	-	21,843
Restricted:			
Restricted for Stabilization by State Statute	5,102,787	-	5,102,787
Restricted for Streets	144,188	-	144,188
Restricted for Public Safety	55,927	-	55,927
Restricted for Capital Reserve Fund	5,882,037	-	5,882,037
Committed:			
LEO Special Separation Allowance	53,702	-	53,702
Beach Nourishment capital projects	-	4,477,581	4,477,581
Assigned:			
Subsequent year's expenditures	316,712	-	316,712
Unassigned	8,185,984	-	8,185,984
Total fund balances	<u>19,815,156</u>	<u>4,477,581</u>	<u>24,292,737</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,510,788</u>	<u>\$ 4,527,022</u>	

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, 2021

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)	\$ 24,292,737
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	45,896,084
Deferred outflows of resources related to pensions are not reported in the funds	
Pension deferrals - LEOSSA	442,391
Pension deferrals - OPEB	174,974
Changes of assumptions or other inputs - OPEB	511,538
Pension deferrals - LGERS	1,775,633
	<u>2,904,536</u>
Deferred inflows of resources related to pensions are not reported in the funds	
Pension related deferrals-LGERS	(32,265)
Pension related deferrals-LEOSSA	(46,586)
Pension related deferrals-OPEB	(612,080)
	<u>(690,931)</u>
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Deferred taxes receivable	3,281
Deferred miscellaneous receivable	1,690
	<u>4,971</u>
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(11,023,071)
Net pension liability	(3,141,267)
Total pension liability	(1,303,038)
Total OPEB liability	(4,631,344)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(115,129)
Net position of governmental activities (Exhibit 1)	<u>\$ 52,193,548</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, 2021

Exhibit 4

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 9,724,927	\$ -	\$ 9,724,927
Other taxes and licenses	9,398,513	-	9,398,513
Unrestricted intergovernmental	918,654	-	918,654
Restricted intergovernmental	1,335,413	13,943	1,349,356
Permits and fees	358,100	-	358,100
Sales and services	99,103	-	99,103
Net investment earnings	(95,026)	(29,360)	(124,386)
Miscellaneous	207,365	-	207,365
Total revenues	<u>21,947,049</u>	<u>(15,417)</u>	<u>21,931,632</u>
EXPENDITURES			
Current:			
General Government	3,115,138	-	3,115,138
Public Safety	6,091,021	-	6,091,021
Environmental Protection	1,820,910	-	1,820,910
Public Works	1,932,203	-	1,932,203
Streets and Drainage	38,979	-	38,979
Debt service:			
Principal	3,816,919	-	3,816,919
Interest and other charges	340,777	-	340,777
Capital outlay:			
General Government	613,015	952,241	1,565,256
Public Safety	934,868	-	934,868
Environmental Protection	301,727	-	301,727
Public Works	1,152,965	-	1,152,965
Streets and Drainage	293,035	-	293,035
Total expenditures	<u>20,451,557</u>	<u>952,241</u>	<u>21,403,798</u>
Revenues over (under) expenditures	1,495,492	(967,658)	527,834
OTHER FINANCING SOURCES (USES)			
Installment financing	1,373,008	-	1,373,008
Transfers to:			
Capital Project Funds	(3,058,390)	3,058,390	-
Sale of Capital Assets	36,658	-	36,658
Total other financing sources	<u>(1,648,724)</u>	<u>3,058,390</u>	<u>1,409,666</u>
Net change in fund balance	(153,232)	2,090,732	1,937,500
Fund balances - beginning	19,968,388	2,386,849	22,355,237
Fund balances - ending	<u>\$ 19,815,156</u>	<u>\$ 4,477,581</u>	<u>\$ 24,292,737</u>

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, 2021

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds \$ 1,937,500

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	4,247,850	
Depreciation	<u>(11,027,093)</u>	(6,779,243)

LGERS pension plan deferrals in the current fiscal year are not included on the Statement of Activities		642,175
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OPEB plan deferrals in the current fiscal year are not included on the Statement of Activities		163,609
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LEOSSA plan deferrals are not included on the Statement of Activities		64,497
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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	(6,540)	
Donated capital asset	<u>626,096</u>	619,556

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	(1,373,008)	
Decrease in accrued interest payable	46,435	
Principal repayments	<u>3,816,919</u>	<u>2,490,346</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	(1,067,383)	
LEOSSA pension expense	(142,833)	
Decrease in compensated absences	1,021	
OPEB plan expense	<u>(413,061)</u>	(1,622,256)

Total change in net position of governmental activities		<u>\$ (2,483,816)</u>
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General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 9,161,401	\$ 9,161,401	\$ 9,724,927	\$ 563,526
Other taxes and licenses	5,919,439	7,288,604	9,398,513	2,109,909
Unrestricted intergovernmental	922,500	922,500	918,654	(3,846)
Restricted intergovernmental	1,165,475	1,433,940	1,335,413	(98,527)
Permits and fees	309,925	309,925	358,100	48,175
Sales and services	71,500	71,500	99,103	27,603
Net investment earnings	140,000	140,000	(52,908)	(192,908)
Miscellaneous	198,500	197,501	207,365	9,864
Total revenues	<u>17,888,740</u>	<u>19,525,371</u>	<u>21,989,167</u>	<u>2,463,796</u>
Expenditure:				
Current:				
General Government	3,154,182	3,495,093	3,115,138	379,955
Public Safety	5,914,950	6,276,534	6,091,021	185,513
Environmental Protection	1,560,411	1,913,174	1,820,910	92,264
Public Works	1,847,224	2,252,259	1,932,203	320,056
Streets and Drainage	67,650	105,650	38,979	66,671
Debt service:				
Principal	3,641,534	3,853,661	3,816,919	36,742
Interest and other charges	338,819	339,623	340,777	(1,154)
Capital outlay:				
General Government	5,000	641,331	613,015	28,316
Public Safety	324,700	1,193,701	934,868	258,833
Environmental Protection	-	1,801,226	301,727	1,499,499
Public Works	93,500	1,268,589	1,152,965	115,624
Streets and Drainage	324,000	371,823	293,035	78,788
Contingency	125,000	-	-	-
Total expenditures	<u>17,396,970</u>	<u>23,512,664</u>	<u>20,451,557</u>	<u>3,061,107</u>
Revenues over expenditures	<u>491,770</u>	<u>(3,987,293)</u>	<u>1,537,610</u>	<u>5,524,903</u>
Other financing sources (uses):				
Transfers from Capital Reserve Fund	3,257,064	3,295,064	2,595,653	(699,411)
Transfers to Capital Reserve Fund	(3,832,851)	(4,515,449)	(3,977,779)	537,670
Installment financing	-	1,373,008	1,373,008	-
Sale of Capital Assets	15,000	15,000	36,658	21,658
Committed Fund Balance	69,017	71,842	-	(71,842)
Appropriated Fund Balance	-	3,747,828	-	(3,747,828)
Total other financing sources (uses)	<u>(491,770)</u>	<u>3,987,293</u>	<u>27,540</u>	<u>(3,959,753)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,565,150</u>	<u>\$ 1,565,150</u>
Fund balances, beginning of the year			12,367,969	
Fund balances, end of year			<u>\$ 13,933,119</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			\$ (42,118)	
Transfers to General Fund			(2,595,653)	
Transfers to Capital Project Funds			(3,058,390)	
Transfers from General Fund			3,977,779	
Fund balance, beginning of the year			7,600,419	
Fund balance, end of year			<u>\$ 19,815,156</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, 2021

Exhibit 6

	Business-type Activities		
	Major Fund Water Fund	Non-Major Fund Nags Head Leasing	Total Enterprise Funds June 30, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,157,057	\$ 107	\$ 4,157,164
Accounts receivable trade (net)	663,068	-	663,068
Accounts receivable other (net)	39,675	-	39,675
Inventories	63,768	-	63,768
Restricted cash and cash equivalents	492,634	-	492,634
Total current assets	5,416,202	107	5,416,309
Capital assets:			
Land	277,926	-	277,926
Other capital assets, net of depreciation	4,810,276	-	4,810,276
Total capital assets (net)	5,088,202	-	5,088,202
Total noncurrent assets	5,088,202	-	5,088,202
Total assets	10,504,404	107	10,504,511
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals OPEB	14,358	-	14,358
Changes of assumptions or other inputs OPEB	43,400	-	43,400
Pension deferrals LGERS	163,890	-	163,890
Total deferred outflows of resources	221,648	-	221,648
LIABILITIES			
Current liabilities:			
Accounts payable	190,234	-	190,234
Salaries and benefits	24,678	-	24,678
Accrued interest payable	222	-	222
Compensated absences - current	20,000	-	20,000
Direct placement installment purchases-current	38,495	-	38,495
Liabilities payable from restricted assets:			
Customer bonds and deposits	447,202	-	447,202
Total current liabilities	720,831	-	720,831
Noncurrent liabilities:			
Net pension liability	289,937	-	289,937
Compensated absences	20,699	-	20,699
Total OPEB liability	392,938	-	392,938
Direct placement installment purchases	40,800	-	40,800
Total noncurrent liabilities	744,374	-	744,374
Total liabilities	1,465,205	-	1,465,205
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals LGERS	2,978	-	2,978
Pension deferrals OPEB	51,931	-	51,931
Prepaid water consumption units	112,000	-	112,000
Total deferred inflows of resources	166,909	-	166,909
NET POSITION			
Net investment in capital assets	5,008,907	-	5,008,907
Restricted for capital reserve fund	45,506	-	45,506
Unrestricted	4,039,525	107	4,039,632
Net Position	\$ 9,093,938	\$ 107	\$ 9,094,045

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

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Position

For the Year Ended June 30, 2021

	Business-type Activities		
	Major Fund Water Fund	Non-Major Fund Nags Head Leasing	Total Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 3,664,298	\$ -	\$ 3,664,298
Tap and connection fees	19,530	-	19,530
Late payment penalties	24,610	-	24,610
Water tag fees	5,400	-	5,400
Miscellaneous	4,220	-	4,220
Total operating revenues	3,718,058	-	3,718,058
OPERATING EXPENSES			
Administration	284,699	-	284,699
Septic Health	124,931	-	124,931
Operations	1,905,407	-	1,905,407
Distribution	648,020	-	648,020
Depreciation and amortization	360,225	-	360,225
Total operating expenses	3,323,282	-	3,323,282
Total operating income	394,776	-	394,776
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental grant	43,000	-	43,000
Investment earnings	44,173	-	44,173
Change in fair market value of investments	(63,453)	-	(63,453)
Interest expense	(1,203)	-	(1,203)
Loss on disposal of capital assets	(626,094)	-	(626,094)
Total nonoperating revenues	(603,577)	-	(603,577)
(Loss) Before Contributions and Transfers	(208,801)	-	(208,801)
Capital contributions	21,930	-	21,930
Change in net position	(186,871)	-	(186,871)
Total net position - beginning	9,280,809	107	9,280,916
Total net position - ending	\$ 9,093,938	\$ 107	\$ 9,094,045

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, 2021

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	\$ 3,618,648	\$ -	\$ 3,618,648
Cash paid for goods and services	(2,034,514)	-	(2,034,514)
Cash paid to or on behalf of employees for services	(898,689)	-	(898,689)
Customer deposits received	51,563	-	51,563
Customer deposits returned	(47,053)	-	(47,053)
cont	2,100	-	2,100
Other operating revenues	2,120	-	2,120
Net cash provided by operating activities	694,175	-	694,175
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
grant	43,000		
System development fees received	15,930	-	15,930
Lease proceeds	65,780	-	65,780
Interest paid on debt financing	(1,249)	-	(1,249)
Septic Loans issued	(23,950)	-	(23,950)
Repayment of septic loans	29,194	-	29,194
Special assessments collected	751	-	751
Principal paid on debt financing	(46,430)	-	(46,430)
Sale of capital asset	872,532	-	872,532
Acquisition of capital assets	(424,649)	-	(424,649)
Net cash provided by capital and related financing activities	530,909	-	530,909
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment earnings	(17,897)	-	(17,897)
Net increase in cash and cash equivalents	1,207,187	-	1,207,187
Cash balances - beginning of the year	3,442,504	107	3,442,611
Cash balances - end of the year	\$ 4,649,691	\$ 107	\$ 4,649,798
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 394,776	\$ -	\$ 394,776
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	360,225	-	360,225
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) in accounts receivable	(95,191)	-	(95,191)
(Increase) in inventories	(4,511)	-	(4,511)
(Increase) in deferred outflows of resources-pension	(37,362)	-	(37,362)
(Increase) in deferred outflows of resources-OPEB	(18,718)	-	(18,718)
Increase in net pension liability	79,573	-	79,573
(Decrease) in deferred inflows of resources-pension	(2,965)	-	(2,965)
Increase in accounts payable	72,587	-	72,587
Increase in accrued liabilities	6,535	-	6,535
Increase in customer deposits	4,510	-	4,510
(Decrease) in deferred inflows of resources-OPEB	(70,306)	-	(70,306)
Increase in OPEB liability	5,022	-	5,022
Total adjustments	299,399	-	299,399
Net cash provided by operating activities	\$ 694,175	\$ -	\$ 694,175
Schedule of non-cash capital and related financing activities:			
Loss on disposal of capital asset	\$ 626,096	\$ -	\$ 626,096

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, 2021

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 Town has no fiduciary funds to report. 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, 2021

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.

The Town reports non-major governmental funds consisting of three legally budgeted capital project funds – the beach renourishment capital project fund accounting for the Town’s maintenance on a 2019 beach nourishment project, the beach nourishment maintenance capital project fund accounting for the Town’s maintenance on a 2022 beach nourishment restoration project, and the beach nourishment master plan capital project fund accounting for long-term beach nourishment planning.

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under 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. Multi-year capital project ordinances have been adopted for the Beach Renourishment, Beach Nourishment Maintenance, and Beach Nourishment Master Plan Capital Project Funds which are general governmental fund capital projects. 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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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.

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 Super NOW 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. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is 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, 2021

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	\$	144,188
	Public safety		55,927
	Capital reserve fund		5,872,357
	Bonds and deposits		4,300
	Unexpended debt proceeds		<u>786,985</u>
Total General Fund		\$	<u>6,863,757</u>
Business-type Activities:			
Water Fund	Customer deposits	\$	442,501
	Capital reserve fund		45,432
	Cash bonds		<u>4,701</u>
Total business-type activities		\$	<u>492,634</u>
Total Restricted Cash		\$	<u>7,356,391</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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, 2020.

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, 2021

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 2021 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 2021 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 and business licenses, 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, 2021

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, 2021

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

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 subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed.

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 of net position are 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, 2021

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 Director 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 \$27,900,811 consists of several elements as follows:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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)	\$ 56,923,177
Less accumulated depreciation	<u>(11,027,093)</u>
Net capital assets	45,896,084
Deferred outflows of resources related to pensions are not reported in the funds:	
Pension related deferrals-LGERS	1,775,633
Pension related deferrals-LEOSSA	442,391
Changes of assumptions or other inputs-OPEB	511,538
Pension related deferrals-OPEB	<u>174,974</u>
	2,904,536
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Deferred taxes receivable	3,281
Deferred miscellaneous receivable	<u>1,690</u>
	4,971
Deferred inflows of resources related to pensions are not reported in the funds:	
Pension related deferrals-LGERS	(32,265)
Pension related deferrals -LEOSSA	(46,586)
Pension related deferrals -OPEB	<u>(612,080)</u>
	(690,931)
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	(10,398,958)
Compensated absences	(624,113)
Net pension liability-LGERS	(3,141,267)
Total pension liability-LEOSSA	(1,303,038)
Total OPEB liability	<u>(4,631,344)</u>
	(20,098,720)
Other long-term liabilities (accrued interest) are not available	
to pay for current period expenditures and, are deferred in the funds.	<u>(115,129)</u>
Net adjustment	<u>\$ 27,900,811</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

Description	Amount
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	
<p>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 (\$4,421,316) as follows:</p>	
<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	\$ 4,247,850
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund stat	(11,027,093)
	(6,779,243)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	642,175
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	163,609
Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities.	64,497
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Donated capital asset	626,096
Changes in tax revenues	(6,540)
Change in unavailable revenue	619,556

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

Description	Amount
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:	
Debt issued or incurred:	
Direct borrowing and placement installment financings	(1,373,008)
Accrued interest payable	<u>46,435</u>
	(1,326,573)
Principal payments	3,816,919
	2,490,346
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	1,021
Pension expense-LGERS	(1,067,383)
Pension expense-LEOSSA	(142,833)
Pension expense-OPEB	<u>(413,061)</u>
	(1,622,256)
Net adjustment	<u>\$ (4,421,316)</u>

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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, 2021, the Town's deposits had a carrying amount of \$3,315,745 and a bank balance of \$3,376,968. 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, 2021, the Town's petty cash fund totaled \$1,000.

2. Investments

At June 30, 2021, the Town's investments were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/21	< 9 months	9 months-3 Years	3-5 Years	5-10 Years
Government Agency :FHLMC	Fair Value Level 2	2,187,427	-	269,387	-	1,918,040
Government Agency:FHL Bank	Fair Value Level 2	8,434,125	-	-	2,470,585	5,963,540
Government Agency:FFC Bank	Fair Value Level 2	9,862,270	-	-	4,947,490	4,914,780
Government Agency:FNMA	Fair Value Level 2	1,481,595	-	-	494,645	986,950
Commercial Paper-Credit Suisse	Amortized Cost	998,425	998,425	-	-	-
NC Capital Management Trust-Government Portfolio*	Fair Value Level 1	523,876	523,876	-	-	-
Total		\$23,487,718	\$1,522,301	\$ 269,387	\$7,912,720	\$13,783,310

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.

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 portfolio at 1.95% and Commercial Paper at 3.72% matured in less than 9 months, 1.01% of U.S. Government Agencies matured in less than 3

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

years, 29.52% of U.S Government Agencies matured in less than 5 years, and 51.42% of U.S. Government Agencies matured in less than 10 years based on the \$26,804,463 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 \$239,652 was realized during fiscal year 2021. During the year no investments were sold for a realized gain or loss. Because of the fair market value on June 30, unrealized loss on investments held on June 30 was (\$383,318). When combined, total investment income for fiscal year 2021 was a net loss of (\$143,666).

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 investment in Credit Suisse commercial paper is 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, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association were rated AAA by Standard and Poor's and AAA by Moody's Investors Services. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's and AAAM-mf by Moody's Investors Service as of June 30, 2021.

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 Home Loan Bank at 31.47%, Federal Farm Credit Bank at 36.79%, Federal National Mortgage Association at 5.53%, and Federal Home Loan Mortgage Corporation at 8.16%.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

3. Receivables

The receivables shown in Exhibit 1 at June 30, 2021, were

	Accounts	Taxes	Due from other Governments	Interest Receivable	Total
Governmental Activities:					
General	\$ 2,857	\$ 10,781	\$ 2,765,585	\$ 37,602	\$ 2,816,825
Allowance for doubtful accounts	-	(7,500)	-	-	(7,500)
Total governmental activities	<u>\$ 2,857</u>	<u>\$ 3,281</u>	<u>\$ 2,765,585</u>	<u>\$ 37,602</u>	<u>\$ 2,809,325</u>
Business-type Activities:					
Water	\$ 714,339	\$ -	\$ -	\$ 7,789	\$ 722,128
Allowance for doubtful accounts	(19,385)	-	-	-	(19,385)
Total business type activities	<u>\$ 694,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,789</u>	<u>\$ 702,743</u>

Due from other governments consisted of the following:

Occupancy tax	\$ 1,151,888
N.C. Division of Coastal Management	48,072
Land transfer tax	481,753
Sales taxes	647,552
Sales tax reimbursement	167,000
Outer Banks Visitors Bureau	40,000
Utilities sales tax	145,667
Cable sales tax	26,271
Telecommunications sales tax	5,690
N.C. Division of Motor Vehicles tax	13,044
N.C. Department of Public Safety	21,180
N.C. Department of Environmental Quality	13,943
Other	3,525
Total	<u>\$ 2,765,585</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,811,192	\$ 1,498,626	\$ -	\$ 12,309,818
Art	107,553	-	-	107,553
Construction in progress	1,600	44,991	1,600	44,991
Total capital assets not being depreciated	<u>10,920,345</u>	<u>1,543,617</u>	<u>1,600</u>	<u>12,462,362</u>
Capital assets being depreciated:				
Buildings	8,102,934	-	-	8,102,934
Other improvements	367,370	79,848	-	447,218
Improvements	42,477,123	1,062,499	-	43,539,622
Equipment	3,904,654	662,986	107,852	4,459,788
Vehicles and motorized equipment	9,603,710	632,409	20,035	10,216,084
Infrastructure	43,090,614	894,187	-	43,984,801
Total capital assets being depreciated	<u>107,546,405</u>	<u>3,331,929</u>	<u>127,887</u>	<u>110,750,447</u>
Less accumulated depreciation for:				
Buildings	4,315,689	218,506	-	4,534,195
Other improvements	56,482	36,163	-	92,645
Improvements	15,197,970	9,112,911	-	24,310,881
Equipment	2,476,422	442,723	107,852	2,811,293
Vehicles and motorized equipment	6,262,448	605,281	20,035	6,847,694
Infrastructure	38,108,508	611,509	-	38,720,017
Total accumulated depreciation	<u>66,417,519</u>	<u>\$ 11,027,093</u>	<u>\$ 127,887</u>	<u>77,316,725</u>
Total capital assets being depreciated, net	<u>41,128,886</u>			<u>33,433,722</u>
Governmental activity capital assets, net	<u>\$ 52,049,231</u>			<u>\$ 45,896,084</u>

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

General Government	\$ 9,225,521
Public Safety	480,761
Public Works	801,409
Environmental Protection	290,684
Streets and Drainage	228,718
Total Depreciation Expense	<u>\$ 11,027,093</u>

In Governmental activity, a capital asset land donation totaled \$626,096, improvements increased from the reclassification of construction in progress of \$1,600, and capital outlay purchases were \$4,247,850, for a total increase of \$4,875,546. Decreases resulted from construction in progress being reclassified to improvements \$1,600, capital asset disposals totaled \$127,887, for a total decrease of \$129,486. Accumulated depreciation on disposals totaled \$127,887. Accumulated depreciation increased by \$11,027,093.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

Capital asset activities for the Business-type activities for the year ended June 30, 2021, are as follows:

	Beginning Balances	Increases	Decreases (Transfers)	Ending Balances
Business-Type Activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 1,702,831	\$ -	\$ 1,498,626	\$ 204,205
Construction in progress	-	73,721	-	73,721
Total capital assets not being depreciated	<u>1,702,831</u>	<u>73,721</u>	<u>1,498,626</u>	<u>277,926</u>
Capital assets being depreciated:				
Building	3,283,693	-	-	3,283,693
Other	178,232	-	-	178,232
Improvements	704,641	-	-	704,641
Equipment	1,027,722	44,240	-	1,071,962
Vehicles and motorized equipment	249,272	65,780	18,353	296,699
Intangibles	4,203,619	-	-	4,203,619
Infrastructure	3,340,496	240,908	-	3,581,404
Total capital assets being depreciated	<u>12,987,675</u>	<u>350,928</u>	<u>18,353</u>	<u>13,320,250</u>
Less accumulated depreciation for:				
Building	2,366,762	42,055	-	2,408,817
Other	168,485	740	-	169,225
Improvements	393,889	18,617	-	412,506
Equipment	887,816	49,672	-	937,488
Vehicles and motorized equipment	201,369	19,098	18,353	202,114
Intangibles	3,187,351	108,403	-	3,295,754
Infrastructure	962,431	121,639	-	1,084,070
Total accumulated depreciation	<u>8,168,103</u>	<u>\$ 360,224</u>	<u>\$ 18,353</u>	<u>8,509,974</u>
Total capital assets being depreciated, net	<u>4,819,572</u>			<u>4,810,276</u>
Water Fund capital assets, net	<u>\$ 6,522,403</u>			<u>\$ 5,088,202</u>

Depreciation expense of \$360,224 was charged to business-type activities.

As used in this section, the term depreciation includes amortization of intangible assets. Capital asset disposals totaled \$1,516,979. There was \$18,353 accumulated depreciation on disposals.

The government has active construction projects as of June 30, 2021. At year-end, the government's estimated commitments to projects ongoing are as follows:

Project	Spent-to-date	Remaining Commitment
Engineering for water line replacements	\$ 43,890	\$156,110
Decentralized wastewater plan study	29,831	120,169
Public Works Master Plan	44,991	4,999
Total	<u>\$118,712</u>	<u>\$281,278</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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

Town of Nags Head, North Carolina
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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.

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, 2021, was 10.9000% of compensation for law enforcement officers and 10.150% 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 \$ 701,447 for the year ended June 30, 2021.

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, 2021, the Town reported a liability of \$3,431,204 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, 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, 2020 (measurement date), the Town's proportion was 0.09602%, which was an increase of 0.00486% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$1,165,902. At June 30, 2021, 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	\$ 433,301	\$ -
Changes of assumptions	255,349	-
Net difference between projected and actual earnings on pension plan investments	482,850	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	66,576	35,243
Town contributions subsequent to the measurement date	701,447	-
Total	<u>\$ 1,939,523</u>	<u>\$ 35,243</u>

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The \$701,447 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, 2022. 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:

2022	\$ 338,837
2023	448,774
2024	272,323
2025	142,899
2026	-
Thereafter	-
	\$ 1,202,833

Actuarial Assumptions. The total pension liability in the December 31, 2019, 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, 2019, 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, 2020, are summarized in the following table:

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<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 2019 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	\$ 6,961,538	\$ 3,431,204	\$ 497,247

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) 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

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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, 2019 (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	22
Total	25

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, 2019, valuation. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent	
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor	
Discount rate	1.93 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, 2019, 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, 2019.

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 Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

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Deaths after retirement (Disabled Members at Retirement) are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths after retirement (Survivors of Deceased Members) are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths prior to retirement are based on the Safety Mortality Table for Employees.

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, 2021, the Town reported a total pension liability of \$1,303,038. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$142,833.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 85,154	\$ 19,386
Changes of assumptions and other inputs	324,786	27,200
Benefit payments and administrative expenses subsequent to the measurement date	32,451	-
Total	<u>\$ 442,391</u>	<u>\$ 46,586</u>

\$32,451 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, 2022. Other amounts reported as deferred inflows of resources to pensions will be recognized in pension expense as follows:

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Year ended June 30:				
2022		\$	74,873	
2023			76,197	
2024			75,098	
2025			69,498	
2026			62,107	
Thereafter			5,581	
		\$	<u>363,354</u>	

\$32,056 paid as benefits came due and \$395 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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 1,420,155	\$ 1,303,038	\$ 1,196,316

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

	2021
Total Pension Liability	
Beginning balance	\$ 922,305
Service Cost at end of year	38,543
Interest on the total pension liability	29,022
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	33,839
Changes of assumptions or other inputs	343,442
Benefit payments	(64,113)
Other changes	-
Net changes in Total Pension Liability	<u>380,733</u>
Ending balance of the total pension liability	<u>\$ 1,303,038</u>

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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	\$ 1,165,901	\$ 142,833	\$1,308,734
Pension Liability	3,431,204	1,303,038	4,734,242
Proportionate share of the net pension liability	0.09602%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	433,301	85,154	518,455
Changes of assumptions	255,349	324,786	580,135
Net difference between projected and actual earnings on plan investments	482,850	-	482,850
Changes in proportion and differences between contributions and proportionate share of contributions	66,576	-	66,576
Benefit payments and administrative costs paid subsequent to the measurement date	701,447	32,451	733,898
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	19,386	19,386
Changes of assumptions	-	27,200	27,200
Changes in proportion and differences between contributions and proportionate share of contributions	35,243	-	35,243

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.

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The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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.

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, 2021, were \$129,073 which consisted of \$74,512 from the Town and \$54,561 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, 2021, were \$347,725 which consisted of \$89,807 from the Town and \$257,918 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, 2021, were \$165,589, which consisted of \$142,436 from regular employees and \$23,153 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

Town of Nags Head, North Carolina
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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, 2020, the date of the latest actuarial valuation:

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

Total OPEB Liability

The Town's total OPEB liability of \$5,024,282 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020, 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	3.50 %	
Measurement Date	2.21 %	
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.

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Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 4,258,859
Changes for the year	
Service cost at end of year (includes interest for the year)	208,084
Interest on total OPEB liability and Cash Flows	153,860
Changes in benefit terms	-
Differences between expected and actual experience	(22,396)
Changes of assumptions or other inputs	569,014
Benefit payments	(143,139)
Other changes	-
Net changes	\$ 765,423
Balance at June 30, 2020	\$ 5,024,282

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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 5,521,177	\$ 5,024,282	\$ 4,576,471

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	\$ 4,399,760	\$ 5,024,282	\$ 5,772,912

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$349,162. At June 30, 2021, 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	\$ -	\$ 429,324
Changes of assumptions or other inputs	554,938	234,687
Benefit payments and administrative costs subsequent to the measurement date	189,332	-
Total	<u>\$ 744,270</u>	<u>\$ 664,011</u>

\$189,332 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, 2022. \$(109,073) reported as Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Year ended June 30:

2022	\$ (18,527)
2023	(18,527)
2024	(18,527)
2025	(18,527)
2026	(18,527)
Thereafter	<u>(16,438)</u>
Total	<u>\$ (109,073)</u>

\$189,332 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, 2021, the Town made contributions to the State for death

Town of Nags Head, North Carolina
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benefits of \$ 5,280. 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.

3. Payables

Payables on Exhibit 1 at June 30, 2021, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Unearned Revenue	Customer Deposits	Total
Governmental Activities						
General	\$ 358,801	\$ 309,936	\$ 115,129	\$ 13,402	\$ 4,300	\$ 801,568
Nonmajor Funds	49,441	-	-	-	-	49,441
Total Governmental activities	\$ 408,242	\$ 309,936	\$ 115,129	\$ 13,402	\$ 4,300	\$ 851,009
Business-type Activities						
Water	190,234	24,678	222	-	447,202	662,336
Total Business-type activities	\$ 190,234	\$ 24,678	\$ 222	\$ -	\$ 447,202	\$ 662,336

4. Deferred Outflows and Inflows of Resources

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

	Statement of Net Position
Benefit payments made for LEOSSA subsequent to measurement date	\$ 32,451
Contributions to pension plan in current fiscal year-LGERS	701,447
Benefit payments made for OPEB subsequent to measurement date	189,332
Differences between expected and actual experience-LGERS	433,301
Changes of assumptions-LGERS	255,349
Net difference between projected and actual earnings on plan investments – LGERS	482,850
Changes in proportion and differences between employer contributions and proportionate share of contributions-LGERS	66,576
Differences between expected and actual experience-LEOSSA	85,154
Changes of assumptions and other inputs-OPEB	554,938
Changes of assumptions and other inputs-LEOSSA	<u>324,786</u>
Total	<u>\$ 3,126,184</u>

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

	Statement of Net Position	Government Funds Balance Sheet
Prepaid taxes (General Fund)	\$ 4,222	\$ 4,222
Property taxes receivable, less penalties (General Fund)	-	3,281
Privilege licenses receivable, less penalties (General Fund)	-	1,690
Prepaid water consumption units (Water Fund)	112,000	-
Differences between expected and actual experience-LEOSSA	19,386	-
Differences between expected and actual experience-OPEB	429,324	-
Changes in proportion and difference between contributions and proportionate share of contributions-LGERS	35,243	-
Changes of assumptions and other inputs-LEOSSA	27,200	-
Changes of assumptions and other inputs-OPEB	234,687	-
	<u>\$ 862,062</u>	<u>\$ 9,193</u>
Total	\$ 862,062	\$ 9,193

5. Commitments

The Town leases clinic space to Outer Banks Community Care Clinic. The amount earned as of June 30, 2021, 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, 2021, was \$38,070. Additional space was rented on this cell tower to Verizon in the amount of \$53,628, T-Mobile in the amount of \$30,075 and Sprint in the amount of \$12,996.

The Town also leases space on the water tower in South Nags Head to AT&T in the amount of \$36,393 for the year ended June 30, 2021.

The Town is committed under various operating leases for copiers, network servers, and personal computers. For the year ended June 30, 2021, total expense expenditures were \$42,862.

Total minimum lease payments for the remaining term of the contract at June 30, 2021, are as follows:

2022	\$41,340
2023	\$41,045
2024	\$37,800
2025	\$ 9,450
Total	<u>\$129,635</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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, 2021, the owners of 9 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. As of June 30, 2021, these cases were all in the process of settlement or settlement negotiations. The defendants are all represented by a single law firm. Settlements have either been reached, paid and/or finalized with all but one of the remaining condemnations. The remaining case remains in settlement negotiations and might ultimately be decided via litigation. The final remaining case is not expected to have a material negative effect on the Town's finances.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

The Town has filed two actions to enforce a Town zoning ordinance. The Town contends that the current use of the property constitutes a “contractor’s warehouse” or a rental management warehouse, and as such is not permitted in the current zoning district. The owners contend that the use complies with the requirements of a contractor’s office. After the Town filed suit to enforce the ordinance and to seek civil penalties until compliance, the owners filed claims against the Town alleging various violations of their property rights. The action remains pending as of this date. There have been some discussions about resolving the dispute but the matter is likely to be resolved when motions are heard by the Court. While the exact amount of the property owner’s potential damages and attorney’s fees is not known and has not been quantified, it is not expected that this case will have a material negative effect on the Town’s finances.

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 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 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 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 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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

In March 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 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.

In January 2021, the Town entered into a 2-year direct borrowing contract for \$179,076 to finance vehicles and equipment, which are pledged as collateral while the debt is outstanding. The interest rate is 1.39% per annum fixed. The contract requires annual principal and interest payments beginning January 2022.

In January 2021, the Town entered into a 7-year direct borrowing contract for \$495,376 to finance a fire pumper truck, which is pledged as collateral while the debt is outstanding. The interest rate is 1.85% per annum fixed. The contract requires annual principal and interest payments beginning January 2022.

In April 2021, the Town entered into a 3-year direct borrowing contract for \$312,008 to finance vehicles, which are pledged as collateral while the debt is outstanding. The interest rate is 1.25% per annum fixed. The contract requires annual principal and interest payments beginning April 2021.

In April 2021, the Town entered into a 5-year direct borrowing contract for \$1,126,780 to finance equipment and portable radios, which are pledged as collateral while the debt is outstanding. The interest rate is 1.65% per annum fixed. The contract requires annual principal and interest payments beginning April 2021.

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	\$ 3,738,869	\$ 1,373,008	\$ 1,540,919	\$ 3,570,958	\$ 1,367,363
Direct placement installment finance purchases	9,104,000	-	2,276,000	6,828,000	2,276,000
Total OPEB liability	3,870,943	760,401	-	4,631,344	-
Total pension liability (LEOSSA)	922,305	380,733	-	1,303,038	-
Net pension liability (LGERS)	2,279,144	862,123	-	3,141,267	-
Compensated absences	625,134	1,020,118	1,021,139	624,113	310,000
Governmental activities long-term liabilities	<u>\$ 20,540,395</u>	<u>\$ 4,396,383</u>	<u>\$ 4,838,058</u>	<u>\$ 20,098,720</u>	<u>\$ 3,953,363</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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	\$ 59,945	\$ 65,780	\$ 46,430	\$ 79,295	\$ 38,495
Total OPEB liability	387,916	5,022	-	392,938	-
Net pension liability					
(LRS)	210,364	79,573	-	289,937	-
Compensated absences	38,372	79,024	76,696	40,700	20,000
Business-type activities					
long-term liabilities	\$ 696,597	\$ 229,399	\$ 123,126	\$ 802,870	\$ 58,495

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

Year Ending June 30	Principal	Interest
2022	\$ 3,643,363	\$ 246,223
2023	3,156,531	149,003
2024	2,855,604	61,153
2025	523,352	14,599
2026	72,029	4,072
2027	73,361	2,739
2028	74,718	1,382
Total	\$ 10,398,958	\$ 479,171

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

Year Ending June 30	Principal	Interest
2022	\$ 38,495	\$ 1,336
2023	28,218	731
2024	6,291	304
2025	6,291	152
Total	\$ 79,295	\$ 2,523

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, 2021, the Town had a legal debt margin of \$237,294,757.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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, 2021, 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 727 WCU's which are guaranteed by the Town and are valued at \$1,454,000.

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 56 WCU's in the amount of \$112,000 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 \$63,325 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, 2021, 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, \$3,064 in repayments were made.

Transfers and Capital Contributions to/from other funds for the year ended June 30, 2021, consisted of the following:

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

Beach nourishment taxes designated for future beach nourishment	\$ 697,574
Municipal Service District (MSD) taxes collected	1,496,670
Restricted sales tax from municipal service district (MSD) taxes collected	510,811
Facility fees	22,724
Restricted for Storm Water	1,050,000
Restricted for Parks and Paths	200,000
	\$ 3,977,779

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

Transfers from Capital Reserve Fund to General Fund for the following purposes:	
Beach nourishment MSD restricted to repay beach nourishment debt	\$ 1,921,353
Parks and paths	209,430
Storm Water	456,784
Police facility fees	3,086
Sanitation facility fees	5,000
	\$ 2,595,653

Transfers from Capital Reserve Fund to Beach Nourishment Maintenance Capital Project Fund for the purpose of a 2022 beach nourishment project	\$ <u>1,738,822</u>
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Transfers from the Capital Reserve Fund to the Beach Nourishment Master Plan Capital Project Fund for the purpose of long-term beach nourishment planning.	\$ <u>1,319,568</u>
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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	\$ <u>15,930</u>
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D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 45,896,084	\$ 5,088,202
Less: long term debt	(10,398,958)	(79,295)
Less: liabilities from restricted debt proceeds	-	-
 Add: unexpended debt proceeds	786,985	-
Net investment in capital assets	\$ 36,284,111	\$ 5,008,907

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	\$ 19,815,156
Less:	
Nonspendable	(73,819)
Stabilization by State Statute	(5,102,787)
Restricted for Public Safety	(55,927)
Restricted for State Street Aid	(144,188)
Restricted for capital reserve fund	(5,882,037)
Committed for LEO separation	(53,702)
Assigned for subsequent year's expenditures	(316,712)
Fund Balance Policy	(8,185,984)
Fund Balance Remaining	\$ -

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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 \$8,185,984 reported above is less than the 50% of expenditures, less bond debt of \$2,521,353, calculation of \$20,988,594 but more than the \$5,000,000 minimum required.

The following amounts represent open purchase orders and contracts outstanding at June 30, 2021. These encumbrances outstanding will be re-appropriated in the subsequent year's budget.

General Fund	\$ 2,319,838
Beach Renourishment Capital Project Fund	127,636
Beach Nourishment Maintenance Capital Project Fund	879,408
Beach Nourishment Master Plan Capital Capital Project Fund	192,296
Water Fund	319,693
Total	\$ 3,838,871

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, 2021, 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	\$ 28,754	\$ -	\$ -	\$ 6,018	\$ 20,868	\$ 55,640
Current year additions (including interest)	11,846	3,064	3,086	1,655	5,552	25,203
Current year expenses	-	(3,064)	(3,086)	(5,000)	-	(11,150)
End of year balance	\$ 40,600	\$ -	\$ -	\$ 2,673	\$ 26,420	\$ 69,693

G. Beach Nourishment

The Town currently has three legally adopted Capital Project Ordinances (non-major governmental funds) for the purpose of beach nourishment. The Town originally adopted a capital project ordinance for beach renourishment, a collaborative effort with FEMA and the NC Division of Emergency Management. In order

**Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

to provide an economy of scale, a scheduled nourishment maintenance project was combined with the federal and state grant funds awarded as a result of sand lost due to 2016's Hurricane Matthew. Construction on this project is complete, and the Town is completing monitoring and survey work with these funds in order to maintain eligibility for future FEMA community assistance funds.

In fiscal year 2021, the Town adopted the Beach Nourishment Maintenance Capital Project Fund. This restoration construction project occurring in the summer of 2022 will replace sand lost during 2019's Hurricane Dorian. The project is engineered to provide enough healthy, protective beach to allow the Town to align its regularly scheduled beach nourishment maintenance with those of the other northern Dare County beaches, tentatively planned for 2027. The project will be primarily funded through a FEMA/North Carolina disaster assistance grant and a North Carolina Department of Environmental Quality, Division of Water Resources Coastal Storm Damage Mitigation grant.

In fiscal year 2021, the Town adopted a Beach Nourishment Master Plan Capital Project Fund, a multi-decadal master plan project in order to assist the Town with maintaining and enhancing the protective and recreational capacity of its beach and dune system. This includes analysis of beach system performance and its relationship to long-term trends, along with recommendations for future actions.

A town wide tax and additional taxes on the properties located in the municipal service districts (MSD) locally fund beach nourishment projects and debt service repayments. Funds received from the town wide tax and MSD tax are transferred from the General Fund to the Capital Reserve Fund and are restricted for future beach nourishment. Per state statute, sales tax revenues derived from the MSD are also transferred into the Capital Reserve Fund and are restricted for beach nourishment.

	Beach nourishment taxes (MSD and town-wide)	Restricted sales taxes from municipal service district tax	Total
Beginning of year balance	\$ 5,735,853	\$ 1,539,069	\$ 7,274,922
Current year additions	2,194,244	510,811	2,705,055
Current year net interest	(21,753)	(14,484)	(36,237)
Current year uses	(4,979,743)	-	(4,979,743)
End of year balance	\$ 2,928,601	\$ 2,035,396	\$ 4,963,997

H. Tax Funds Restricted

In the fiscal year ending June 30, 2014, the Town began restricting funds in the Capital Reserve Fund for parks and paths. In the fiscal year ending June 30, 2017, the Town began restricting funds in the Capital Reserve Fund for stormwater in lieu of a stormwater fee. The June 30, 2016, ending Fund Balance in the Stormwater Enterprise Fund was transferred into the stormwater capital reserve on July 1, 2016. Beginning in fiscal year June 30, 2021, the Town broadened the scope of the stormwater capital reserve to a streets and stormwater capital reserve to address maintenance and improvements to the Town's street and drainage system on a life-cycle basis. Funds are accumulated in the capital reserve fund for use in a subsequent year for these specific purposes adopted by the Board of commissioners. During the current fiscal year ending June 30, 2021, \$ 200,000 was restricted for parks and paths and \$1,050,000 was restricted for streets and stormwater. The balance at June 30, 2021, included in the capital reserve fund for this purpose is:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

	Parks and Paths	Storm Water
Beginning of year balance	\$ 75,580	\$ 194,278
Current year additions	200,000	1,050,000
Current year interest	162	(5,459)
Current year uses	(209,429)	(456,784)
End of year balance	<u>\$ 66,313</u>	<u>\$ 782,035</u>

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, 2021, was \$1,338 plus an additional \$102 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, 2021. 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 water fund owned this property which is more appropriately owned by the general fund. Transfer and payment for the purchase by the General Fund began in the fiscal year ending June 30, 2013, in the amount of \$300,000. The General Fund transferred an additional \$300,000 in fiscal year ending June 30, 2014, \$73,756 in the fiscal year ending June 30, 2019, and \$76,886 in the fiscal year ending June 30, 2020. The Board of Commissioners formalized for the general fund to purchase the remaining land from the water fund for \$872,532 in fiscal year 2021. The donated piece of land with a book value of \$626,094 was also transferred from the water fund to the general fund upon full repayment in fiscal year ending June 30, 2021. 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. Both of these pieces of property are capital assets recorded in the general fund.

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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 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 2021 was \$75.94 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, 2021, accumulated amortization totaled \$3,295,754.

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.

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

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

A-1

	2021	2020	2019	2018	2017	2016	2015	2014
Town of Nags Head's proportion of the net pension liability (asset) (%)	0.09602%	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) (\$)	\$ 3,431,204	\$ 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	\$ 6,664,768	\$ 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	51.48%	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**	90.86%	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.

This schedule is presented to illustrate the requirement for specified information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 701,447	\$ 604,634	\$ 502,605	\$ 484,882	\$ 448,317	\$ 396,478	\$ 384,097	\$ 397,372
Contributions in relation to the contractually required contribution	701,447	604,634	502,605	484,882	448,317	396,478	384,097	397,372
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Nags Head's covered payroll	\$ 6,830,772	\$ 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	10.27%	9.07%	7.88%	7.70%	7.46%	6.83%	7.14%	7.11%

This schedule is presented to illustrate the requirement for specified information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

Town of Nags Head, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

A-3

	2021	2020	2019	2018	2017
Total Pension Liability					
Beginning balance	\$ 922,305	\$ 910,087	\$ 823,639	\$ 772,627	\$ 769,077
Service Cost at end of year	38,543	32,304	46,110	33,911	38,198
Interest on the total pension liability	29,022	31,960	25,267	29,059	26,713
Differences between expected and actual experience in the measurement of the total pension liability	33,839	(16,921)	104,529	(21,647)	-
Changes of assumptions or other inputs	343,442	28,988	(41,378)	49,282	(19,711)
Benefit payments	(64,113)	(64,113)	(48,080)	(39,593)	(41,650)
Net change in Total Pension Liability	<u>380,733</u>	<u>12,218</u>	<u>86,448</u>	<u>51,012</u>	<u>3,550</u>
Ending balance of the total pension liability	<u>\$ 1,303,038</u>	<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.

Notes to Schedule:

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

This schedule is presented to illustrate the requirement for specified information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

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, 2021

A-4

	2021	2020	2019	2018	2017
Total pension liability	\$ 1,303,038	\$ 922,305	\$ 910,087	\$ 823,639	\$ 772,627
Covered-employee payroll	1,383,788	1,168,578	1,396,151	1,227,153	1,386,134
Total Pension Liability as a percentage of of covered-employee payroll	94.16%	78.93%	65.19%	67.12%	55.74%

Notes to the schedule:

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.

This schedule is presented to illustrate the requirement for specified information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

Town of Nags Head, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2021

A-5

	Measurement Period Ending			
	2020	2019	2018	2017
Total OPEB Liability				
Service Cost at end of year (includes interest for the year)	208,084	340,542	348,444	\$ 370,146
Interest on Total OPEB Liability and Cash Flows	153,860	165,619	143,590	116,800
Difference between expected and actual experience	(22,396)	(522,224)	(18,158)	(12,992)
Changes of assumptions or other inputs	569,014	79,662	(131,192)	(209,200)
Benefit payments	(143,139)	(123,419)	(113,891)	(109,742)
Net change in total OPEB liability	765,423	(59,819)	228,793	155,012
Total OPEB liability-beginning	4,258,859	4,318,678	4,089,885	3,934,873
Total OPEB liability-ending	<u>\$ 5,024,282</u>	<u>\$ 4,258,859</u>	<u>\$ 4,318,678</u>	<u>\$ 4,089,885</u>
Covered payroll	\$ 5,784,194	\$ 5,784,194	\$ 5,922,513	\$ 5,922,513
Total OPEB liability as a percentage of covered payroll	86.86%	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
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

This schedule is presented to illustrate the requirement for specified information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

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, streets, stormwater, and shoreline project uses.

**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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020**

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
REVENUES				
Ad Valorem Taxes:				
Current year		\$ 8,062,562		\$ 7,626,201
Municipal service district		1,496,670		1,421,769
Prior year		7,999		1,266
DMV current year		148,166		140,077
Penalties and interest		9,530		10,663
Total	\$ 9,161,401	9,724,927	\$ 563,526	9,199,976
Other Taxes and Licenses:				
Occupancy tax		4,152,935		2,741,871
Land Transfer tax		1,639,383		719,914
Local governmental sales tax		2,142,017		1,670,272
1/2% sales tax revenue		1,404,336		1,091,189
Short term rental registration fees		6,350		2,600
Privilege licenses and Business registrations		18,165		18,625
Mixed beverage tax		32,227		41,167
Privilege license penalties		3,100		2,675
Total	7,288,604	9,398,513	2,109,909	6,288,313
Intergovernmental Revenues:				
Unrestricted:				
Utility sales tax		685,944		702,176
Telecommunications tax		27,232		27,451
Natural Gas sales tax		5,441		3,737
Solid Waste Disposal fees		2,297		2,276
Video programming tax		108,146		108,317
Cable Franchise - PEG fund fees		53,435		54,613
Beer and wine		12,818		12,938
ABC revenue		23,341		20,627
Total	922,500	918,654	(3,846)	932,135
Restricted:				
Federal:				
Grant - Homeland Security Investigations		12,664		12,661
Grant - Bulletproof Vest Partnership Program		2,480		3,075
Controlled substance excise tax		4,736		24,458
Grant - Assistance to Firefighters		267,496		178,975
Grant - FEMA reimbursement		-		5,499,910
Grant - Coronavirus relief fund		31,636		76,958
Grant - Edward Byrne Memorial Justice Assistance		24,029		48,604
Grant - CAMA		169,458		19,110
State:				
Grant - State Street Aid - Powell Bill		110,487		117,277
Grant - State Department of Public Instruction		23,504		50,228
CAMA minor permit reimbursement		7,075		2,760
Controlled substance excise tax		5,392		9,930
Grant - NC Department of Public Safety		-		1,833,303

**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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020**

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Local:				
Contributions from Dare County		624,000		648,000
Government Access Channel Grant		5,000		8,619
Outer Banks Visitor Bureau grant		40,000		500,432
North Carolina League of Municipalities grant		7,456		1,909
Total	1,433,940	1,335,413	(98,527)	9,036,209
Total Intergovernmental Revenues	2,356,440	2,254,067	(102,373)	9,968,344
Permits and Fees:				
Building permits		221,105		189,016
Facility fees		22,724		15,080
Inspection and review fees		17,172		12,830
Beach driving permits		45,981		29,162
Pit Fire fees		22,130		13,090
Special event fee		16,941		-
CAMA permits		3,700		3,900
Court costs and fees		2,444		2,528
Crowd gathering permit fees		900		1,250
Alarm fees		150		125
Civil penalties		4,050		650
Automobile town tags		803		662
Total	309,925	358,100	48,175	268,293
Sales and Services:				
Sale of materials		99,103		106,977
Total	71,500	99,103	27,603	106,977
Investment Earnings:				
Investment Earnings		117,104		231,862
Change in fair market value of investments		(170,012)		15,270
Net investment earnings	140,000	(52,908)	(192,908)	247,132
Other Revenues:				
Other rents		183,462		151,639
Miscellaneous		9,571		29,671
Contributions to Police, Fire & Rescue Benevolent Fund		14,332		10,390
Total	197,501	207,365	9,864	191,700
Total Revenues	19,525,371	21,989,167	2,463,796	26,270,735

**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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020**

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
EXPENDITURES				
General Government:				
Governing Body:				
Fees paid to elected officials		37,056		30,140
FICA expense		2,835		2,306
Contracted services		12,868		48,749
Department supplies and materials		4,608		2,092
Special events		660		150
Dues and subscriptions		8,442		7,764
Advertising		-		32
Printing		979		1,588
Travel and Training		443		1,957
Equipment rental		3		6
Contribution to Government Access Channel		54,435		55,613
Contributions, miscellaneous		10,550		10,850
Reimbursement from Water Fund		(15,110)		(16,295)
Total	125,598	117,769	(7,829)	144,952
Special Obligation Bonds:				
Debt service, principal		2,276,000		18,509,837
Debt service, interest		245,353		744,263
Total	2,521,353	2,521,353	-	19,254,100
Administration:				
Salaries and wages		559,102		670,474
FICA expense		40,502		47,731
Group insurance		88,727		126,869
Group insurance - retiree		14,358		14,379
Retirement		56,886		59,634
401(k) account		11,251		13,050
Contracted services		40,139		33,008
Travel and Training		2,994		16,953
Professional services		6,869		55,792
Advertising		5,544		7,603
Printing		-		720
Departmental supplies		7,470		13,971
Dues and subscriptions		5,499		12,002
Equipment rental		4,664		4,711
Telephone		2,115		1,148
Postage		176		317
Repairs and maintenance, vehicles		50		472
Repairs and maintenance, equipment		-		102
Automotive Supplies		563		1,210
Capital outlay, other		652		3,200
Capital outlay, equipment		6,148		-
Reimbursement from Water Fund		(146,895)		(147,192)
Debt service, principal		-		10,971
Debt service, interest		-		302
Total	762,736	706,814	(55,922)	947,427

**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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020**

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Administrative Services:				
Salaries and wages		410,763		340,925
FICA expense		30,261		24,818
Group insurance expense		67,080		55,468
Retirement		40,246		29,527
401(k) account		7,957		6,531
Unemployment expense		3,199		2,857
Insurance		307,739		330,434
Contracted services		41,274		25,179
Professional services		29,890		28,151
Fines and forfeitures		3,844		9,164
Departmental supplies and materials		8,198		12,677
Postage		5,335		6,052
Travel and Training		4,325		1,427
Equipment rental		7,521		6,711
Repairs and maintenance, equipment		-		150
Wellness program		7,414		3,574
Special contracted services		5,905		5,527
Dues and subscriptions		1,220		1,220
Purchases for resale		2,310		1,561
Advertising		1,214		100
Repairs and maintenance, vehicles		230		530
Automotive supplies		172		289
Capital outlay, equipment		1,956		89,991
Reimbursement from Water Fund		(85,382)		(87,587)
Debt service, principal		70,810		84,861
Debt service, interest		1,275		2,947
Total	1,084,096	974,756	(109,340)	983,084
Information Technology:				
Salaries and wages		45,990		71,566
FICA expense		3,488		5,121
Group insurance		7,467		13,293
Group insurance - retiree		9,799		9,814
Retirement		4,029		6,402
401(k) account		789		1,417
Contracted services		104,400		104,400
Contracted services, website		10,571		11,284
Contracted services, annual contracts		100,983		81,519
Travel and Training		595		-
Professional services		-		180
Departmental supplies		2,980		25,050
Telephone		7,781		-
Repairs and maintenance, equipment		5,850		1,300
Other supplies		500		5,880
Other supplies-computer		43,796		-
Internet costs		8,231		8,167
Equipment rental		47,797		35,828

**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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020**

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Information Technology (continued):				
Capital outlay, equipment		-		29,544
Reimbursement from Water Fund		(34,831)		(38,792)
Total	375,348	370,215	(5,133)	371,973
Planning and Development:				
Salaries and wages		734,765		669,768
FICA expense		52,702		48,059
Group insurance		139,209		135,526
Retirement		73,439		58,742
401(k) account		12,664		11,098
Planning board, board of adjustment		9,660		7,780
Professional services		3,422		5,090
Departmental supplies		3,361		3,743
Special events		5,295		9,963
Uniforms		219		268
Travel and Training		1,807		3,233
Telephone		3,893		4,516
Postage		786		1,775
Repairs and maintenance, vehicles		649		439
Printing		726		2,726
Other supplies		2,546		250
Other supplies-computer		3,043		-
Automotive supplies		2,085		2,350
Equipment rental		2,131		3,373
Dues and subscriptions		3,389		1,979
Capital outlay, other		2,322		1,500
Capital outlay, equipment		-		3,395
Capital outlay, vehicles		785		26,152
Capital outlay, infrastructure		601,152		1,003,935
Debt service, principal		195,412		222,144
Debt service, interest		22,886		1,321
Reimbursement from Water Fund		(132,260)		(136,009)
Total	1,946,081	1,746,088	(199,993)	2,093,116
Legal Services:				
Professional services		119,401		128,165
Reimbursement from Water Fund		(16,507)		(17,723)
Total	132,973	102,894	(30,079)	110,442
Total General Government	6,948,185	6,539,889	(408,296)	23,905,094

**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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020**

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Public Safety:				
Police Department:				
Salaries and wages		1,589,664		1,442,725
FICA expense		114,513		104,010
Group insurance		352,601		325,647
Group insurance - retiree		57,432		49,149
Retirement		177,298		138,572
401(k) account		76,663		70,624
Separation Allowance		69,017		69,017
Automotive supplies		46,603		48,304
Departmental supplies		63,729		43,683
Repairs and maintenance, vehicles		26,371		23,729
Repairs and maintenance, equipment		39,751		31,351
Telephone		9,798		10,910
Other supplies		-		5,068
Uniforms		14,996		20,406
Equipment rental		8,426		8,955
Travel and Training		9,964		17,434
Professional services		4,938		2,557
Postage		1,075		488
Dues and subscriptions		1,357		1,142
Advertising		131		295
Printing		749		394
Contracted services		7,005		6,430
Special investigations		1,833		4,000
Capital outlay, vehicles		254,903		165,018
Capital outlay, equipment		240,085		52,801
Debt service, principal		191,541		189,030
Debt service, interest		3,095		4,842
Total	3,688,520	3,363,538	(324,982)	2,836,581
Drug Forfeiture:				
Department supplies		-		8,451
Repairs and maintenance, equipment		-		1,567
Professional services		5,295		3,770
Total	5,295	5,295	-	13,788
Fire Department:				
Salaries and wages		1,687,089		1,593,489
FICA expense		121,926		114,978
Group insurance		375,205		374,321
Group insurance, retiree		50,554		43,505
Retirement expense		170,933		143,151
401(k) account		31,170		29,514
Incentive pay		1,338		5,230
Supplemental pension fund		2,490		2,660
Departmental supplies		68,069		57,180
Repairs and maintenance, buildings		140,430		28,784

**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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020**

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Fire Department (continued):				
Repairs and maintenance, vehicles		50,693		32,808
Uniforms		12,867		14,030
Repairs and maintenance, equipment		4,970		13,011
Automotive supplies		12,463		13,544
Telephone		1,824		2,281
OSHA Compliance		1,952		4,374
Travel and Training		6,745		13,240
Safety training		4,239		3,253
Other supplies		5,018		3,497
Equipment rental		3,688		3,970
Dues and subscriptions		2,198		2,204
Professional services		2,435		2,555
Postage		145		135
Contracted Services		18,695		17,519
Printing		894		46
Capital outlay, equipment		264,043		207,379
Capital outlay, vehicle		65,074		699,620
Debt service, principal		174,693		156,103
Debt service, interest		21,869		25,623
Total	3,383,600	3,303,709	(79,891)	3,608,004
Ocean Rescue:				
Salaries and wages		518,725		467,984
FICA expense		37,196		29,359
Group insurance		7,253		6,885
Retirement expense		3,659		3,731
401(k) account		735		823
Departmental supplies		28,196		25,850
Uniforms		11,559		7,631
Automotive supplies		7,375		7,831
Repairs and maintenance, equipment		5,299		2,146
Travel and Training		1,242		7,071
Repairs and maintenance, vehicles		3,232		2,946
Professional fees		4,246		430
Contracted Services		320		550
Telephone		1,810		1,800
Printing		848		1,692
Dues and subscriptions		2,060		1,170
Postage		27		34
Advertising		-		805
Capital outlay, equipment		110,763		9,500
Debt service, principal		34,011		23,248
Debt service, interest		437		1,006
Total	826,666	778,993	(47,673)	602,492
Total Public Safety	7,904,081	7,451,535	(452,546)	7,060,865

**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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020**

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Environmental Protection:				
Sanitation:				
Salaries and wages		364,674		488,810
FICA expense		25,847		35,239
Group insurance		93,236		118,239
Group insurance, retiree		28,710		-
Retirement		35,176		41,683
401(k) account		1,511		2,726
Repairs and maintenance, vehicles		219,999		128,108
Automotive supplies		77,187		83,355
Department supplies		16,283		12,658
Uniforms		2,862		6,062
Professional fees		-		357
Contracted services		45,016		15,388
Recycling		78,677		163,309
Repairs and maintenance, equipment		2,409		1,307
Advertising		497		-
Capital outlay, equipment		-		83,860
Capital outlay, vehicles		301,727		242,279
Debt service, principal		434,808		337,634
Debt service, interest		16,353		13,781
Total	3,332,574	1,744,972	(1,587,602)	1,774,795
Solid Waste:				
Tipping fees		828,826		652,606
Total	858,952	828,826	(30,126)	652,606
Total Environmental Protection	4,191,526	2,573,798	(1,617,728)	2,427,401
Public Works:				
Administration:				
Salaries and wages		180,787		175,711
FICA expense		12,720		12,124
Group insurance		42,947		46,734
Group insurance, retiree		8,375		-
Retirement		15,573		15,706
401(k) account		3,278		3,292
Repairs and maintenance, equipment		-		13,750
Contracted services		3,435		3,924
Purchase for resale		78,220		62,898
Telephone		506		982
Departmental supplies		6,198		3,652
Equipment rental		2,093		2,302
Automotive supplies		1,224		1,919
Travel and Training		52		650

**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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020**

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Public Works:				
Administration (continued):				
Dues and subscriptions		875		875
Postage		120		7
Repairs and maintenance, vehicles		2,959		1,068
Advertising		275		-
Uniforms		257		197
Capital outlay, improvements		-		164,905
Capital outlay, equipment		10,004		-
Debt service, principal		27,368		35,341
Debt service, interest		3,325		207
Reimbursement from Water Fund		(39,112)		(45,626)
Total	380,792	361,479	(19,313)	500,618
Public Facilities Maintenance:				
Salaries and wages		569,909		526,667
FICA expense		42,491		39,062
Group insurance		118,700		117,912
Retirement		57,643		47,065
401(k) account		8,482		7,639
Repairs and maintenance, facilities		171,186		124,759
Utilities		212,526		218,920
Contracted services		66,970		24,253
Department supplies		19,710		29,610
Repairs and maintenance, equipment		34,655		18,003
Signs		6,343		25,521
Automotive supplies		21,849		24,683
Repairs and maintenance, other		56,598		62,063
Other supplies		21,129		17,707
Professional services		4,708		850
Uniforms		2,973		2,993
Repairs and maintenance, vehicles		13,347		13,551
Dues and subscriptions		50		-
Travel and Training		473		1,292
Special Projects, sand fencing		24,000		48,000
Special Projects, lighting		26,700		-
Reimbursement from Water Fund		(153,210)		(169,594)
Capital outlay, Dowdy Park		-		89,758
Capital outlay, improvements		109,307		25,844
Capital outlay, equipment		8,155		255,023
Capital outlay, land		872,532		79,318
Capital outlay, building		44,991		26,151
Capital outlay, other		76,876		185,788
Capital outlay, vehicles		31,100		33,728
Debt service, principal		288,277		284,242
Debt service, interest		15,076		16,440
Total	3,164,009	2,773,546	(390,463)	2,177,248

**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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020**

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Maintenance Garage:				
Salaries and wages		213,664		208,758
FICA account		15,995		15,431
Group insurance		37,241		46,043
Retirement		21,593		18,847
401(k) account		3,973		4,116
Other supplies		11,517		9,604
Departmental supplies		16,805		15,267
Uniforms		1,521		590
Professional fees		246		-
Contracted services		2,250		1,920
Automotive supplies		794		852
Travel and training		962		-
Repairs and maintenance, buildings		-		320
Repairs and maintenance, vehicles		265		318
Repairs and maintenance, equipment		1,338		342
Reimbursement from Water Fund		(43,976)		(46,900)
Debt service, principal		-		17,977
Debt service, interest		-		270
Total	311,490	284,188	(27,302)	293,755
Total Public Works	3,856,291	3,419,213	(437,078)	2,971,621
Streets and Drainage:				
State Street Aid:				
Street supplies, Powell Bill		10,337		19,766
Capital outlay, other		-		165,360
Total	30,500	10,337	(20,163)	185,126
Storm Water Maintenance:				
Utilities		1,968		1,338
Fuel costs		858		2,228
Department Supplies		3,116		10,078
Maintenance and repairs equipment		502		5,924
Professional services		27		-
Professional fees/Water quality testing		1,560		1,440
Contracted services		20,611		69,467
Capital outlay, equipment		-		36,650
Capital outlay, infrastructure		293,035		318,548
Debt service, principal		124,000		151,572
Debt Service, interest		11,108		15,488
Total	582,081	456,785	(125,296)	612,733
Total Streets and Drainage	612,581	467,122	(145,459)	797,859
Total Expenditures	23,512,664	20,451,557	(3,061,107)	37,162,840
Revenues Over Expenditures	(3,987,293)	1,537,610	5,524,903	(10,892,105)

**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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020**

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Other Financing Sources (Uses):				
Installment financing	1,373,008	1,373,008	-	2,223,843
Transfers to Capital Reserve Fund	(4,515,449)	(3,977,779)	537,670	(18,154,054)
Transfers from Capital Reserve Fund	3,295,064	2,595,653	(699,411)	19,393,185
Sale of capital assets	15,000	36,658	21,658	10,098
Committed Fund Balance	71,842	-	(71,842)	-
Appropriated Fund Balance	3,747,828	-	(3,747,828)	-
Other financing sources (uses), net	<u>3,987,293</u>	<u>27,540</u>	<u>(3,959,753)</u>	<u>3,473,072</u>
Net change in fund balance	<u>\$ -</u>	<u>1,565,150</u>	<u>\$ 1,565,150</u>	<u>(7,419,033)</u>
Fund balance, beginning		12,367,969		19,787,002
Fund balance, ending		<u>\$ 13,933,119</u>		<u>\$ 12,367,969</u>

**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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020**

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 48,743	48,743	\$ 194,576
Change in fair market value of investments		(90,861)	(90,861)	15,387
Total revenues	-	(42,118)	(42,118)	209,963
Other financing sources (uses):				
Transfers from:				
General Fund	4,425,949	3,977,779	(448,170)	18,154,054
Transfers to:				
Capital Project Funds	(4,147,237)	(3,058,390)	1,088,847	-
General Fund	(3,295,064)	(2,595,653)	699,411	(19,393,185)
Appropriated Fund Balance	3,016,352	-	(3,016,352)	-
Total other financing sources (uses)	-	(1,676,264)	(1,676,264)	(1,239,131)
Net change in fund balance	\$ -	(1,718,382)	\$ (1,718,382)	(1,029,168)
Fund balances, beginning		7,600,419		8,629,587
Fund balances, ending		\$ 5,882,037		\$ 7,600,419

NON-MAJOR GOVERNMENTAL FUNDS

The Beach Nourishment Capital Project Funds are used to account for beach nourishment construction, maintenance, and planning.

The **Beach Renourishment Capital Project Fund** is used to account for the Town's activities for a beach nourishment maintenance project occurring in 2019 on a locally funded scheduled nourishment maintenance project combined with federal and state grant funds awarded as a result of sand lost due to 2016's Hurricane Matthew. Construction on this project is complete, and the Town is completing monitoring and survey work with these funds in order to maintain eligibility for future FEMA community assistance funds.

The **Beach Nourishment Maintenance Capital Project Fund** is used to account for a restoration construction project scheduled to occur in the summer of 2022 to replace sand lost during 2019's Hurricane Dorian.

The **Beach Nourishment Master Plan Capital Project Fund** is used to account for planning the maintenance of the Town's beach and dune system. This includes analysis of beach system performance and its relationship to long-term trends, along with recommendations for future actions.

Town of Nags Head, North Carolina
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2021

Schedule 3

	Capital Projects			Total Nonmajor Governmental Funds
	Beach Renourishment	Beach Nourishment Maintenance	Beach Nourishment Master Plan	
ASSETS				
Cash and cash equivalents	\$ 1,698,654	\$ 1,501,665	\$ 1,305,297	\$ 4,505,616
Accrued interest receivable	2,834	2,530	2,099	7,463
Due from other governments	-	13,943	-	13,943
Total assets	<u>1,701,488</u>	<u>1,518,138</u>	<u>1,307,396</u>	<u>4,527,022</u>
LIABILITIES				
Accounts payable	8,974	40,467	-	49,441
Total liabilities	<u>8,974</u>	<u>40,467</u>	<u>-</u>	<u>49,441</u>
FUND BALANCES:				
Committed:				
Beach Nourishment capital projects	1,692,514	1,477,671	1,307,396	4,477,581
Total fund balances	<u>1,692,514</u>	<u>1,477,671</u>	<u>1,307,396</u>	<u>4,477,581</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,701,488</u>	<u>\$ 1,518,138</u>	<u>\$ 1,307,396</u>	<u>\$ 4,527,022</u>

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	Capital Projects			Total Nonmajor Governmental Funds
	Beach Renourishment	Beach Nourishment Maintenance	Beach Nourishment Master Plan	
REVENUES				
Restricted intergovernmental	\$ -	\$ 13,943	\$ -	\$ 13,943
Net investment earnings	(6,520)	(10,667)	(12,172)	(29,359)
Total revenues	(6,520)	3,276	(12,172)	\$ (15,416)
EXPENDITURES				
Capital outlay:				
General Government	687,815	264,427	-	952,242
Total expenditures	687,815	264,427	-	952,242
Revenues over (under) expenditures	(694,335)	(261,151)	(12,172)	(967,658)
OTHER FINANCING SOURCES				
Transfers from:				
Capital Reserve Fund	-	1,738,822	1,319,568	3,058,390
Total other financing sources	-	1,738,822	1,319,568	3,058,390
Net change in fund balance	(694,335)	1,477,671	1,307,396	2,090,732
Fund balances - beginning	2,386,849	-	-	2,386,849
Fund balances - ending	\$ 1,692,514	\$ 1,477,671	\$ 1,307,396	\$ 4,477,581

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, 2021

Schedule 5

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ 110,000	\$ 414,644	\$ 18,497	\$ 433,141	\$ 323,141
Change in fair market value of investments	-	4,222	(25,017)	(20,795)	(20,795)
Restricted intergovernmental	9,773,356	9,773,356	-	9,773,356	-
Total revenues	9,883,356	10,192,222	(6,520)	10,185,702	302,346
Expenditures					
Professional Fees	686,000	469,239	203,452	672,691	(13,309)
Capital Construction Oversight	1,862,523	1,697,468	43,789	1,741,257	(121,266)
Pumping Costs	32,644,500	32,644,500	-	32,644,500	-
Mobilization	4,000,000	4,000,000	-	4,000,000	-
Contingency	964,779	-	-	-	(964,779)
Monitoring	782,949	15,803	336,609	352,412	(430,537)
Thirty Year Beach Study	750,000	-	-	-	(750,000)
Sprigging	450,000	300,656	7,677	308,333	(141,667)
Turtle Monitoring	81,500	66,679	-	66,679	(14,821)
Ocean Outfall	375,000	375,000	-	375,000	-
Other Costs	425,000	308,524	96,288	404,812	(20,188)
Total Expenditures	43,022,251	39,877,869	687,815	40,565,684	(2,456,567)
Revenues over (under) expenditures	(33,138,895)	(29,685,647)	(694,335)	(30,379,982)	2,758,913
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	32,072,496	-	32,072,496	(1,066,399)
Net change in fund balance	\$ -	\$ 2,386,849	(694,335)	\$ 1,692,514	\$ 1,692,514
Fund balance, beginning of year			2,386,849		
Fund balance, end of year			\$ 1,692,514		

Town of Nags Head, North Carolina

Schedule 6

Beach Nourishment Maintenance 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, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ -	\$ 7,907	\$ 7,907	\$ 7,907
Change in fair market value of investments	-	-	(18,574)	(18,574)	(18,574)
Restricted intergovernmental	13,943	-	13,943	13,943	-
Total revenues	13,943	-	3,276	3,276	(10,667)
Expenditures					
Professional Fees	570,000	-	110,215	110,215	(459,785)
Capital Construction Oversight	1,057,765	-	154,212	154,212	(903,553)
Contingency	125,000	-	-	-	(125,000)
Total Expenditures	1,752,765	-	264,427	264,427	(1,488,338)
Revenues over (under) expenditures	(1,738,822)	-	(261,151)	(261,151)	1,477,671
Other financing sources:					
Transfers from Capital Reserve Fund	1,738,822	-	1,738,822	1,738,822	-
Total other financing sources	1,738,822	-	1,738,822	1,738,822	-
Net change in fund balance	\$ -	\$ -	1,477,671	\$ 1,477,671	\$ 1,477,671
Fund balance, beginning of year			-		
Fund balance, end of year			\$ 1,477,671		

Town of Nags Head, North Carolina

Schedule 7

Beach Nourishment Master Plan 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, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ -	\$ 3,227	\$ 3,227	\$ 3,227
Change in fair market value of investments	-	-	(15,399)	(15,399)	(15,399)
Total revenues	-	-	(12,172)	(12,172)	(12,172)
Expenditures					
Beach Study	1,194,568	-	-	-	(1,194,568)
Contingency	125,000	-	-	-	(125,000)
Total Expenditures	1,319,568	-	-	-	(1,319,568)
Revenues over (under) expenditures	(1,319,568)	-	(12,172)	(12,172)	1,307,396
Other financing sources:					
Transfers from Capital Reserve Fund	1,319,568	-	1,319,568	1,319,568	-
Total other financing sources	1,319,568	-	1,319,568	1,319,568	-
Net change in fund balance	\$ -	\$ -	1,307,396	\$ 1,307,396	\$ 1,307,396
Fund balance, beginning of year			-		
Fund balance, end of year			\$ 1,307,396		

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.

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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020

Schedule 8

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
REVENUES				
Operating Revenues:				
Water sales		\$ 3,664,298		\$ 3,318,439
Tap and connection fees		19,530		14,300
Late payment penalties and interest		24,610		28,952
Water cutoff tag fees		5,400		3,900
Miscellaneous		4,220		2,193
Total Operating Revenues	3,455,968	3,718,058	262,090	3,367,784
Non-operating Revenues:				
Intergovernmental grant		43,000		-
Interest earned on investments		43,812		74,477
Change in fair market value of investments		(62,854)		4,765
Total Non-operating Revenues	90,241	23,958	(66,283)	79,242
Total Revenues	3,546,209	3,742,016	195,807	3,447,026
EXPENDITURES				
Administration:				
Salaries and wages		134,249		130,514
FICA expense		9,224		8,859
Group insurance		35,530		38,586
Retirement expense		12,716		11,725
401(k) account		2,585		2,593
Reimburse General Fund administrative expenses		55,694		66,733
Contracted services		2,177		2,073
Postage		13,217		12,621
Travel and Training		817		125
Supplies and materials		3,967		3,913
Professional fees		11,420		11,020
Repairs and maintenance, equipment		1,968		2,340
Total Administration	300,096	283,564	(16,532)	291,102
Septic Health:				
Salaries and wages		25,092		18,462
FICA expense		1,913		1,383
Group insurance		418		2,445
Retirement		2,550		1,660
401(k) account		506		367
Reimburse General Fund administrative expenses		38,216		93,475
Inspection rebates		11,775		1,913
Pumping credits		3,780		2,085
Postage		30		3,514

Town of Nags Head, North Carolina

Schedule 8

Enterprise Fund - Water Fund

Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2021

With Comparative Actual Amounts for the Year Ended June 30, 2020

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Septic Health (continued):				
Travel and Training		1,092		-
Water quality testing		32,952		43,224
Contracted services		6,027		800
Printing		-		2,332
Advertising		-		999
Automotive supplies		162		94
Repairs and maintenance, vehicles		-		120
Departmental supplies		417		255
Total Septic Health	144,345	124,930	(19,415)	173,128
Operations:				
Salaries and wages		269,204		257,142
FICA expense		19,695		18,931
Group insurance		59,670		53,047
Retirement		27,350		23,089
401(k) account		4,048		3,654
Purchases for resale		956,560		752,856
Reimburse General Fund administrative expenses		413,738		408,674
Insurance		55,680		57,542
Utilities		48,962		51,152
Contracted services		8,582		11,913
Departmental supplies		39,884		34,295
Professional fees		690		1,090
Other supplies		2,803		2,168
Repairs and maintenance, equipment		17,909		17,659
Repairs and maintenance, buildings		670		1,853
Postage		1,578		1,538
Telephone		587		529
Uniforms		1,732		2,424
Dues and subscriptions		3,159		2,442
Equipment rental		444		707
Printing		2,975		3,023
Advertising		-		277
Automotive supplies		6,669		5,852
Travel and Training		1,348		2,924
Repairs and maintenance, vehicles		2,057		924
Total Operations	1,987,592	1,945,994	(41,598)	1,715,705
Operations Distribution:				
Salaries and wages		197,605		196,332
FICA expense		14,562		14,419
Group insurance		49,454		49,580
Group insurance, retiree		14,358		26,291
Retirement		19,993		17,541

Town of Nags Head, North Carolina

Schedule 8

Enterprise Fund - Water Fund

Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2021

With Comparative Actual Amounts for the Year Ended June 30, 2020

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Operations Distribution (continued):				
401(k) account		2,176		2,111
Reimburse General Fund administrative expenses		159,635		136,836
Contracted services		84,879		23,345
Other supplies		15,011		13,359
Repairs and maintenance, other		28,113		31,857
Automobile supplies		5,741		6,301
Departmental supplies		13,776		9,816
Professional fees		7,196		855
Uniforms		2,287		2,610
Repairs and maintenance, vehicles		1,532		2,468
Telephone		1,432		1,054
Dues and subscriptions		1,801		1,379
Advertising		906		560
Repairs and maintenance, equipment		28,730		16,440
Travel and Training		1,811		4,073
Total Operations Distribution	729,618	650,998	(78,620)	557,227
Capital Outlay:				
Machinery and equipment	90,241	44,240		7,721
Infrastructure	476,700	284,798		758,611
Vehicles	65,780	65,780		31,762
Improvements	-	-		37,920
Other	150,000	29,831		-
Total Capital Outlay	782,721	424,649	(358,072)	836,014
TOTAL EXPENDITURES	3,944,372	3,430,135	(514,237)	3,573,176
REVENUES OVER (UNDER) EXPENDITURES	(398,163)	311,881	710,044	(126,150)
Other Financing Sources and (Uses):				
Appropriated Net Position	(460,123)	-		-
Installment finance contract	65,780	65,780		68,582
Sale of capital assets	872,532	872,532		76,886
Transfer to Water Capital Reserve Fund	(20,000)	(15,930)		(8,496)
Debt interest	(1,247)	(1,249)		(676)
Debt principal	(48,779)	(46,430)		(43,008)
Septic Health Loans provided to customers	(40,000)	(23,950)		(17,440)
Principal repayments Septic Health Loans	30,000	29,194		32,754
Total Other Financing Sources and (Uses)	398,163	879,947	481,784	108,602

Town of Nags Head, North Carolina

Schedule 8

Enterprise Fund - Water Fund

Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2021

With Comparative Actual Amounts for the Year Ended June 30, 2020

	2021		Variance Over (Under)	2020
	Budget	Actual		Actual
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	\$ 1,191,828	\$ 1,191,828	\$ (17,548)

RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS

Revenues over (under) expenditures	\$ 1,191,828	\$ (17,548)
Reconciling items:		
Septic Health Loans	23,950	17,440
Principal repayments Septic Health Loans	(29,194)	(32,754)
Payment of debt principal	46,430	43,008
Decrease in accrued interest payable	46	25
(Increase) in accrued vacation payable	(2,327)	(334)
Increase (decrease) in deferred outflows of resources-pensions	37,362	(24,132)
Increase in deferred outflows of resources-OPEB	18,718	10,282
(Increase) in net pension liability	(79,573)	(16,095)
Decrease in deferred inflows of resources-pensions	2,965	903
(Increase) decrease in OPEB liability	(5,022)	10,988
Decrease (increase) in deferred inflows of resources-OPEB	70,306	(77,714)
Installment financing	(65,780)	(68,582)
Capital contributions	21,930	10,496
Capital outlay	424,649	836,014
Loss on disposal of capital asset	(1,498,626)	(76,886)
Depreciation and amortization	(360,225)	(352,818)
Change in net position	\$ (202,563)	\$ 262,293

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, 2021
With Comparative Actual Amounts for the Year Ended June 30, 2020

Schedule 9

	2021			2020
	Budget	Actual	Variance Over (Under)	Actual
Revenues:				
Investment earnings	\$ -	\$ 361	361	\$ 529
Change in fair market value of investments		(599)	(599)	43
Total revenues	-	(238)	(238)	572
Other financing sources (uses):				
Transfers from:				
Water Fund	20,000	15,930	(4,070)	8,496
Appropriated net position	(20,000)	-	20,000	-
Total other financing sources	-	15,930	15,930	8,496
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ -	15,692	\$ 15,692	9,068
Change in net position		\$ 15,692		\$ 9,068

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, 2021

Schedule 10

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Adjustments	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 8,014,267	\$ 8,210,887	\$ 200,394	\$ 3,774
2020-2021 MSD	-	1,492,490	1,496,144	3,656	2
2019-2020	9,780	-	7,844	-	1,936
2019-2020 MSD	614	-	612	-	2
2018-2019	569	-	208	-	361
2018-2019 MSD	1	-	-	-	1
2017-2018	191	-	6	-	185
2017-2018 MSD	1	-	-	-	1
2016-2017	160	-	6	-	154
2015-2016	58	-	-	-	58
2015-2016 MSD	2	-	-	-	2
2014-2015	90	-	-	-	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	-	-
Total	\$ 16,836	\$ 9,506,757	\$ 9,716,862	\$ 204,050	\$ 10,781

Less allowance for uncollectible
ad valorem taxes receivable

\$ 7,500

Ad Valorem Taxes Receivable, net

\$ 3,281

Reconciliation with revenues:

Taxes, ad valorem , General Fund	\$ 8,228,257
Taxes, ad valorem , General Fund, MSD	1,496,670
Reconciling items:	
Amounts written off for tax year 2009-2010	611
DMV written off for tax year 2009-2010	545
Prior year taxes released from Dare County	64
Penalties and interest	(9,530)
Subtotal	<u>(8,310)</u>
Total collections and credits	<u>\$ 9,716,617</u>

Town of Nags Head, North Carolina
Analysis of Current Tax Levy
June 30, 2021

Schedule 11

	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	\$ 3,023,074,681	\$ 0.2650	\$ 8,011,156	\$ 8,011,156	\$ -
Registered Motor Vehicles taxed at current year rates	43,472,382	0.2650	113,489	-	113,489
Registered Motor Vehicles taxed at 2019 year's rate	10,916,485	0.3170	34,605	-	34,605
Registered Motor Vehicles taxed at 2018 year's rate	23,384	0.3070	72	-	72
Penalties	-	-	3,110	3,110	-
Total	3,077,486,932		8,162,432	8,014,266	148,166
Discoveries and Adjustments:					
Current year discoveries and adjustments	22,784,616	0.2650	60,379	60,379	
Penalty Discoveries	-	-	20	20	
Total	22,784,616		60,399	60,399	
Releases and Adjustments:					
Current year releases and adjustments	(3,108,920)	0.3170	(8,079)	(8,239)	
Penalty Releases and Adjustments	-	-	(89)	(89)	
Total	(3,108,920)		(8,168)	(8,328)	
Write-offs or Adjustments:					
Total property valuation	<u>\$ 3,097,162,628</u>				
Net levy			8,214,503	8,066,337	148,166
Uncollected taxes at June 30, 2021			(3,774)	(3,774)	-
Current year taxes collected			<u>\$ 8,210,729</u>	<u>\$ 8,062,563</u>	<u>\$ 148,166</u>
Current levy collection percentage			<u>99.954%</u>	<u>99.953%</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	101
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	111
These tables contain information to help the reader assess the Town's most significant local revenue source: property tax.	
Debt Capacity	116
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	121
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	123
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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities				
Net investment in capital assets	\$ 39,461,419	\$ 36,870,772	\$ 33,903,387	\$ 31,135,962
Restricted	2,841,491	4,215,704	5,228,502	6,624,621
Unrestricted	<u>7,010,760</u>	<u>6,290,213</u>	<u>5,800,045</u>	<u>3,898,698</u>
Total governmental activities net position	<u>\$ 49,313,670</u>	<u>\$ 47,376,689</u>	<u>\$ 44,931,934</u>	<u>\$ 41,659,281</u>
Business-type activities				
Net investment in capital assets	\$ 7,290,657	\$ 6,956,945	\$ 6,615,501	\$ 6,893,822
Restricted	-	-	-	-
Unrestricted	<u>3,435,118</u>	<u>3,503,486</u>	<u>3,714,971</u>	<u>3,552,268</u>
Total business-type activities net position	<u>\$ 10,725,775</u>	<u>\$ 10,460,431</u>	<u>\$ 10,330,472</u>	<u>\$ 10,446,090</u>
Primary government				
Net investment in capital assets	\$ 46,752,076	\$ 43,827,717	\$ 40,518,888	\$ 38,029,784
Restricted	2,841,491	4,215,704	5,228,502	6,624,621
Unrestricted	<u>10,445,878</u>	<u>9,793,699</u>	<u>9,515,016</u>	<u>7,450,966</u>
Total primary government activities net position	<u>\$ 60,039,445</u>	<u>\$ 57,837,120</u>	<u>\$ 55,262,406</u>	<u>\$ 52,105,371</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

	2016	2017	2018	2019	2020	2021
\$	27,708,368	\$ 20,966,687	\$ 21,952,386	\$ 25,110,090	\$ 40,161,631	\$ 36,284,111
	9,021,585	8,329,744	11,467,485	20,760,822	11,135,803	11,184,939
	3,755,364	4,890,365	1,878,340	6,504,243	3,379,930	4,724,498
\$	<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>	<u>\$ 52,193,548</u>
\$	7,151,840	\$ 6,294,923	\$ 6,220,850	\$ 6,084,121	\$ 6,462,459	\$ 5,008,907
	-	-	-	20,747	29,815	45,506
	3,666,132	3,314,466	2,914,008	2,904,685	2,788,642	4,039,632
\$	<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>	<u>\$ 9,094,045</u>
\$	34,860,208	\$ 27,261,610	\$ 28,173,236	\$ 31,194,211	\$ 46,624,090	\$ 41,293,018
	9,021,585	8,329,744	11,467,485	20,781,569	11,165,618	11,230,445
	7,421,496	8,204,831	4,819,348	9,408,928	6,168,572	8,764,130
\$	<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>	<u>\$ 61,287,593</u>

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

	2012	2013	2014	2015
Expenses				
Governmental activities:				
General government	\$ 2,522,896	\$ 9,253,686	\$ 9,408,905	\$ 10,812,062
Public safety	4,779,911	4,894,679	5,251,148	5,274,035
Public Works	2,041,283	1,972,369	2,158,516	2,137,237
Environmental protection	1,725,879	1,721,611	1,744,024	1,726,901
Streets and Drainage	-	-	-	-
Interest on long-term debt	520,237	409,005	319,462	226,348
Total Governmental activities expenses	<u>11,590,206</u>	<u>18,251,350</u>	<u>18,882,055</u>	<u>20,176,583</u>
Business-type activities:				
Water Fund	2,470,495	2,771,846	2,634,525	2,721,655
Storm Water Fund	45,573	29,519	41,395	70,127
Total Business-type activities expenses	<u>2,516,068</u>	<u>2,801,365</u>	<u>2,675,920</u>	<u>2,791,782</u>
Total primary government activities expenses	<u>\$ 14,106,274</u>	<u>\$ 21,052,715</u>	<u>\$ 21,557,975</u>	<u>\$ 22,968,365</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 261,452	\$ 380,445	\$ 426,391	\$ 470,792
Public safety	3,713	3,099	2,018	3,278
Public Works	-	-	-	-
Environmental Protection	-	-	-	-
Operating grants and contributions:				
General government	8,275	6,915	27,570	32,057
Public safety	36,007	34,277	111,572	73,833
Public Works	404,290	43,934	24,000	24,000
Environmental protection	-	-	-	-
Streets and Drainage	-	-	-	-
Capital grants and contributions:				
General Government	2,016,879	2,020,000	1,525,325	2,000,000
Public safety	-	-	83,843	-
Public Works	225,246	309,639	209,432	253,784
Streets and Drainage	-	-	-	-
Total Governmental activities program revenues	<u>2,955,862</u>	<u>2,798,309</u>	<u>2,410,151</u>	<u>2,857,744</u>
Business-type activities:				
Charges for services:				
Water Fund	2,406,526	2,319,482	2,308,365	2,662,592
Storm Water Fund	113,988	114,572	115,364	116,184
Operating grants and contributions:				
Water Fund	14,696	-	-	-
Capital grants and contributions:				
Water Fund	79,500	91,500	95,500	162,500
Total Business-type activities program revenues	<u>2,614,710</u>	<u>2,525,554</u>	<u>2,519,229</u>	<u>2,941,276</u>
Total primary government activities program revenues	<u>\$ 5,570,572</u>	<u>\$ 5,323,863</u>	<u>\$ 4,929,380</u>	<u>\$ 5,799,020</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

	2016	2017	2018	2019	2020	2021
\$	9,974,716	\$ 10,328,168	\$ 3,548,805	\$ 8,197,403	\$ 12,396,326	\$ 12,504,708
	5,402,779	5,501,986	5,791,918	5,922,340	6,340,300	7,036,704
	2,174,552	4,728,501	2,146,924	2,390,713	2,616,743	2,158,949
	1,886,219	1,730,249	1,857,765	1,920,037	2,017,127	2,183,166
	-	545,888	310,542	318,282	381,747	267,697
	143,298	40,122	41,470	430,674	581,012	294,342
	<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>	<u>24,445,566</u>
	2,616,111	2,926,519	3,082,644	3,382,034	3,186,733	3,950,579
	102,667	875,662	-	-	-	-
	<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>3,950,579</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>	<u>28,396,145</u>
\$	407,776	\$ 429,748	\$ 556,438	\$ 251,901	\$ 241,799	\$ 321,514
	3,913	5,661	4,343	33,147	19,946	34,925
	-	-	-	73,813	109,837	99,103
	-	-	-	7,459	3,688	1,661
	185,181	396,069	24,275	37,696	649,033	646,167
	70,628	84,511	58,844	100,179	189,960	71,984
	24,000	38,720	24,000	15,812	52,467	24,000
	30,000	92,574	-	17,222	60,898	-
	-	42,691	93,831	5,165	4,123	110,487
	2,000,000	6,000	1,047,680	17,726,292	7,726,152	58,943
	7,000	22,676	23,131	-	227,579	282,649
	136,076	999,257	185,000	512,450	-	169,458
	-	952,487	25,432	202,805	136,387	-
	<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>	<u>1,820,891</u>
	2,720,922	2,533,007	2,696,650	3,088,432	3,365,591	3,713,838
	233,540	-	-	-	-	-
	-	-	-	-	-	2,100
	102,500	104,500	145,000	22,461	10,496	64,930
	<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>3,780,868</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>	<u>5,601,759</u>

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

	2012	2013	2014	2015
Net (Expense)/Revenue				
Governmental activities	\$ (8,634,344)	\$ (15,453,041)	\$ (16,471,904)	\$ (17,318,839)
Business-type activities	98,642	(275,811)	(156,691)	149,494
Total primary government net expense	<u>\$ (8,535,702)</u>	<u>\$ (15,728,852)</u>	<u>\$ (16,628,595)</u>	<u>\$ (17,169,345)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes levied for general purpose	\$ 5,493,052	\$ 5,532,574	\$ 6,007,054	\$ 6,245,990
Municipal service district taxes	1,784,860	1,800,722	1,793,280	1,826,183
Occupancy tax	1,947,935	2,549,080	2,492,045	2,637,450
Land transfer taxes	409,087	525,314	532,837	664,756
Sales taxes	1,530,336	2,197,553	2,233,617	2,343,993
Other taxes and licenses	38,324	59,393	45,939	68,143
Intergovernmental revenues not restricted	642,976	658,137	699,313	841,649
Net unrestricted investment earnings	116,372	35,785	80,246	75,122
Miscellaneous	231,266	157,502	137,618	188,115
Capital Contributions	2,914,080	-	5,200	-
Transfers	-	-	-	-
Total Governmental activities	<u>15,108,288</u>	<u>13,516,060</u>	<u>14,027,149</u>	<u>14,891,401</u>
Business-type activities				
Unrestricted investment earnings	2,805	7,378	24,968	21,810
Miscellaneous	13,233	3,089	1,764	19,211
Transfers	-	-	-	-
Total Business-type activities	<u>16,038</u>	<u>10,467</u>	<u>26,732</u>	<u>41,021</u>
Total primary government	<u>\$ 15,124,326</u>	<u>\$ 13,526,527</u>	<u>\$ 14,053,881</u>	<u>\$ 14,932,422</u>
Change in Net Position				
Governmental activities	6,473,944	(1,936,981)	(2,444,755)	(2,427,438)
Restatement - Governmental activities	-	-	-	(845,215)
Business-type activities	114,680	(265,344)	(129,959)	190,515
Restatement - Business-type activities	-	-	-	(74,897)
Total primary government change in net position	<u>\$ 6,588,624</u>	<u>\$ (2,202,325)</u>	<u>\$ (2,574,714)</u>	<u>\$ (3,157,035)</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

	2016	2017	2018	2019	2020	2021
\$	(16,716,990)	\$ (19,804,520)	\$ (11,654,450)	\$ (195,508)	\$ (14,911,386)	\$ (22,624,675)
	338,184	(1,164,674)	(240,994)	(271,141)	189,354	(169,711)
\$	<u>(16,378,806)</u>	<u>(20,969,194)</u>	<u>(11,895,444)</u>	<u>(466,649)</u>	<u>(14,722,032)</u>	<u>(22,794,386)</u>
\$	6,302,099	\$ 7,067,172	\$ 7,147,201	\$ 7,456,247	\$ 7,785,799	\$ 8,222,813
	1,823,812	-	1,412,472	1,414,525	1,422,383	1,496,059
	2,637,733	2,572,622	2,419,390	2,870,519	2,741,871	4,152,935
	658,595	617,313	592,775	711,883	719,914	1,639,383
	2,486,409	2,533,000	2,339,634	2,721,543	2,761,461	3,546,353
	60,313	65,435	60,239	53,543	64,487	59,357
	1,080,122	1,018,345	880,000	960,846	932,135	918,654
	113,379	86,867	98,515	894,881	571,689	(124,386)
	187,746	187,262	59,916	188,465	213,856	229,691
	-	-	-	-	-	-
	-	69,670	-	-	-	-
	<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>	<u>20,140,859</u>
	31,578	21,271	22,186	116,854	79,816	(19,280)
	2,120	4,490	2,951	1,982	2,193	2,120
	-	(69,670)	-	-	-	-
	<u>33,698</u>	<u>(43,909)</u>	<u>25,137</u>	<u>118,836</u>	<u>82,009</u>	<u>(17,160)</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>	<u>20,123,699</u>
	(1,366,782)	(5,586,834)	3,355,692	17,076,944	2,302,209	(2,483,816)
	192,818	(711,687)	(2,244,277)	-	-	-
	371,882	(1,208,583)	(215,857)	(152,305)	271,363	(186,871)
	-	-	(231,674)	-	-	-
\$	<u>(802,082)</u>	<u>(7,507,104)</u>	<u>663,884</u>	<u>16,924,639</u>	<u>2,573,572</u>	<u>(2,670,687)</u>

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

(modified accrual basis of accounting)

	2012	2013	2014	2015
General Fund				
Non-Spendable	\$ 63,066	\$ 80,712	\$ 73,383	\$ 71,433
Restricted	2,106,112	3,860,363	5,040,137	6,496,072
Committed	-	-	-	-
Assigned	370,939	477,850	399,000	317,500
Unassigned	8,043,077	7,906,928	6,653,787	5,738,240
Total General Fund	<u>\$ 10,583,194</u>	<u>\$ 12,325,853</u>	<u>\$ 12,166,307</u>	<u>\$ 12,623,245</u>
All Other Governmental Funds				
Restricted	\$ 735,379	\$ 355,341	\$ 188,365	\$ 301,156
Committed	1,272,338	1,376,076	343,663	11,914
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 2,007,717</u>	<u>\$ 1,731,417</u>	<u>\$ 532,028</u>	<u>\$ 313,070</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

	2016	2017	2018	2019	2020	2021
\$	78,175	\$ 55,000	\$ 66,336	\$ 73,868	\$ 72,625	\$ 73,819
	9,228,864	6,984,415	10,060,421	20,760,822	11,135,803	11,184,939
	263,271	262,520	223,371	189,105	125,744	53,702
	74,169	275,503	450,000	411,332	-	316,712
	5,398,644	6,579,895	6,378,688	6,981,462	8,634,215	8,185,984
\$	<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>	<u>19,815,156</u>
\$	38,146	\$ 1,511,112	\$ 1,407,064	\$ -	\$ -	\$ -
	-	787,241	700,810	-	-	4,477,581
	-	-	-	17,889,355	2,386,849	-
	-	-	-	-	-	-
\$	<u>38,146</u>	<u>2,298,353</u>	<u>2,107,874</u>	<u>17,889,355</u>	<u>2,386,849</u>	<u>4,477,581</u>

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

	2012	2013	2014	2015
Revenues				
Ad valorem taxes	\$ 7,259,885	\$ 7,327,126	\$ 7,804,535	\$ 8,073,532
Other taxes and licenses	3,964,479	5,365,819	5,360,806	5,723,727
Unrestricted intergovernmental revenues	604,179	623,658	642,945	841,649
Restricted intergovernmental revenues	2,682,367	2,406,193	1,971,466	2,366,589
Permits and fees	210,166	226,348	258,038	307,544
Sales and services	3,713	3,099	2,018	3,278
Net investment earnings	116,372	35,760	80,246	75,122
Other revenues	1,104,882	320,196	316,247	368,451
Total revenues	<u>15,946,043</u>	<u>16,308,199</u>	<u>16,436,301</u>	<u>17,759,892</u>
Expenditures				
General government	2,420,367	2,403,961	2,479,757	3,835,487
Public safety	4,252,516	4,462,517	4,749,036	4,951,779
Environmental protection	1,452,230	1,425,084	1,465,995	1,463,177
Public works	1,643,559	1,533,263	1,637,644	1,605,570
Streets and Drainage	-	-	-	-
Debt service				
Principal	5,010,660	4,267,602	4,320,700	4,454,715
Interest	520,237	409,005	319,462	226,348
Capital Outlay	26,220,836	1,396,226	3,761,181	1,737,968
Total expenditures	<u>41,520,405</u>	<u>15,897,658</u>	<u>18,733,775</u>	<u>18,275,044</u>
Excess (deficiency) of revenues over expenditures	(25,574,362)	410,541	(2,297,474)	(515,152)
Other financing sources (uses)				
Installment financing	269,482	1,055,818	938,539	753,132
Transfers from other funds	1,027,251	-	1,000,000	-
Transfers to other funds	(1,027,251)	-	(1,000,000)	-
Sale of Capital Assets	-	-	-	-
Total other financing sources	<u>269,482</u>	<u>1,055,818</u>	<u>938,539</u>	<u>753,132</u>
Net change in fund balances	<u>\$ (25,304,880)</u>	<u>\$ 1,466,359</u>	<u>\$ (1,358,935)</u>	<u>\$ 237,980</u>
Debt service as a percentage of non-capital expenditures	36.15%	32.25%	30.99%	28.31%

TABLE 4

	2016	2017	2018	2019	2020	2021
\$	8,138,686	\$ 7,067,296	\$ 8,559,752	\$ 8,869,938	\$ 9,199,976	\$ 9,724,927
	5,866,657	5,799,168	5,411,329	6,366,165	6,288,313	9,398,513
	1,080,122	1,018,345	880,000	960,846	932,135	918,654
	2,428,829	1,742,369	1,283,785	18,564,123	9,036,209	1,349,356
	281,000	325,505	367,214	300,228	268,293	358,100
	3,913	92,226	69,837	66,091	106,977	99,103
	113,380	86,867	98,515	894,881	571,689	(124,386)
	281,436	214,459	186,555	185,920	191,700	207,365
	<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>	<u>21,931,632</u>
	2,732,414	3,042,364	2,798,124	2,996,329	3,170,729	3,115,138
	4,978,495	5,076,316	5,355,905	5,418,519	5,526,696	6,091,021
	1,637,808	1,527,864	1,589,536	1,653,298	1,749,846	1,820,910
	1,644,467	1,594,503	1,548,039	1,626,009	1,756,630	1,932,203
	-	141,859	69,318	50,875	110,240	38,979
	4,581,963	1,053,956	1,216,638	1,293,230	20,022,960	3,816,919
	131,632	38,150	37,307	41,431	826,491	340,777
	1,601,067	3,577,748	2,523,113	25,960,813	19,638,796	4,247,851
	<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>	<u>21,403,798</u>
	886,177	293,475	1,719,007	(2,832,312)	(26,207,096)	527,834
	1,015,819	988,525	1,090,403	29,831,220	2,223,843	1,373,008
	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	36,658
	<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>1,409,666</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>	<u>1,937,500</u>
	30.01%	8.75%	9.94%	10.20%	62.87%	24.23%

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
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%	42	6,940,415	99.998%
	MSD	-	-	-	-	-	-
2018	Town Tax	7,013,398	7,012,961	99.994%	251	7,013,212	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%	1,388	7,315,884	99.995%
	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%	7,844	7,634,293	99.975%
	MSD	1,417,273	1,416,659	99.957%	614	1,417,273	100.000%
2021 [1]	Town Tax	8,066,495	8,062,721	99.953%	[2]	8,062,721	99.953%
	MSD	1,490,916	1,490,914	100.000%	[2]	1,490,914	100.000%

[1] Revaluation of taxable property occurred on January 1, 2005, January 1, 2013 and January 1, 2020. 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	
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
2021	2,950,695,331	69,509,322	54,412,251	22,545,724

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>
3,112,627,197	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
3,097,162,628	0.2650	99.91%	3,099,952,585

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]
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
2021	0.265 Town Wide Rate 0.1430 MSD Rate	0.4005

[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, 2021			June 30, 2012		
	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation
Dominion NC Power	\$ 18,297,887	1	0.60%	\$ 16,076,868	7	0.52%
SRE Mustang (previously Tanger)	15,069,553	2	0.50%	12,299,002	10	0.40%
Nags Head Company, LLC	14,028,177	3	0.46%	14,030,270	9	0.46%
Stanford M. White	12,800,505	4	0.42%	20,030,563	4	0.65%
Ocean Carolina, LLC	11,913,258	5	0.39%			
Brian K. Newman	10,770,376	6	0.35%	20,027,848	5	0.65%
Mildred Roughton	10,127,028	7	0.33%	24,850,823	1	0.81%
The Lacour Group, LLC	9,999,172	8	0.33%	22,629,228	2	0.73%
The Outer Banks Hospital, Inc.	9,754,300	9	0.32%			
Clubcorp Golf of North Carolina	9,743,450	10	0.32%	16,275,369	6	0.53%
Kenneth Simpler				21,228,558	3	0.69%
Nags Head Inn				15,645,679	8	0.51%
	<u>\$ 122,503,706</u>		<u>4.03%</u>	<u>\$ 183,094,208</u>		<u>5.94%</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	
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
2021	3,570,958	6,828,000	79,295	10,478,253

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>
0.64%	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	17.68%
0.54%	0.54%	4,204	*
0.34%	0.34%	3,300	*

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Assessed Value of Property	\$ 3,112,627,197	\$ 3,133,209,763	\$ 2,328,518,697	\$ 2,332,706,201
Debt Limit, 8% of Assessed Value (Statutory Limitation)	\$ 249,010,176	\$ 250,656,781	\$ 186,281,496	\$ 186,616,496
Amount of debt applicable to limit				
Gross debt	\$ 16,744,909	\$ 13,443,610	\$ 10,094,857	\$ 6,273,507
Total net debt applicable to limit	\$ 16,744,909	\$ 13,443,610	\$ 10,094,857	\$ 6,273,507
Legal Debt Margin	<u>\$ 232,265,267</u>	<u>\$ 237,213,171</u>	<u>\$ 176,186,639</u>	<u>\$ 180,342,989</u>
Total net debt applicable to the limit as a percentage of debt limit	6.72%	5.36%	5.42%	3.36%
Total net debt applicable to the limit as a percentage of assessed value	0.54%	0.43%	0.43%	0.27%

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

2016	2017	2018	2019	2020	2021
\$ 2,351,897,661	\$ 2,376,353,295	\$ 2,403,107,381	\$ 2,425,366,425	\$ 2,451,719,147	\$ 3,097,162,628
\$ 188,151,813	\$ 190,108,264	\$ 192,248,590	\$ 194,029,314	\$ 196,137,532	\$ 247,773,010
\$ <u>2,618,501</u>	\$ <u>2,491,465</u>	\$ <u>2,250,779</u>	\$ <u>30,676,357</u>	\$ <u>12,902,814</u>	\$ <u>10,478,253</u>
\$ 2,618,501	\$ 2,491,465	\$ 2,250,779	\$ 30,676,357	\$ 12,902,814	\$ 10,478,253
\$ <u><u>185,533,312</u></u>	\$ <u><u>187,616,799</u></u>	\$ <u><u>189,997,811</u></u>	\$ <u><u>163,352,957</u></u>	\$ <u><u>183,234,718</u></u>	\$ <u><u>237,294,757</u></u>
1.39%	1.31%	1.17%	15.81%	6.58%	4.23%
0.11%	0.10%	0.09%	1.26%	0.53%	0.34%

TABLE 11

TOWN OF NAGS HEAD, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2021

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable [1]</u>	<u>Estimated Share of Overlapping Debt</u>
Dare County	\$ 100,710,951	19.18%	\$ 19,317,897
Town of Nags Head direct debt			10,398,959
Total direct and overlapping debt			<u>29,716,856</u>

Sources: Assessed value data used to estimate applicable percentages and debt outstanding 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]
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	173,525,504	57,688	5,233	5.1%
2020	3,069	*	*	5,367	8.2%
2021	3,175	*	*	5,131	6.9%

[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 11/17/2020

[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, 2021			June 30, 2012		
	Employees [1]	Rank [2]	Percent of Total Town Employment	Employees [1]	Rank [3]	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	2	*
Village Realty & Management Serv.	100 - 249	4	*	250 - 499	3	*
Town of Nags Head	100 - 249	5	*	100 - 249	7	*
State of NC Dept of Cultural Resource	100 - 249	6	*	100 - 249	8	*
*	*	7	*	-	-	*
*	*	8	*	-	-	*
*	*	9	*	*	9	*
*	*	10	*	*	10	*
East Carolina Health Inc				250 - 499	4	*
Stan White Realty				100 - 249	5	*
Kitty Hawk Kites				100 - 249	6	*

[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.
 [3] Employment data is only available in rank 1-8 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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function/Program										
General government										
Administration	6	6	6	6	6	6 3/4	7 1/2	7 1/2	6 3/4	5 3/4
Administrative Services	6	6	6	6	6	6	6	6	6	7
Information Technology	2	2	2	2	2	2	2	1	1	1
Planning and Development	9	8	8	8	8 1/2	8 1/2	9	9 1/2	10 3/4	10 3/4
Public Safety										
Police	24	24	24	24	25	25	25	25	25	25
Fire	27	27	27	27	27	27	27	27	27 1/3	27 1/3
Ocean Rescue	22	23	24	24	24	26	26	26	25 2/3	50 2/3
Year-round	1	1	1	1	1	1	1	1	2/3	2/3
Seasonal Lifeguards	21	22	23	23	23	25	25	25	25	50
Environmental Protection										
Solid Waste	12	10	10	10	10	10	11	11	11 1/2	9 1/2
Public Works										
Administration	4	4	4	4	4	3	2 3/4	2 3/4	2 3/4	2 3/4
Facilities Maintenance	9 1/2	10	9 1/2	9 1/2	10 1/2	10 1/2	11	12	12 1/2	13
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	2 1/2	2 1/2	2 1/4	2 1/4
Septic Health	1	1	1	1	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Water Operations	4	4	4	4	4	4	4	5	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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Population	2,780	2,791	2,901	2,916
Police:				
Crime Activity: Reported				
Rape (includes attempts):	7	7	9	11
Robbery (includes attempts):	2	2	3	-
Assaults (felonious & misdemeanor):	80	65	90	65
Burglary(breaking/entering-structures):	92	76	65	150
Larceny:	466	258	231	191
Auto Larceny:	7	6	2	7
Arson/unlawful burnings:	-	-	-	2
All other crimes (unspecified above):	424	383	404	493
Total Crime:	1,078	797	804	919
Traffic Activity:				
Traffic Accidents	275	230	248	269
Driving while impaired arrests	118	62	57	56
General traffic violations-citation	1,093	663	1,010	1,150
General traffic violations-warning	1,711	872	1,307	1,291
Parking violations-citation issued	1	2	-	1
All other traffic-related, non-violation	162	95	61	43
Total Traffic	3,360	1,924	2,683	2,810
General Calls for Service:				
Police calls-emergency status, non-emergency, traffic control	10,197	11,775	9,863	10,584
Animal control calls	848	422	-	304
Total General Calls for Service	11,045	12,197	9,863	10,888
Total all Police/Animal Control Activity	15,483	14,918	13,350	14,617

Source: Budget documents and individual Town departments.

TABLE 15

Page 1of 3

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
2,954	2,977	2,994	3,008	3,069	3,175
3	3	1	4	2	3
1	1	2	-	1	1
85	98	77	74	73	75
98	112	111	46	17	42
201	106	116	94	96	87
6	8	5	2	3	5
4	-	1	-	1	-
395	532	375	249	198	207
793	860	688	469	391	420
251	266	258	258	229	233
53	50	68	47	37	40
1,406	1,746	1,714	1,067	2,148	1019
1,938	2,190	2,408	1,891	1,384	1103
1	2	7	2	19	129
46	108	45	61	208	245
3,695	4,362	4,500	3,326	4,025	2769
11,760	11,244	17,156	14,590	11,711	14066
355	265	667	661	635	716
12,115	11,509	17,823	15,251	12,346	14782
16,603	16,731	23,011	19,046	16,762	17971

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Fire:				
Number of volunteer firemen	14	15	13	16
Number of calls answered	943	902	877	918
Total dollar loss	\$ 49,240	\$ 1,188,900	\$ 14,300	\$ 716,650
Planning:				
Building permits:				
One and Two Family Dwellings	28	32	24	48
Residential multi-family	-	-	-	-
Commercial/Government/Other	1	-	2	1
Miscellaneous:	314	275	333	351
Accessory Structure	38	46	56	59
Addition	22	16	12	22
Demolition	7	6	6	16
Move	-	-	1	6
Remodel	78	62	62	58
Repair	169	145	196	190
Trade Permits:				
Electrical	477	483	497	447
Gas	23	28	17	27
Mechanical	369	385	407	446
Plumbing	121	102	100	123
Sprinkler	5	3	9	7
Number of CAMA permits issued	37	43	42	45
Number of land disturbance permits issued	*	*	13	23
Number of certificates of occupancy issued	22	34	27	42
Site plan reviews:				
Commercial	8	2	4	4
Residential	*	*	*	*
Number of zoning amendments	21	16	12	12
Number of variance applications	3	4	2	2
Number of exempt plats issued	2	-	-	-
Number of code compliance inspections	379	306	231	198

* Information Unavailable

Source: Budget documents and individual Town departments.

TABLE 15

Page 2 of 3

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
12	9	10	8	4	3
882	1,116	1,092	1,057	958	990
\$ 457,150	\$ 1,273,400	\$ 142,700	\$ 1,391,700	\$ 266,050	\$ 290,400
33	31	45	25	13	24
1	-	-	-	-	-
-	3	4	4	2	-
416	348	339	425	437	431
42	38	40	46	46	51
14	35	17	21	17	29
6	6	7	6	2	7
6	-	-	-	-	-
47	66	67	92	98	132
301	203	208	260	274	212
533	538	571	492	424	545
31	41	31	23	21	37
454	468	485	434	373	443
112	129	135	100	92	96
7	6	13	4	3	3
71	54	65	59	30	31
34	19	35	21	38	71
30	38	34	40	23	19
5	3	12	8	6	1
*	*	*	*	*	*
11	10	9	5	10	13
2	6	2	1	5	8
1	2	2	2	2	3
193	1,430	1,315	1,064	774	883

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Planning continued:				
Total building permit fees	\$ 134,166	\$ 156,813	\$ 177,594	\$ 221,100
Total site plan review fees	\$ 16,212	\$ 19,761	\$ 21,970	\$ 12,538
Total CAMA permit fees	\$ 3,800	\$ 4,500	\$ 5,100	\$ 5,300
Total construction valuation	\$ 15,343,320	\$ 20,838,802	\$ 22,017,479	\$ 36,682,703
Septic Health:				
Tank Inspections	241	212	301	324
Tanks Pumped	30	43	56	43
Water Quality Sites Tested	196	163	273	253
Refuse collection:				
Refuse collection (tons)	8,580.07	8,325.82	8,239.19	8,225.68
Bulk (tons)	457.78	529.93	512.64	703.52
Water:				
Number of new services	29.0	41.0	34.0	60.0
Number of new customers	155.0	172.0	171.0	248.0
Daily consumption (million gallons)	1.2	1.2	1.3	1.2
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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 201,576	\$ 199,232	\$ 229,929	\$ 190,236	\$ 189,016	\$ 221,005
\$ 10,290	\$ 35,727	\$ 36,193	\$ 8,442	\$ 10,930	\$ 15,822
\$ 8,600	\$ 5,300	\$ 7,400	\$ 5,900	\$ 3,900	\$ 3,700
\$ 29,925,081	\$ 30,640,450	\$ 36,335,579	\$ 25,775,548	\$ 20,393,237	\$ 26,197,676
298	281	283	376	40	171
54	59	101	78	132	94
322	299	285	299	259	230
8,253.29	8,593.27	8,568.64	8,209.21	7,873.47	9924.64
423.83	628.82	485.52	522.26	567.16	887.25
31.0	36.0	38.0	41.0	19.0	25.0
236.0	250.0	248.0	279.0	351.0	619.0
1.1	1.2	1.2	1.3	1.0	1.2
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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</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	14	15	15
Other public works				
Paved streets (miles)	34.62	24.7	34.82	34.82
Unpaved streets (miles)	2.25	2.25	2.36	2.36
Street lights	427	427	427	427
Parks and recreation				
Number of parks	2	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)	101.14	101.14	101.30	101.64
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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
16	16	18	20	17	17
34.82	34.77	34.77	34.77	34.77	34.94
2.36	2.36	2.36	2.36	2.37	2.37
427	427	427	427	427	427
2	2	2	3	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	15.3	15.7
1	1	1	1	1	1
102.02	1020.15	102.20	102.2	102.5	103.0
550	550	557	559	553	562
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.

**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, 2021 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 22, 2021.

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 22, 2021